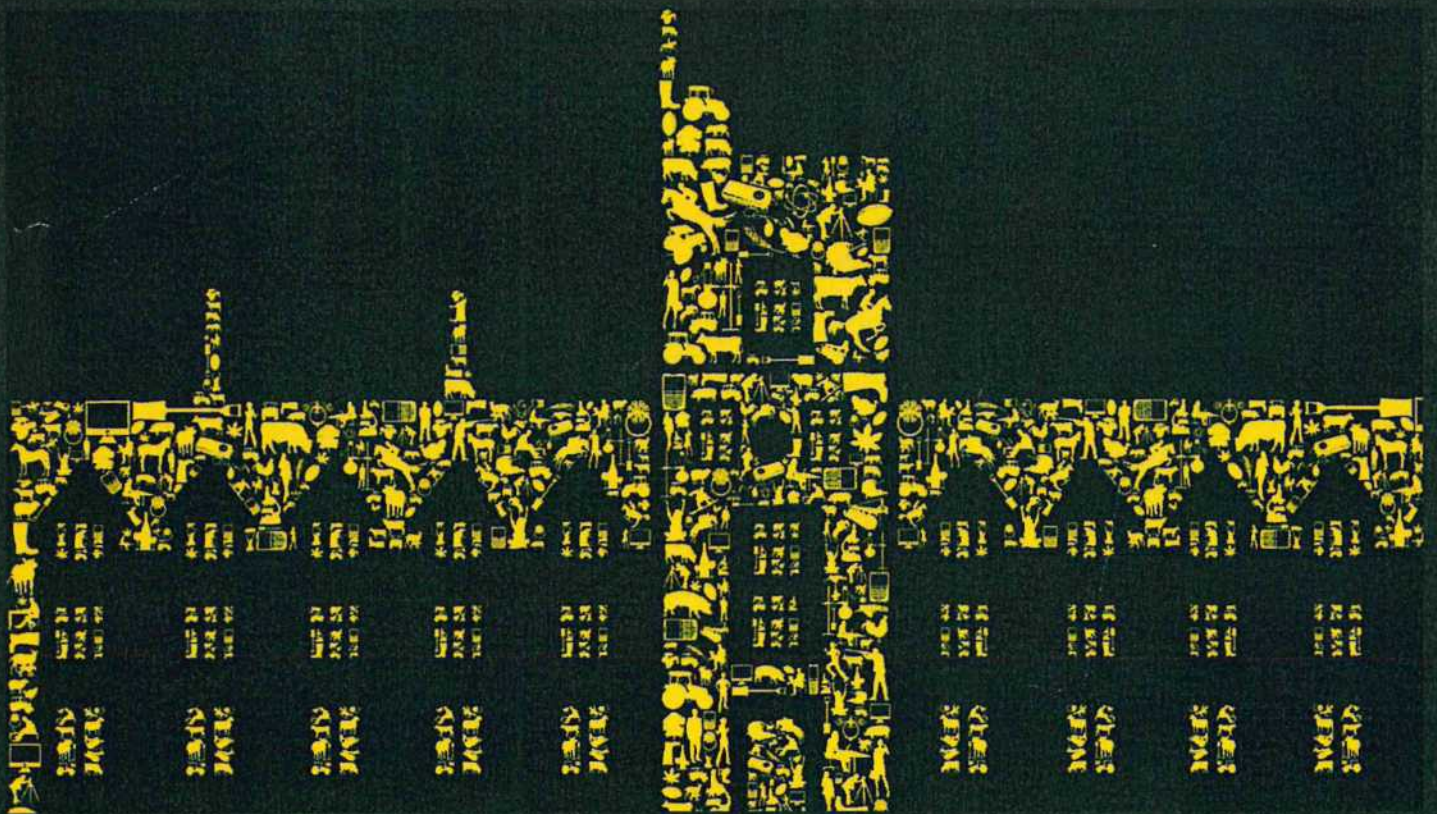


Registered Company Number 99168
Charity Registered Number 311780



Annual Report and Financial Statements

for the year ended 31 July 2014



Royal Agricultural University

Annual report and financial statements for the year ended 31 July 2014

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Royal Agricultural University

Foreword by the Chairman of Governors

I was delighted and honoured to be elected as Chairman of the Governing Council at the shareholders' meeting last December and anticipate a period of sustained achievement as we continue to implement our ambitious future plans.



It has been a very good year for our University and whilst our education is of course more rounded than mere academic success, we were delighted this year to have even better results than the previous year; the number of first and upper second degrees awarded is at an all-time high.

Amongst the notable events this year has been the opening of the Innovation Centre at Harnhill, a state of the art development for the training and practising of key rural skills. In addition we have launched the School of Equine Management and Science, an initiative that will consolidate and accelerate existing learning within the University.

Student numbers are both high and growing and we take great pleasure at the success our graduates have in finding quick and worthwhile employment when they leave this place. As one of our newly created Honorary Fellows said at Convocation, our role as individuals is to play a full part in the creation of a better world with a more sustainable supply of food. The students who pass through the University are fully committed to that goal.

May I express my thanks to the Principal, Vice Principal, the Director of Finance and Administration, Deans and all our staff, academic or support for the hard work that has gone into the last year and whose dedication has resulted in the achievements set out in this report. Government changes to the funding of higher education have not been without challenges, but I am pleased to report that the Royal Agricultural University has continued to go from strength to strength.

A large, stylized handwritten signature in black ink. The signature is cursive and flows from left to right, starting with a large loop and ending with a long, sweeping tail.

Jeremy Lewis B.Sc (Econ) FCA (ret'd)
Chairman of Governors

Royal Agricultural University

Group Strategic Report



Introduction by the Principal

This has been a further year of significant progress and development for the Royal Agricultural University (RAU) in a changing Higher Education sector that has absorbed the introduction of higher fees and awaits the impact of the removal of the control of student numbers. The competition for students, both home and overseas will intensify, and successful institutions

will need to provide the best environment possible for their students and staff, and demonstrate positive outcomes in terms of achievement and employment. The University continues to prepare itself for this developing landscape with confidence, whilst celebrating the successes and achievements of the 2013/14 academic year just ended.

To meet these challenges, and following the achievement of University status and the change of title to the Royal Agricultural University in 2013, the University has published its new Corporate Plan for 2014 to 2019. This contains a series of key and ambitious strategic objectives built around expansion, and includes developments in the student and staff experience, new portfolio development, research, partnerships and international activity. An example is the establishment of a new School in Equine Management and Science (SEMS). This development represents a significant step and underlines the success of the equine courses, first introduced some 20 year ago, not least through the success of their alumni.

2014 also saw the opening of the Rural Innovation Centre (RIC) at Harnhill, an investment of over £1,200k for a centre that will provide facilities for teaching and research, a home for the Rural Skills Centre, and crucially a tangible example and facility for the University's connections and collaborations with the industries that we serve. The RIC was opened by Professor Sir John Beddington, now a Governor of the RAU, having already been visited by our President, HRH The Prince of Wales.

The RIC also provides part of the base for the University's new Centre for Research Translation. The development of scientific and other advances into innovation and best practice in agriculture and food is crucial for the provision of a sustainable global food supply, a point emphasised by the Right Honourable David Willetts MP when he delivered the annual Bledisloe Lecture in 2013. The new Centre will address and solve real world agricultural problems, providing both a bridge between the laboratory and the producer, but also developing best practice in translating that information. The University continues to benefit from the growing importance of land-based subjects to society and a corresponding increase in interest in courses and careers associated with agriculture, food and management of the land. The number of student applications increased again in 2013, not only for traditional programmes but also the one year courses at both non degree and postgraduate level. The RAU continues to attract significant numbers of overseas students, representing 16% of the student body. Retention rates remain high, putting the RAU amongst the best in the University sector.

Examination results, the proper measure of the quality of the students and staff, improved still further in 2014, with a higher than ever percentage of First and Upper Second Honours degrees awarded. It is a further reflection of the quality of RAU graduates that the employment rate from

Royal Agricultural University

undergraduate courses rose to 96.3%, with postgraduates at 97.5%, putting the RAU at the top of land-based universities and in the top ten of universities nationally. Some 50% of academic staff hold a recognised teaching qualification and a further quarter are Fellows of the HE Academy. In addition, Investors in People status achieved in 2011 was successfully re-awarded in April 2014.

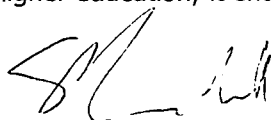
The University's Access Agreement and plans for widening participation have once again been accepted by the Office for Fair Access (OFFA). The agreement lays responsibilities on the University which will be assessed on a regular basis by OFFA. Attracting new talent is crucial for the industries that the University serves, and the RAU has developed a suite of programmes that encourage progression for both those who have achieved well prior to joining the University, and for those who have perhaps been less well served by their previous education. The RAU is also committed to developing relationships with providers such as Further Education Colleges, acting both to provide validation for Higher Education delivered locally but also to offer progression opportunities for students who wish to develop their education further.

Student recruitment to all programmes remains key to the success of the University and remained strong for the academic year 2013/14, with the University slightly above its permitted number as dictated by its student number control (SNC). The situation for 2014 intake is also encouraging, both in terms of this year and ahead of the removal of SNCs in 2015 when all universities will be exposed to a greater degree of institutional competition for students. Competition remains fierce for overseas students wishing to study in the UK, but the RAU continues to attract students from over 40 countries around the world each year.

Key to the success of a university is its research, both in advancing the subjects where it has responsibility but also in providing the environment for research-informed teaching and learning. The RAU is working towards research degree awarding powers and is successfully increasing the number of research students. New academic appointments, of which there were 10 this academic year, are providing an impetus to the research activity of the University.

The University continues to explore alternate sources of income to cushion it against reductions in revenue from student fees and public sector grants. It is expanding its provision of programmes at postgraduate level, with a suite of new programmes planned for 2015, and building its research and consultancy activity. It also continues to develop its fundraising work and the University has identified a series of long-term projects for which it is seeking financial support. The University was created in 1845 through the vision and philanthropy of forward-thinking individuals, and this spirit is as relevant now as then. The RAU recognises and is very appreciative of the support it receives from its alumni, a point underlined in this academic year by the success of the first telephone fundraising event. The telephone campaign will be repeated as an annual event and is providing support particularly for students through facilities and bursaries.

The University is well positioned to deliver its strategic objectives, deal with the challenges ahead, and make full use of the undoubted opportunities that exist both in the areas in which it works and in higher education; it enters 2015 with confidence.



Professor Chris Gaskell CBE
Principal

Royal Agricultural University

Group Strategic Report

Our Strategic Priorities:

Our Strategic Priorities, as set out in the University's Corporate Plan for 2014 to 2019, are:-

1. To develop an outstanding and sustainable academic environment for study and work both on and off-campus through increases in the numbers of high quality students and staff
2. To develop a range of unique industry-relevant and accessible courses at undergraduate and postgraduate level that serves agriculture, food, property and the built environment in their broadest contexts
3. To provide leadership through the development of the University's international profile through the growth of international schools at RAU Cirencester and with partners overseas
4. To catalyse the development of the campus and farms and facilities of the University through partnerships with industry, other institutions and philanthropists
5. To increase the research activity and profile of the University
6. To maximise the utilisation of the campus, augmenting the core business usage with commercial activities
7. To be an institutional exemplar for working in an ethical and an increasingly sustainable environment
8. Through translation, stimulate a culture of creativity, enterprise and innovation, maximising the beneficial economic and social impact of our intellectual assets
9. To ensure that the institution develops and maintains high quality support and administrative functions that ensure compliance with its formal, legal and regulatory requirements; and provide appropriate systems and services for both internal and external audiences in an appropriate and efficient manner

In order to monitor performance against these priorities a system of 'Traffic Light Reporting' has been developed. This is used to report regularly on the actions to support the achievement of the Corporate Plan. Detailed reports are provided to Senior Management Group and the Planning & Resources Committee. A higher level executive summary report on progress comes to Governing Council at each of their meetings to enable Governors to monitor progress against the Corporate Plan Strategic Priorities.

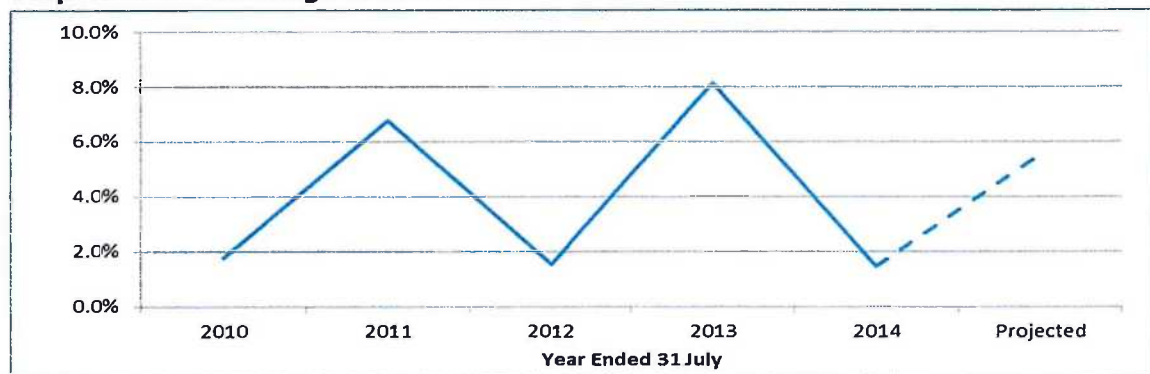
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Group Strategic Report

The University reports a surplus after depreciation and Financial Reporting Standard 17 (FRS 17) for the year of £250k (2013: £1,330k). The year's results have been reduced by a one off provision of £600k for a withdrawal charge following the strategic decision to withdraw employees from the Universities Superannuation Scheme (USS) whilst the 2013 result was inflated by £1,426k profit on the sale of land and property at Coates.

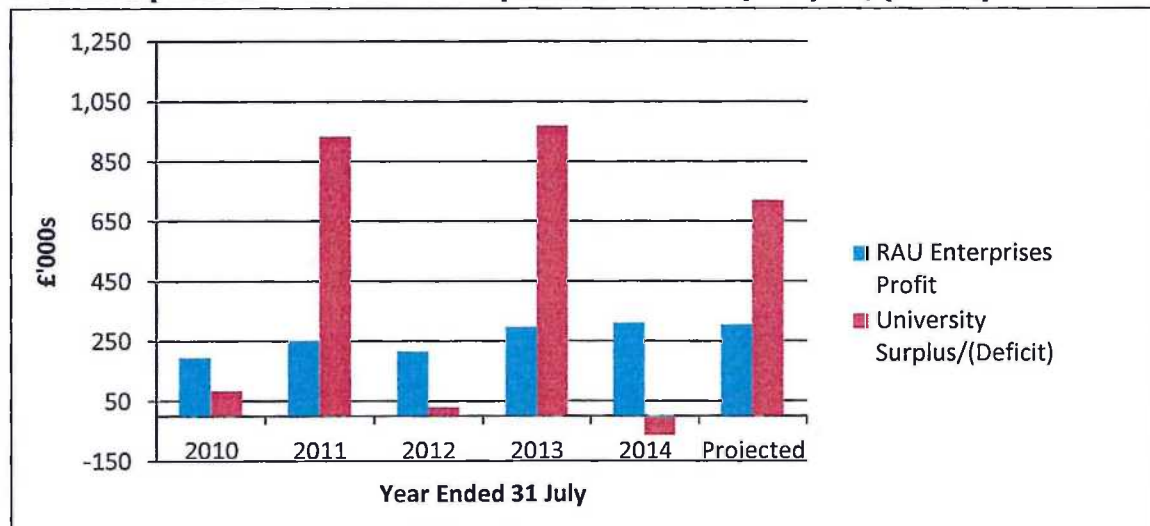
The medium term financial strategy for the University is to achieve a surplus equal to or greater than the 4.5% recommended by HEFCE for long term financial sustainability. Over the last five trading years its cumulative surpluses have ranged from 1.5% in 2012 and 2014 to 7.8% in 2013 with a rolling average of 3.9%. The cyclical nature of the annual results for the last two years have largely been caused by the two one-off items referred to above. In general the economic downturn has adversely impacted commercial activity and therefore the overall results. The earlier good year end of 2011 benefited from one off HEFCE University Modernisation Fund (UMF) grant income.

Surplus as a Percentage of Turnover



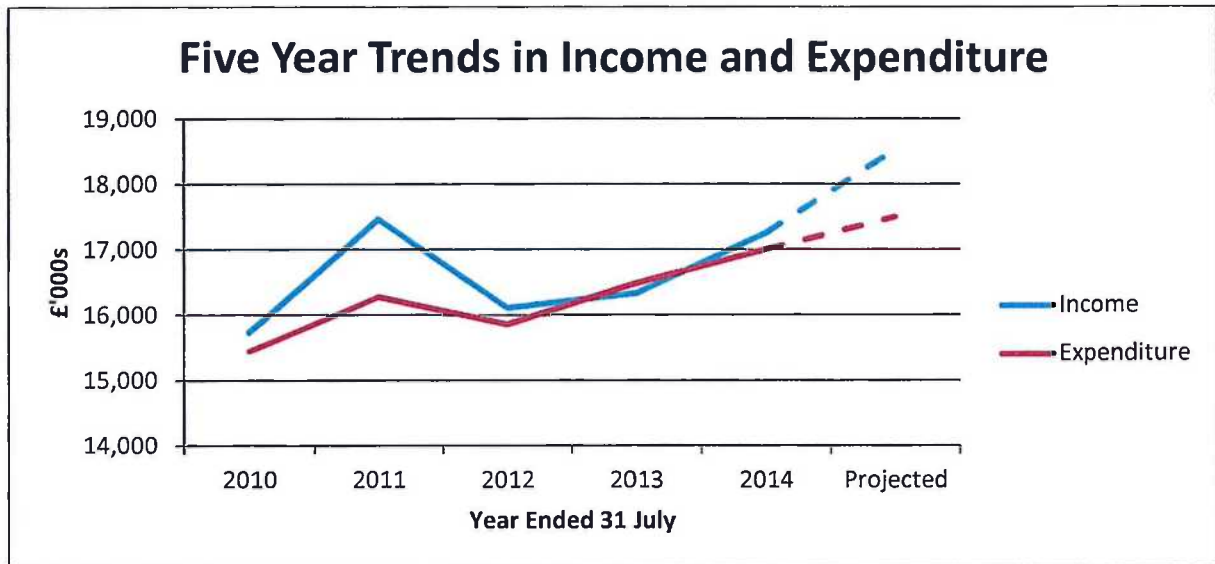
The University relies heavily upon profits generated by its wholly owned subsidiary, RAU Enterprises Limited, which carries out the conference, retail and consultancy aspects of the business. Gift aided profits from RAUEL over the past 5 years are shown below, alongside the surpluses/deficits due solely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

RAU Enterprises Limited Profits compared to University Surplus/(Deficit)



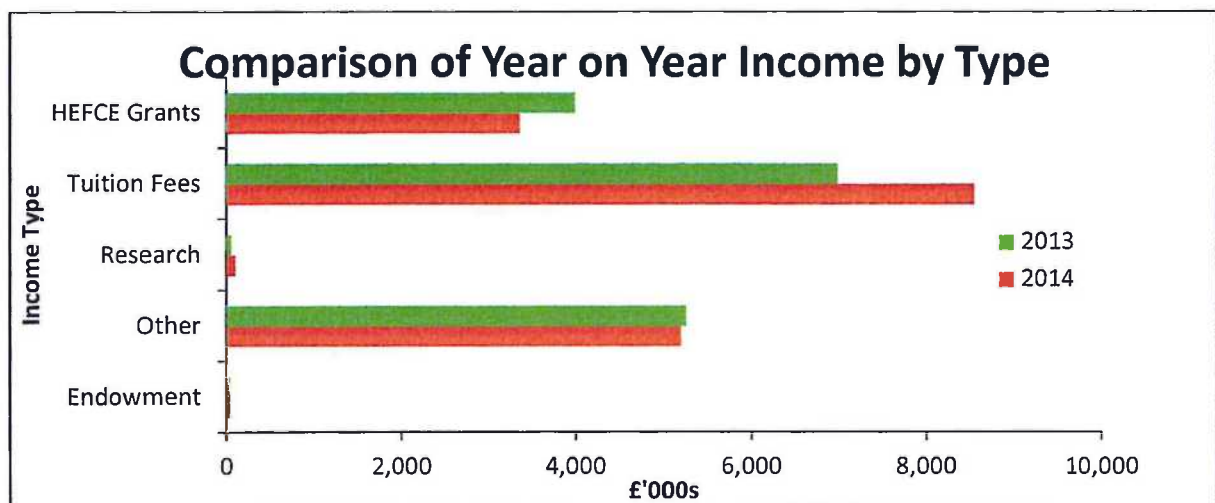
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The long term trend of income growth was not achieved in the year ended July 2012 due to cessation of 3 strands of public funding through HEFCE (UMF, Employer Engagement and Matched Giving); the current year turnover shows a 5.6% upturn due to the introduction of the higher rate tuition fees. However expenditure has shown an increase of 3.5% compared to 2013 with an increase in Staff Costs of 13.9% compensated for by a reduction in Other Operating Expenses of 6.7%.



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

The combined total of Tuition Fees and HEFCE Grants increased by 8.5% overall from the 2013 total but Tuition Fees increased by 22.4% and HEFCE Grants decreased by 15.9%. HEFCE Grants accounted for 19.5% of total income in 2014 compared to 24.5% in 2013. This divergence will increase again next year once all UK and EU undergraduates are on the new regime.

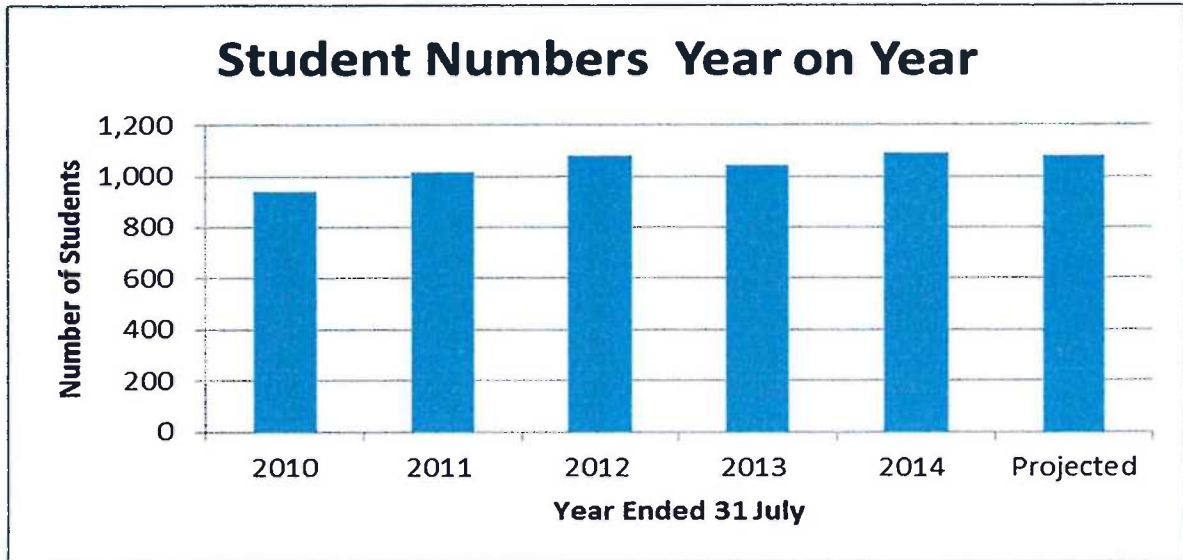


In the new funding regime the University's 2012/13 control number of 250 (the number of new funded undergraduates the University is allowed to recruit in any one academic year) was reduced to 236 due to over-recruitment in the previous year and was maintained at this level for 2013/14. Under

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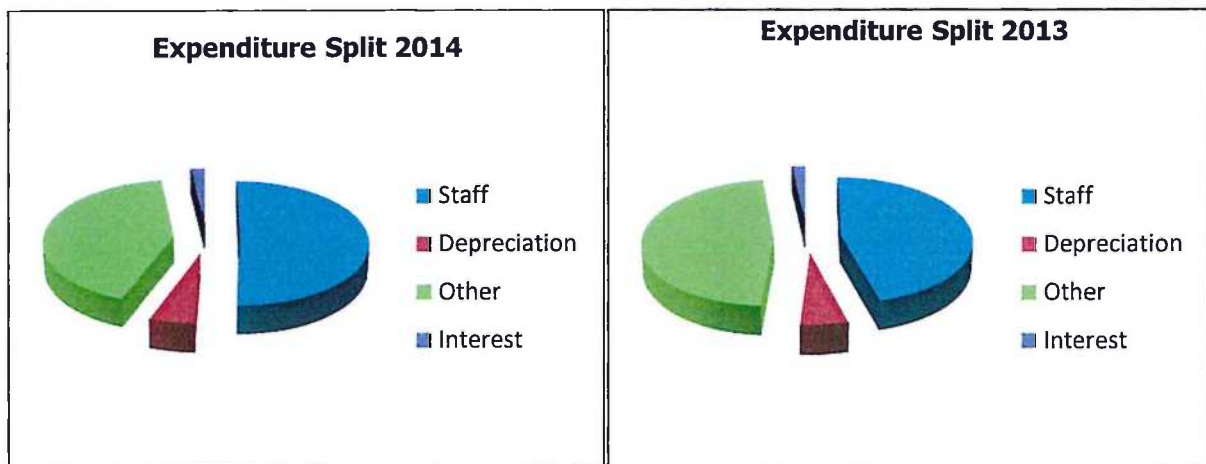
Government policy control numbers were top-sliced to provide a percentage of places to institutions charging £7.5k or less; high achievers (getting ABB+ at A level or equivalent) were also excluded from the control number and were recruited in a competitive market situation.

Total student numbers in 2013/14 show a slight increase over the total for 2012/13 with the projection for 2014/15 showing a steady state on the past five years of growth. The longer term intention is further to grow student numbers once the cap created by the control number is removed for 2015/16 onwards.



Other Income at £5,200k is a significant contributor to the University turnover providing 30.1% of the total (2013: 32.2%). The £57k year on year reduction in Other Income is primarily down to the transfer of the student union into its own legal entity. This has however been counteracted by increases in other areas such commercial services.

The split of total expenditure has moved slightly year on year with staff costs now being 50.5% (2013: 45.9%) and 42.5% being Other Operating Expenditure (2013: 47.1%).



Staff costs, based on 211 FTE permanent staff (2013: 200), include £378k on casual weekly paid employees not included in the above FTE total (2013: £329k). Staff costs this year also include a

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provision for the s75 exit charge which the University will incur when it leaves the USS Pension Scheme. Due to expected large increases in the employers contributions to the scheme and the steadily increasing underfunding the Governors have decided that they wish to withdraw from the scheme before the costs of so doing increase further. As a result the University will be required to make a contribution under s75 to clear its current liability for the funding shortfall. This is expected to be in the region of £600k which will be payable evenly over the next ten years. A provision for this amount has been included in these financial statements partly in Current Liabilities and partly in longer term Provisions for liabilities.

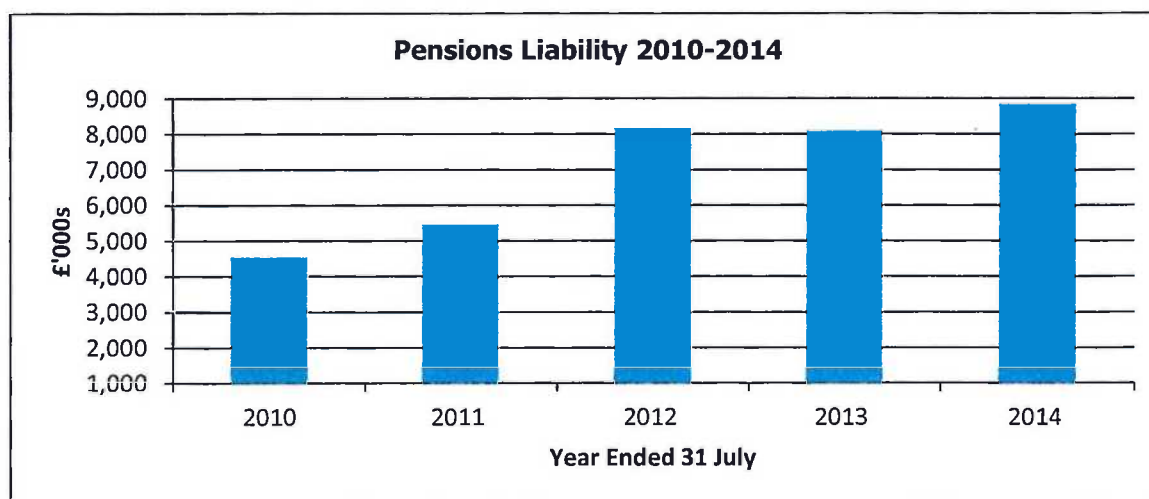
Other Operating Expenses are split between departments in note 10 and have decreased by £517k equating to 6.7% between years. The majority of the reduction was in the areas of Premises (£278k) and Commercial Services (£184k).

Interest charges have increased £29k compared to last year, £18k relating to borrowings and £11k due to an increased FRS17 interest charge on the RACPS scheme (formerly CARE Pension Scheme).

Turning to the Balance Sheet the overall total net worth of the group has reduced by £1,154k. This is primarily as a result of increases in liabilities arising from pension commitments.

As shown in the Staff Costs note (note 7) and noted above the University has had to provide a provision of £600k in respect of its withdrawal from the Universities Superannuation Scheme (USS). At this stage the precise liability is not known but the provision is based on advice from USS of the University's share of the funding shortfall. It is further assumed that the liability will be cleared over a ten year period and the liability recognised accordingly in the balance sheet.

The second significant movement in the balance sheet is in respect of the Net Pensions Liability in respect of the RACPS and FSSU schemes which has now increased again following the slight reduction experienced last year. The actuary's valuation, as required by FRS17, shows the pension liability to have increased from the position last year by £756k. Details of how this liability has been arrived at are shown in note 25.



Fixed Assets, overall, show a small increase of £90k resulting from the completion of the investment in the Rural Innovation Centre at Harnhill net of the charge for the year for Depreciation.

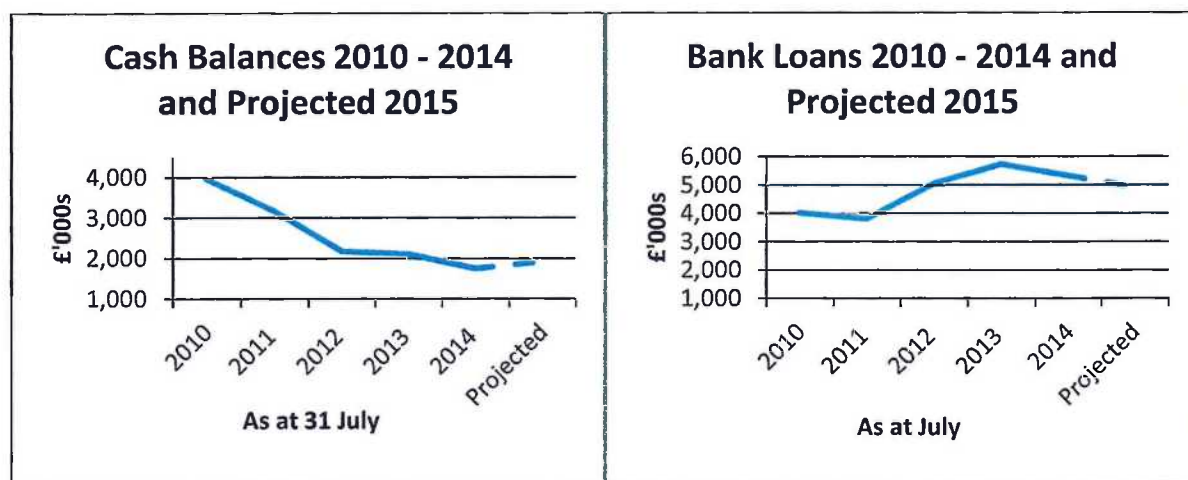
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Net Current Assets show a reduction compared to last year of £389k. This comprises a reduction in current assets of £520k and a reduction in current liabilities of £131k.

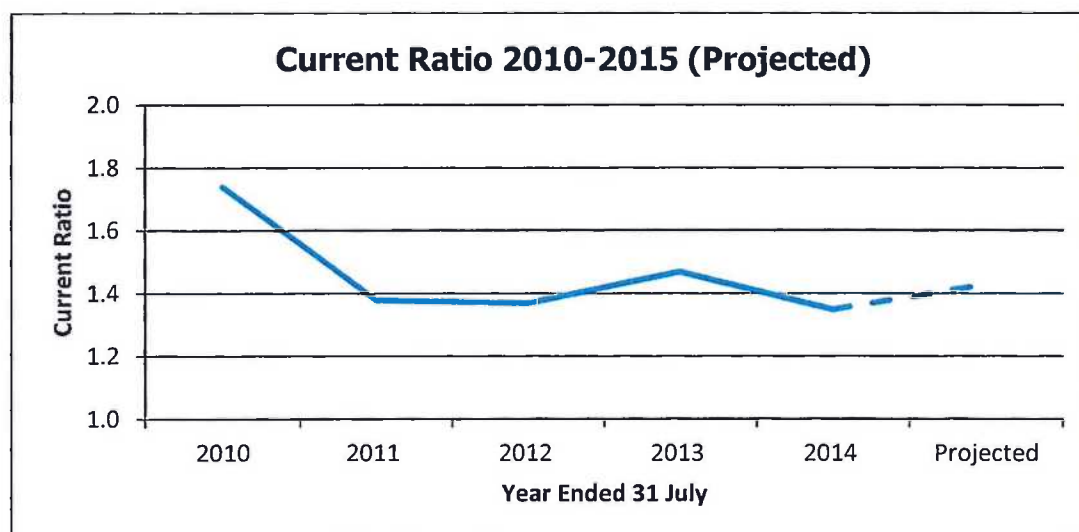
The movement in current assets is mainly a £347k reduction in cash balances primarily due to the internal funding of investment in The Rural Innovation Centre and other buildings at Harnhill Manor Farm. Cash balances are forecast to increase again next year. Prepayments also show a significant reduction of £224k which is largely down to a difference in timing of the recognition of liabilities for expenses relating to next year.

The reduction in current liabilities, which are primarily reductions in Trade Creditors and Accrued expenses as a result of the above noted timing differences. These reductions are partly counteracted by increased liability for employment and Value Added taxes.

Creditors falling due after more than 1 year also show a reduction due to repayments having been made and no further loans being taken out. Loan balances are again expected to reduce next year with continuing repayments on existing loans.



Overall the current ratio of Current Assets to Current Liabilities as at the year-end is 1.35 which is an improvement over the forecast from last year of 1.13. The projection for 2015 is 1.43 which would give a further slight improvement compared to this year end.

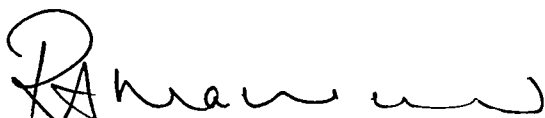


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Financial Risk Management

The company takes the following steps to manage its financial exposure to risk:

- Price risk - prices for provision of Foundation and Undergraduate degrees are currently capped by HEFCE at £9k for UK and EU based students and the majority of Universities have adopted this amount as their default fee for these types of courses. Fees for other course types are generally determined by market forces. Market trends in pricing are continually monitored and the University Executive are mandated to allow them to amend pricing policy should the need arise as a result of competitors actions. Revenue from other sources received in the group is also made up of largely small individual transactions with the Commercial Services department the pricing of which is largely governed by market forces in the local environment.
- Credit risk – this is generally low. Income is largely made up of a fairly large number of transactions which individually in themselves are comparatively small. The risk of significant financial risk is therefore kept to a minimum. Tuition income is, in the majority of cases, met out of loans provided to the student by the Student Loan Company, which are remitted direct to the University. Accommodation fees relate to approximately one third of the student body and University policy requires payment arrangements to be set up before the student is allowed to take up residence. Finance staff are also proactive with regard to credit control and follow up on outstanding debts quickly to avoid significant debt problems arising;
- Cash flow & liquidity risk – the group has banking facilities available with Lloyds Bank should the need arise. Cash flow is monitored regularly as part of the management reporting processes which allows any cash flow problems to be identified and mitigated against in good time.



Richard Macdonald
Chairman of Planning & Resources Committee
21 November 2014

Royal Agricultural University

Report of the Governors and Corporate Governance Statement

Principal address and Registered Office The Royal Agricultural University Stroud Road Cirencester Gloucestershire England GL7 6JS	Principal Officers Principal Vice Principal Director of Finance and Administration	Prof Chris J Gaskell Prof W Paul Davies Mrs Theresa M Chapman
Investment Managers		
Cazenove Capital Management Limited (to 31 Mar 14) Schroder & Co Ltd t/a Cazenove Capital Management (from 1 April 2014) 12 Moorgate London EC2R 6DA		
Bankers Lloyds Bank plc 14 Castle Street Cirencester Gloucestershire GL7 1QJ	Solicitors Pennington Manches LLP 9400 Garsington Road Oxford Business Park Oxford OX4 2HN	Eversheds LLP 1 Wood Street London EC2V 7WS
Registered auditors PricewaterhouseCoopers LLP 31 Great George Street Bristol BS1 5QD		

Principles

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

Legal Status

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

On 23 May 2013 the University changed the name of its wholly owned subsidiary, Royal Agricultural College Enterprises Limited, to Royal Agricultural University Enterprises Limited. It incorporated on

Royal Agricultural University

the same day a second wholly owned subsidiary, Royal Agricultural College Limited, which is a dormant company.

The Governing Council

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

Planning and Resources Committee

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

The Audit Committee

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

The Principal

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

Register of Interests

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

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The Governing Council

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

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

Independent Governors, Charity Trustees & Directors of the Limited Company

Prof Sir John Beddington	Mrs Karen Morgan (resigned Dec 13)
Prof Patricia Broadfoot	Prof Chris Mullard
Mr Anthony Colburn	Mr Chris Musgrave
Prof Colin Dennis	Prof Michael Osbaldeston
Miss Caroline Drummond (resigned Dec 13)	Mr Colin Pett (Chairman of Audit Committee)
Prof Richard Ellis	Mr Julian Sayers (Vice Chairman)
Mr Jeremy Lewis (Chairman from Dec 13)	Mr David Slack (elected Dec 13)
Mr Richard Macdonald (Chairman of P&R from Feb 14)	Mr Michael Tucker (elected Dec 13)
Mr Philip Moody	

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

Mr Brian Hilton (Chairman) (resigned Dec 13)	
The Earl Bathurst	Mrs Alison Bernays (elected April 2014)
Prof Jonathan Kydd	Mr David Slack (to Dec 13)
Mr Michael Tucker (to Dec 13)	

Royal Agricultural University

President

His Royal Highness The Prince of Wales

Vice President

Mr Simon Pott

Staff Representatives

Dr Nicola Cannon

Mr Benedict Greenhalgh (resigned Jan 14)

Mr William Manley

Ms Sarah Tennant-Bell (elected Jan 14)

Student Union Representatives

Miss Camilla Mantle

Mr George Sturla (to July 14)

Mr Barnaby Price Elmhurst (from Aug 14)

Officers

Prof Chris J Gaskell (Principal)

Prof W Paul Davies (Vice Principal)

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

Governors' interests in shares of the University

The interests in the issued share capital of the University by Governors at 31 July 2014 and 2013 were:

	2014	2013		2014	2013
The Earl Bathurst	1	1	Mrs Karen Morgan	1	1
Prof Patricia Broadfoot	1	1	Prof Chris Mullard	1	1
Mr Anthony Colburn	1	1	Mr Chris Musgrave	1	1
Prof Colin Dennis	1	1	Prof Michael Osbaldeston	1	1
Miss Caroline Drummond	1	1	Mr Colin Pett	1	1
Prof Richard Ellis	1	1	Mr Julian Sayers	1	1
Mr Brian Hilton	1	1	Mr David Slack	1	0
Mr Jeremy Lewis	1	1	Mr Michael Tucker	1	0
Mr Richard Macdonald	1	1			
Mr Philip Moody	1	1	Total (out of 120)	18	16

In addition, Prof Chris Gaskell (Principal) held 6 shares at 31 July 2014 (2013:6).

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

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

Royal Agricultural University

Statement of the Governing Council's responsibilities

The Governing Council is responsible for preparing the Report of the Governors' and Corporate Governance Statement and the financial statements in accordance with applicable law and regulations.

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

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

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

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

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

In addition the Governing Council has taken reasonable steps to:

- ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- secure the economic, efficient and effective management of the University's resources and expenditure: and;
- comply with the guidance to institutions of higher education published by the Committee of University Chairmen in its Guide for Members of Governing Bodies in the UK (2009), known as the CUC Governance Code of Practice and General Principles; it participated in the March 2014 consultation on the revised draft Code of Governance and the Audit Committee reviews the University's governance practices against the Code each year as part of the sign-off of the financial statements.

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

The Governing Council is responsible for ensuring that the University adheres to its charitable objects in line with its vision as laid out in the RAU Corporate Plan 2014/19, approved by Council March 2014. The recent achievement of University status and title provided a significant catalyst to this mission.

Statement on Public Benefit

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

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

The University 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.

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

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

Beneficiaries

The main charitable beneficiaries of the education provided by the RAU are its students (both undergraduate and postgraduate). The University is open to all students on the basis of ability and academic achievement and there is no geographical restriction on entry. It holds annual experience

Royal Agricultural University

days where the majority of applicants are assessed and endeavours to interview all applicants who meet the recruitment criteria.

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

Learning and Teaching

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

The University mitigates the financial barriers to students accessing education by offering generous bursary schemes and fee waivers that are particularly targeted towards those from low income backgrounds who are assessed as eligible for state support.

In 2013/14 the RAU recognised £56k (2013: £30k) from HEFCE under the National Scholarship Scheme together with £241k in recognition of the additional costs of supporting Widening Participation activities and for ensuring student success (including improving retention). These equate to 1.7% of total income (1.7%; 2012/13). This income stream is designed to support the University in meeting the additional costs of recruiting and retaining students from low participation areas or groups.

The University alerts all prospective and continuing students to the opportunities for financial support provided through HEFCE Access Funds and its own bursary and scholarship schemes for outstanding achievers, sports, students from low participation areas as well as a range of awards from outside trusts. These are advertised on the RAU website and through promotional literature used in recruitment.

The total value of bursaries and fee waivers awarded this year amounts to £663k (2012/13: £576k). In addition the University distributed £12k in Access funds to 13 students; (2012/13: £8k; 8 students); provided Skills training bursaries and Employability Project awards worth £60k (2012/13: £60k). It offers discounts up to 20% of tuition fees for RAU graduates who return to carry out postgraduate study. 22 of these were awarded in 2013/14 (2012/13: 19) with 20 more budgeted for October 2014 entrants.

To encourage local recruitment and enable students to reduce the cost of higher education by living at home and studying, the University launched its new RAU Cirencester Scholarship for 2013/14. This scholarship provided a fee waiver of up to £3k each p.a. for new undergraduate or postgraduate students who live or study within 10 miles of Cirencester and who can demonstrate academic excellence. 3 of these were awarded in 2012/13 and 3 have been set up for October 2014 entrants.

The University introduced a Principal's Postgraduate Overseas Award (PPOA) scholarship to promote further the diverse international community at the University. New taught postgraduate overseas

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students from India, South America, South Africa, Malaysia and Singapore are eligible. 1 bursary was awarded this year and 20 are in place for the forthcoming academic year.

The RAU had students from 43 countries benefitting from the education offered this year (46 in 2012/13). Overseas students made up 15% of the population this year compared to 14% last year. The Corporate Plan target is to grow this to 20% by 2019.

The community nature of the learning environment supports a range of students who might not otherwise benefit from higher education. The RAU recruited approximately 16% (2012/13:13%) of its undergraduate students from backgrounds designated by HEFCE as "disadvantaged" and 19.6% (2012/13: 14.2%) were in receipt of the Disabled Student Allowance. The University employs a Disability Officer who manages all issues surrounding dyslexia and disability. There are many types of disability; visible or hidden; physical (sight, speech, hearing or mobility impairment) or mental health impairments or long term medical conditions. The most frequently encountered is dyslexia and the University employs a specialist dyslexia tutor.

The RAU has continued developing its progression partnerships with schools and colleges. 290 students studied degrees validated by the RAU at their local FE (Further Education) College and this number is set to rise to 425 in 2014/15. The main thrust of the RAU outreach is to recruit students from non-traditional backgrounds (urban and/or different socio-economic groups) and it plans to do this by

- Raising aspirations and achievement;
- Ensuring support during study;
- Increasing collaboration with Schools and Further Education Colleges in the target areas, including Progression Agreements, STEM subject enrichment, student mentoring and specifically targeted scholarships and bursaries ;
- Providing targeted promotional materials;
- Continuing to develop Outreach Activity to meet the needs of partners.

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

Students undergo work placements as part of their course and use of the University farms as an outdoor laboratory is integral to the education provided. Students undertook 9,020 farm learning hours during the academic year (2012/13: 5,758).

With the aim of developing the leaders of tomorrow and adding value to students' degrees, and providing better graduate employment to the student beneficiaries, the University promotes Student Enterprise projects. These activities reside in the School of Business and Entrepreneurship. A new enterprise and entrepreneurship programme strategy has been written and will come into effect for the 2014/15 academic year. Some of the original activities continue to thrive such as;

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- the Grand Idea which actively encourages external business people and entrepreneurs to mentor and advise budding student entrepreneurs at the RAU, concluding with a Dragons Den style final;
- The First Steps Fund which was designed to provide a proof of concept fund to students studying at the RAU; sixteen awards were made in 2013/14, totalling £6k. Four of these awards were funded via UnLtd/HEFCE project funds we were awarded to support social entrepreneurs at the RAU.

These projects are designed to improve the life skills of RAU graduates, allowing them to contribute to the local community and greater society. The University's employability statistics bear out the educational merit and value its courses deliver to society. Over the past five years the 94% average graduate employability rate has kept the RAU amongst the top 10 universities in the UK. The 2013 survey showed 96.3% of undergraduates and 97.5% of postgraduates in employment or further study within six months of leaving with 75% securing professional or managerial roles. The provision of a steady stream of high-calibre graduates benefits not only the industries the University serves, but also employers and the economy.

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

As a "knowledge hub", the Harnhill Centre provides a major new on-farm resource for the wider rural sector and the local community and includes classrooms, offices, a demonstration area, community space, and meeting rooms. It has also provided an additional opportunity for the RAU Outreach team to link together science and innovation, career opportunities with an insight into university life and a deeper understanding of agriculture, food production and the land based sector.

The University runs prestigious, high level professional training courses for organisations such as the Worshipful Company of Farmers, Institutions of Agricultural Managers and agricultural updates for several major banks and professions. The RAU also acts as a venue for regular public lectures that disseminate the latest research outputs and policy decisions relating to agriculture, land use and food supply to a wider audience. In 2013/14 the University provided 4,779 training days for students, farmers, members of the financial and utilities sectors and government organisations; (2012/13: 3,778 days). These knowledge transfer activities assist in raising the awareness of the RAU's subject areas.

Research

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

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

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

The RAU continues to invest in research as evidenced by recent staff appointments and a growing number of PhD students; 11 compared to 10 in 2012/13. The RAU has funded three PhD positions in food supply, equine behavioural studies and in farm biosecurity. Two were in post in 2013/14 and the third starts in 2014/15. The Oldacre Trust is providing fresh funding for two PhD projects investigating novel crop agronomy with field trials on the University farms.

Fundraising

In order further to expand the facilities of the University and increase the bursaries and financial support available to student beneficiaries, the RAU has revitalised its fundraising programme, with new personnel and a new strategy.

In the last twelve months, the RAU has launched a regular giving programme, the Cirencester Fund. Aimed at raising support from alumni, in its first year the main activity was a telephone fundraising campaign where some 34% of those alumni who were asked to give contributed to the fund either with a single gift or by setting up a direct debit. This initial exercise generated cash and confirmed pledges of around £40k, all of which will go towards projects directly benefitting current students.

This activity is now annual – and as it becomes ubiquitous among alumni, it should provide an increasingly useful source of additional revenue to support the student experience. As an indicator of alumni engagement with the RAU, 4,500 are signed up to the monthly e-newsletter. Its opening rate is the highest across the HE sector at 36% from month to month, which is an excellent gauge of warmth to the institution and the perceived relevance of the communication.

The team has carried out considerable research into those individuals who might become major donors. It has improved the quality of data, with nearly 80% of the alumni on the database now directly contactable.

Further, this year the University successfully solicited gifts and confirmed pledges from the following Charitable Trusts:

- Elizabeth Creak Charitable Trust;
- Fred and Marjory Sainsbury Charitable Trust.

The office is still very 'young' in terms of its research, its reach and readiness for a large campaign. It is particularly committed to supporting the RAU's Centre for Translational Research project in the next 12-18 months, largely through further focus on Trusts and Foundations, as well as regular giving and major gifts.

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Environmental policy

The RAU takes its environmental responsibilities seriously and is working both on embedding sustainability within the curriculum (a theme of the 2013 Academic Staff Development day) and in its broader operational activities. The RAU has an Environmental and Sustainability Strategy Committee with strong governor and student representation which has developed an Environmental Action Plan outlining ambitious but realistic targets and ambitions across ten areas

Reducing the University carbon footprint is an important objective of this and the 2011 Carbon Management Plan which targets 34% reduction in carbon emissions by 2020. The University now generates over 13% of its energy from renewable sources with the biomass district heating system (installed 2011) and an air source heat pump on campus as well as a 30kW solar array on the Rural Innovation Centre. It has invested in environmentally-friendly LED street and public space lighting, which uses only 30% of the equivalent energy of conventional lighting.

In 2013/14 it employed an additional member of staff dedicated to improving environmental performance and to develop an industry accredited Environmental Management System; achieving Phases 1-3 of the BS8555 standard in August 2014.

Increased engagement is a key goal for 2014/15 with a Green RAU marketing logo developed and further collaboration with students and the Students Union planned.

Health and Safety

The RAU is committed to providing a healthy and safe environment for its students and staff. The Health and Safety Committee meets three times a year and reports directly to the Board of Governors. It adopted a Health and Safety Management Application Profile (HASMAPP) as the basis for a health and safety indicator and achieved its target level 2 score by the end of 2013. Work will continue to achieve a level 3 score by October 2016.

A separate compliance audit has been carried out based on each functional area of activity and is graded against ten performance indicators. At the end of July 2014 the University's score had risen from an overall compliance level of 50% in 2008 to 89%.

The use of the SHE software was commended by Acorn during the recent Environmental Management System accreditation.

Human Resources

The Royal Agricultural University acknowledges that as an educational provider it has a unique responsibility to support and encourage the development of its staff, and recognises that staff development can play a critical role in building the capability of its workforce.

The RAU recognises that its staff are fundamental to its success. A strategic, professional approach to staff development helps the University to attract and retain high-calibre staff with the skills and competencies necessary to deliver its objectives.

The RAU is committed to providing staff with development opportunities to ensure that individuals and departments are able to contribute fully to the achievement of department and University objectives in the context of the corporate plan.

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Inclusivity, Equality and Diversity

The Royal Agricultural University is committed to providing a welcoming environment in which every student, staff member and visitor feels valued and respected and is treated fairly.

The staff and students of the University community will work to eliminate direct or indirect discrimination, and will work to promote good relations between people of all backgrounds, and to provide an environment in which all individuals have the opportunity to achieve their full potential.

The RAU recognises that it benefits, as a community, from the contributions made by individuals who collectively have the widest range of experiences and backgrounds.

Going Concern

It is clear the Higher Education sector remains in a period of considerable change. However the Governors, having made appropriate enquiries, are satisfied that the University has adequate resources to continue in operational existence for the foreseeable future. The Governors have therefore adopted the going concern basis for the preparation of the financial statements.

Risk Management: Statement of internal control

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

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

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

The aforementioned policies and procedures have continued to be developed and the Governing Council of the University is satisfied that the University's internal control and risk management assessments meet the requirements set out by HEFCE in their circular 25/2013 "HEFCE's Accounts direction to higher education institutions for 2013/14 financial statements" and the accompanying annexes A-C.

As part of the annual update of operational risks that feed into the strategic risk register a traffic light self-assessment system is used and both inherent and residual risk is scored. Key strategic risk assessments are performed by Senior Managers within the University. There is a three tier hierarchy of risk registers ranging from the operational, departmental registers to the strategic, higher level registers where the risk areas map across to the strategic priorities in the 2014/2019 Corporate Plan. Senior Management Group reviews and updates the strategic risk registers annually with a final report to the Audit Committee and Governing Council in the summer. Regular reports have been made to the Planning and Resources Committee, Audit Committee and Governing Council on risk management within the University.

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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.

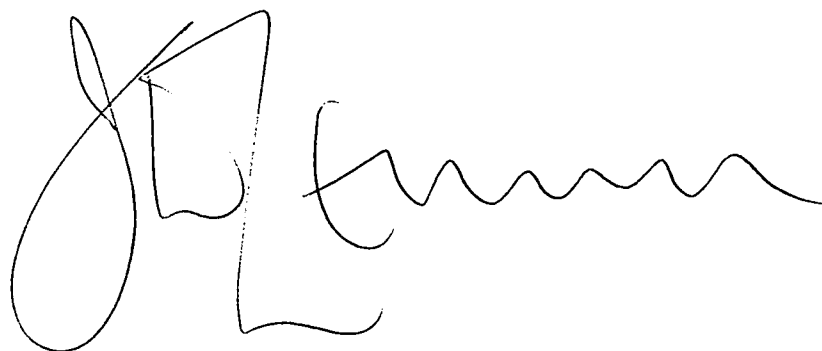
KPMG carry out the Internal Audit function for the University. KPMG is an external firm of Chartered Accountants. Their programme of work is built upon a risk based approach with focus on key strategic risks, value for money and any areas of suspected weakness that might require further attention. The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

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

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

Independent Auditors

PricewaterhouseCoopers LLP is the appointed Auditor to the Company.

A handwritten signature in black ink, appearing to read 'J Lewis', with a large loop on the left and a wavy line extending to the right.

Jeremy Lewis B.Sc (Econ) FCA (ret'd)
Chairman of Governors
21 November 2014

Royal Agricultural University

Independent auditors' report to the Governing Council of Royal Agricultural University (the "institution")

Report on the financial statements

Our opinion

In our opinion, the financial statements, defined below:

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2014 and of the group's income and expenditure, recognised gains and losses, and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.
- This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and parent institution financial statements (the "financial statements"), which are prepared by Royal Agricultural University comprise:

- the consolidated and parent institution Balance Sheets as at 31 July 2014;
- the consolidated Income and Expenditure Account for the year then ended;
- the consolidated Statement of Total Recognised Gains and Losses;
- the consolidated statement of historical cost surpluses and deficits for the year then ended;
- the consolidated Statement of Cash Flows for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education (SORP), incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Governing Council has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and parent institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Governing Council; and
- the overall presentation of the financial statements.

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In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Report of the Governors' and Corporate Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Opinions on other matters prescribed in the HEFCE Audit Code of Practices issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent institution, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent institution financial statements are not in agreement with the accounting records and returns.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Internal Control

Under the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion, the statement of internal control is inconsistent with our knowledge of the parent institution and group.

We have no exceptions to report arising from this responsibility.

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Responsibilities for the financial statements and the audit

Respective responsibilities of the Governing Council and auditors

As explained more fully in the Statement of the Governing Council's Responsibilities set out on pages 17 and 18 the Governing Council (who are also the directors of the company for the purposes of company law) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



Lynn Pamment (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
21 November 2014

Royal Agricultural University

Statement of Principal Accounting Policies and Estimation Techniques

Basis of preparation

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

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

Format of the financial statements

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

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

Basis of consolidation

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

Income recognition

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

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

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

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

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

Leases and hire purchase contracts

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

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

Taxation

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

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

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

Apportionment of costs

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

Intangible fixed assets

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

Tangible fixed assets for University use

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

Fixed assets are stated in the balance sheet at cost or, in the case of Harnhill Manor Farm, at open market value.

Cost of fixed assets includes interest on borrowings to finance the construction of assets to the extent that such interest accrues in respect of the period of construction. Properties held at open market value are re-valued every three years.

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% or 4%
Fixed fixtures and fittings	10%
Plant and machinery	20%
Computers and software	20% or 25%
Farm plant and machinery	10% or 20%
Freehold land is not depreciated.	

Repairs and maintenance

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

Investments

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

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

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

Heritage assets

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

- (1) certain displayed paintings including past University Governors, principals, and other senior staff, and agricultural scenes; and
- (2) a collection of books and manuscripts of historical importance from the 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 University Library. These assets have been gifted or purchased by the University over the years since its establishment in 1845, and if capitalised originally, no longer feature in the fixed asset register.

The two groups of assets are stated at 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.

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

Royal Agricultural University

Agricultural Valuers Guidance Notes. For University stocks, cost is determined on a first-in, first-out basis. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash.

Liquid resources comprise assets held as readily disposable stores of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

Foreign currency translations

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure account.

Accounting for research and development

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

Intra group transactions

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

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:

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

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

Total return on investment for permanent endowments

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

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

Donations for fixed assets

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

Gifts in kind, including donated tangible fixed assets

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

Accounting for retirement benefits

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

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

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

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

The University also operates two defined contribution schemes which are independently administered schemes. The contributions paid by the University to the defined contribution schemes are charged as expenditure in the year in which they are payable, in accordance with FRS 17.

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

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

Provisions, contingent liabilities and contingent assets

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

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

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

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Consolidated income and expenditure account for the year ended 31 July 2014

	Notes	2014 £'000	2013 £'000 (Restated)
Income			
Funding body grants	1	3,364	3,998
Tuition fees and education contracts	2	8,550	6,983
Research grants and contracts	3	107	62
Other income	4	5,200	5,257
Endowment and investment income	5	46	47
Total income		17,267	16,347
Expenditure			
Staff costs	7	8,599	7,548
Other operating expenses	10	7,225	7,742
Depreciation	13	866	855
Interest and other finance costs	8	327	298
Total expenditure		17,017	16,443
Surplus / (Deficit) before exceptional items		250	(96)
Profit on disposal of fixed assets	11	-	1,426
Surplus for the year retained within general reserves	26	250	1,330

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

Royal Agricultural University

Consolidated statement of historical cost surpluses and deficits for the year ended 31 July 2014

	Notes	2014 £'000	2013 £'000 (Restated)
Surplus after depreciation of tangible fixed assets and disposal of assets.		250	1,330
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	26	16	10
Historical cost surplus for the year		266	1,340

Consolidated statement of total recognised gains and losses for the year ended 31 July 2014

	Notes	2014 £'000	2013 £'000 (Restated)
Surplus after depreciation of tangible fixed assets at valuation and disposal of assets.		250	1,330
Movement in unrealised gain on investments	27	15	180
Unrealised surplus / (deficit) on revaluation of fixed assets	27	45	(124)
Actuarial loss recognised in respect of the pension schemes	25	(1,349)	(355)
Total recognised (losses) / gains relating to the year		(1,039)	1,031

Reconciliation

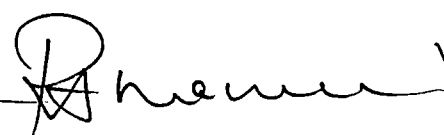
Opening reserves and endowments	9,340	8,309
Total recognised (losses) / gains relating to the year	(1,039)	1,031
Closing reserves and endowments	8,301	9,340

Balance sheets at 31 July 2014

	Notes	Group 2014 £'000	2013 £'000	University 2014 £'000	2013 £'000
Fixed assets					
Intangible assets	12	-	-	-	-
Tangible assets	13 & 14	22,006	21,931	22,006	21,931
Investments	15	1,064	1,049	1,114	1,099
Expendable endowment funds	16	164	164	164	164
Current assets					
Stocks	17	446	484	411	453
Debtors	18	1,303	1,438	1,547	1,636
Cash at bank and in hand		1,859	2,206	1,500	1,903
		3,608	4,128	3,458	3,992
Less: Creditors - amounts falling due within one year	19	(2,673)	(2,804)	(2,573)	(2,718)
Net current assets		935	1,324	885	1,274
Total assets less current liabilities		24,169	24,468	24,169	24,468
Less: Creditors - amounts falling due after more than one year	20	(4,957)	(5,402)	(4,957)	(5,402)
Less: Provisions for liabilities	21	(592)	(48)	(592)	(48)
Net assets excluding pension liability		18,620	19,018	18,620	19,018
Net pension liability	25	(8,864)	(8,108)	(8,864)	(8,108)
Net assets including pension liability		9,756	10,910	9,756	10,910
Deferred capital grants	22	1,454	1,569	1,454	1,569
Expendable endowment funds	23	164	164	164	164
Share capital	24	1	1	1	1
Reserves					
Income and expenditure account excluding pension reserve	26	12,473	12,800	12,473	12,800
Pension reserve	25	(8,864)	(8,108)	(8,864)	(8,108)
Income and expenditure account including pension reserve	26	3,609	4,692	3,609	4,692
Revaluation reserve	27	4,528	4,484	4,528	4,484
Total Funds		9,756	10,910	9,756	10,910

The financial statements on pages 36 to 71 were approved and authorised for issue by Governing Council on 21 November 2014 and were signed on its behalf on that date by:


Jeremy Lewis
Governor


Richard Macdonald
Governor

Royal Agricultural University

Consolidated cash flow statement for the year ended 31 July 2014

	Notes	2014 £'000	2013 £'000 (Restated)
Net operating cash flows before annual pension deficit payments	29	1,735	493
Annual pension contributions to closed schemes	29	(710)	(543)
Net cash inflow / (outflow) from operating activities	29	1,025	(50)
Returns on investments and servicing of finance			
Income from endowments	5	1	-
Other interest received	5	8	14
Interest paid	8	(210)	(192)
		(201)	(178)
Capital expenditure and financial investment			
Payments made to acquire fixed assets	13	(904)	(2,094)
Proceeds from sale of fixed assets	11 & 13	-	1,511
Capital grants received	22	90	32
		(814)	(551)
Cash inflow / (outflow) before use of liquid resources and financing		10	(779)
Management of liquid resources	5	37	33
Financing	30	(410)	678
Decrease in cash		(363)	(68)
Reconciliation of net cash flow to movement in net debt			
	Notes	2014 £'000	2013 £'000
Decrease in cash in the year		(363)	(68)
Decrease / (Increase) in Debt	30	410	(678)
Decrease / (Increase) in Net Debt		47	(746)
Net Debt at 1 August		(3,480)	(2,734)
Net Debt at 31 July	31	(3,433)	(3,480)

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014

1. Funding body grants

	2014 £'000	2013 £'000
Grants from Higher Education Funding Council for England (HEFCE):		
Recurrent grant	2,838	3,509
Specific grants:		
- Student Opportunity Allocation	241	244
- National Scholarship Programme	56	30
- Research	61	65
Deferred capital grants released in the year:		
- Buildings (note 22)	102	107
- Equipment (note 22)	66	43
	3,364	3,998

2. Tuition fees and education contracts

	2014 £'000	2013 £'000
Students:		
Full time home and EU students	6,421	5,035
Full time international students	837	876
Students taught overseas	195	199
Part time students	217	207
	7,670	6,317
Short courses	880	666
	8,550	6,983

Of the above tuition fees, £157k were met by the Higher Education Bursary Scholarship Scheme top-up bursaries funded by the Royal Agricultural University (2013: £258k).

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

3. Research grants and contracts

	2014 £'000	2013 £'000
Research councils and charities	32	21
Industry and commerce	24	9
Other grants and contracts	51	32
	107	62

4. Other income

	2014 £'000	2013 £'000
Commercial services	3,301	3,102
Consultancy	183	176
Regional projects	92	213
Farming	627	667
Released from deferred capital grants (note 22)	37	38
Income from student union activities	-	269
Campus shop income	209	209
Property letting income	194	181
Other income	557	402
	5,200	5,257

5. Endowment and investment income

	2014 £'000	2013 £'000
Income from expendable endowments (note 23)	1	-
Income from short term investments	37	33
Other interest receivable	8	14
	46	47

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

6. Net income from trading activities of subsidiaries

	2014	2013
Royal Agricultural University Enterprises Limited	£'000	£'000
Profit and loss account		
Income	1,101	1,182
Cost of sales	(790)	(885)
Gross profit	311	297
Interest receivable	1	1
Profit before charitable contribution	312	298
Gift Aid payment to parent company	(312)	(298)
Retained in subsidiary	-	-

Royal Agricultural University Enterprises Limited is registered and incorporated in England and Wales (Reg no 2752048). Its principal business activities are the provision of residential conference facilities, consultancy and retail. Of the turnover of the subsidiary £73k (2013: £29k) is from overseas.

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

7. Staff costs and employee information

	2014	2013
		(Restated)
Average staff numbers by major category		
Academic	51	51
Academic support	11	8
Continuing education	6	6
Academic services	19	18
Central administration	44	41
Staff and student facilities	7	8
Premises	23	21
Residences and catering	50	47
	211	200
Staff costs		
	2014	2013
	£'000	£'000
		(Restated)
Wages and salaries	6,863	6,465
Social security costs	600	575
Other pension costs (note 25)	536	508
USS pension provision (note 34)	600	-
	8,599	7,548

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (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 year were £Nil (2013: £Nil) and no amounts are accruing to any of the University's pension schemes.

The emoluments of the staff representatives on Governing Council in year, in their respective roles as employees of the University, totalled £140k (2013: £136k) including pension contributions of £16k (2013: £16k) and taxable benefits. There are 3 staff representatives on Governing Council (2013:3).

The emoluments of the Principal in the year totalled £163k (2013: £161k) including pension contributions of £Nil (2013: £Nil) and an allowance for occupancy of University property as one of the conditions of employment.

There were no other higher paid employees who received emoluments above £100k (2013: none).

8. Interest and other finance costs

	2014	2013
	£'000	£'000
Loans wholly repayable within five years	6	7
Loans repayable wholly or partly in more than five years	204	185
	210	192
Net interest charge on defined benefit pension scheme (note 25)	117	106
	327	298

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

9. Expenditure

Total expenditure is stated after charging:	2014 £'000	2013 £'000
External auditors' remuneration in respect of audit services (Royal Agricultural University £21,400; 2013:£21,800)	21	22
Internal auditors' remuneration in respect of audit services (Royal Agricultural University £16,252; 2013:£14,138)	16	14
Depreciation charge for the year:		
- Tangible fixed assets (note 13)	866	855
Loss on sale of other tangible assets for Royal Agricultural University use	8	50
Hire of land and buildings: operating leases	69	69
Hire of plant and machinery: operating leases	29	27
Governors' travel expenses (Ten Governors received travel expenses in the year, there were ten in 2012/13)	7	4

10. Other operating expenses

	2014 £'000	2013 £'000
Academic departments	1,800	1,801
Academic services	1,208	1,121
Research grants	108	121
Consultancy	50	102
Commercial services	643	827
Premises	1,364	1,642
Central administration	730	768
General education expenditure	358	298
Staff and student facilities	709	763
Others including general endowment expenditure	255	299
Total per income and expenditure account	7,225	7,742

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

11. Profit on disposal of fixed assets

	2014	2013
	£'000	£'000
Profit on disposal of land and buildings	-	1,426
	-	1,426

12. Intangible fixed assets

Group and University	2014	2013
	£'000	£'000
Cost		
At 1 August	57	57
Additions	-	-
At 1 August and 31 July	57	57
Accumulated Amortisation		
At 31 July	57	57
Net book value		
At 31 July	-	-
At 31 July	-	-

These figures relate to milk quota purchased in 1994.

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

13. Tangible fixed assets

Group and Royal Agricultural University	Freehold land and buildings 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 2014 £'000	Total 2013 £'000
Cost/Valuation							
At 1 August	5,232	19,306	491	525	3,015	28,569	27,231
Additions	-	(46)	899	-	51	904	2,094
Reclassification of assets	1,383	-	(1,383)	-	-	-	(300)
Disposals	-	(7)	-	-	(36)	(43)	(306)
Revaluation during the year (note 27)	-	-	-	-	-	-	(150)
At 31 July	6,615	19,253	7	525	3,030	29,430	28,569
Accumulated Depreciation							
At 1 August	-	6,237	-	-	2,001	8,238	7,580
Provided during the year (note 9)	45	567	-	-	254	866	855
Eliminated on disposal	-	(3)	-	-	(32)	(35)	(171)
Revaluation during the year	(45)	-	-	-	-	(45)	(26)
At 31 July	-	6,801	-	-	2,223	9,024	8,238
Net book value							
At 31 July 2014	6,615	12,452	7	525	807	20,406	
At 1 August 2013	5,232	13,069	491	525	1,014		20,331

As at July 2014, the freehold land and building at valuation comprises Harnhill Manor Farm (£5,232k), which was revalued on 9 August 2012. This valuation was conducted by Moore, Allen & Innocent LLP. Harnhill Manor Farm is held in the accounts at valuation on the basis that it is a self-contained farming unit which is separate from the remainder of the owned estate and as such can be separately identified. Also included are £1,383k of new build units; the Rural Innovation Centre (£1,217k), Grain Store (£83k) and the Livestock Yard (£83k). This was part funded by a donation from the Frank Parkinson Agricultural Trust.

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

The £491k opening assets in the course of construction relate to the Rural Innovation Centre and the Grain Store. Construction was completed during the year and the assets transferred to freehold buildings at valuation. The closing £7k assets in course of construction relate to the initial planning cost relating to extension of the shop / coffee bar and the Garner Block extension.

Within freehold land and buildings at cost, Bailey Lodge and Steadings Cottages, included at net book values of £23k (2013: £24k) and £50k (2013: £56k) respectively, have been pledged to the Pension Trustees towards the deficit in the University's defined benefit pension scheme.

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

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

14. Tangible fixed assets for investment purposes

Group and University	2014 £'000	2013 £'000
Freehold land and buildings at valuation		
At 1 August	1,600	1,600
<hr/>		
At 31 July	1,600	1,600

Tangible fixed assets held for investment purposes, representing freehold land and buildings held at 31 July 2014, are included at not less than their open market values.

The valuation of 2 Chesterton Park as at 31 July 2012 was carried out at 22 August 2012 by Thomson & Partners, an independent firm of chartered surveyors and land agents.

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

Original cost of the investment properties was £413k.

15. Investments

	Group		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
At 1 August	1,049	873	1,099	923
Net unrealised profit/(loss) on revaluation:				
Taken to revaluation reserve (note 27)	15	180	15	180
Taken to income & expenditure account	-	(4)	-	(4)
<hr/>				
At 31 July	1,064	1,049	1,114	1,099

Quoted investments held at 31 July 2014 are included at their stock market value. The valuations have been provided by the Royal Agricultural University's investment managers, Schroder, trading under the name Cazenove Fund Management, based on stock market quoted prices at the year end date. Investments were valued at £1,064k as at 31 July 2014, with a book value of £825k, resulting in a £239k unrealised gain as at 31 July 2014, an increase of £15k from £224k at 31 July 2013.

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

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

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

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

15. Investments (continued)

	Group		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Investments are analysed as follows:				
Listed (at market value)	1,064	1,049	1,064	1,049
Unlisted (at cost)	-	-	50	50
At 31 July	1,064	1,049	1,114	1,099
Historic cost				
At 31 July	825	825	875	875

16. Endowment funds

Group and University	2014 £'000	2013 £'000
At 1 August	164	164
Disbursed	(1)	-
Net income for the year (note 23)	1	-
At 31 July	164	164
Represented by:		
Cash at bank held for endowment funds	164	164

There were no additions to Endowment Assets during 2013/14.

The Endowments consist of the following:

- RICS Rural Fellowship £57k (2013: £56k)
- Walter Smith Award £53k (2013: £54k)
- FE Turner £54k (2013: £54k)

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

17. Stocks

Group and University	Group 2014 £'000	2013 £'000	University 2014 £'000	2013 £'000
Farms' valuation				
Livestock	66	61	66	61
Produce	243	227	243	227
Stores	35	31	35	31
	344	319	344	319
Other stocks				
Food and drink	32	33	32	33
Stationery and retail	37	31	2	-
Other	33	101	33	101
	102	165	67	134
Total Stocks	446	484	411	453

18. Debtors

	Group 2014 £'000	2013 £'000	University 2014 £'000	2013 £'000
Amounts falling due within one year:				
Trade debtors	545	456	442	365
Amounts owed by group undertakings	-	-	376	346
Prepayments and accrued income	758	982	729	925
	1,303	1,438	1,547	1,636

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

19. Creditors - amounts falling due within one year

	Group		University	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Bank overdrafts (note 20)	95	79	95	79
Secured loans (note 20)	404	369	404	369
Payments received in advance	323	300	323	300
Trade creditors	578	757	570	749
Taxation and social security	241	204	241	204
Other creditors	107	119	107	118
Accruals and deferred income	925	976	833	899
	2,673	2,804	2,573	2,718

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

	Group		University	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Secured instalment loans repayable by 2034 (see below)	4,957	5,402	4,957	5,402

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

	Group		University	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Maturity of debt				
Repayable as follows:				
In one year or less	499	448	499	448
Between two and five years	1,424	1,477	1,424	1,477
In more than five years	3,533	3,925	3,533	3,925
	5,456	5,850	5,456	5,850

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

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

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

Description	Remaining term at year end	Interest Rate	Balance at year end £'000	Security provided
Consolidated Loan	3 Years	Base + 0.25%	402	1-3 Woodlands Hall
Vic Hughes Hall Loan	10 Years	3.64% fixed to Dec 2014	665	Vic Hughes Hall
Harnhill Manor Farm Loan	20 Years	6.29% fixed to Sept 2019	2,044	Harnhill Manor Farm
West Lodge Loan	13 Years	3 month LIBOR Cap with a strike rate of 2.50% fixed until Dec 2022	2,250	West Lodge

21. Provisions for liabilities

Group and University	2014 £'000
At 1 August	48
Increase in Provisions	544
At 31 July	592
Purpose of Provisions	
Dilapidations on onerous property leases	52
USS pension liability	540
At 31 July	592

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

22. Deferred capital grants

Group and University	Funding Council £'000	Other Grants & Benefactions £'000	2014 Total £'000	2013 Total £'000
At 1 August				
- Buildings	1,258	184	1,442	1,570
- Equipment	8	119	127	155
	1,266	303	1,569	1,725
Cash Received				
- Buildings	-	-	-	-
- Equipment	90	-	90	32
	90	-	90	32
Released to income and expenditure				
- Buildings (notes 1 & 4)	102	18	120	128
- Equipment (notes 1 & 4)	66	19	85	60
	168	37	205	188
At 31 July				
- Buildings	1,156	166	1,322	1,442
- Equipment	32	100	132	127
Total	1,188	266	1,454	1,569

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

23. Endowment funds

Group and University			2014	2013
Restricted Expendable Endowments	Capital £'000	Accumulated income fund £'000	Total £'000	Total £'000
At 1 August	152	12	164	164
Income for the year	-	1	1	-
Expenditure for the year	-	(1)	(1)	-
At 31 July	152	12	164	164

24. Share capital

	2014 £'000	2013 £'000
Authorised		
120 (2013: 120) Ordinary shares of £10 each	1	1
Issued		
120 (2013: 120) Ordinary shares of £10 each	1	1

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

25. Pensions

The University operates the following pension schemes:

(a) The Royal Agricultural College Pension (the RACPS Scheme)

This is a defined benefits scheme, under which contributions were paid before its closure by the University and employees. Until April 2003 benefits were based on final salary and from April 2003 until closure benefits were calculated on a CARE (Career Average REvalued) basis. The RACPS has formerly been referred to as the CARE Scheme. The assets of the fund are independent from those of the University and are administered by Trustees. Pension costs are assessed on the advice of an independent actuary on the basis of valuations using the projected unit method.

This scheme closed to future accrual on 30 September 2010. The staff affected, including senior managers, were provided with alternative pension provision effective 1 October 2010. The new arrangements were variously with the Teachers' Pension Scheme (TPS), the Universities Superannuation Scheme (USS) and a defined contribution (GPP) scheme with Aegon.

Notwithstanding the closure to future accrual the University continues to service the recovery plan at the rate agreed with the Trustees and the Pensions Regulator. Following the April 2012 actuarial valuation the 16.5 year recovery plan annual contributions payable increased from £400k to £650k effective April 2013.

(b) Discretionary FSSU Supplementation Pension Scheme

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

A change in accounting policy has been applied in 2014 such that the Scheme is accounted for as a defined benefit scheme, rather than contributions being charged through the Income Statement as though it were a Defined Contribution Scheme. The 2013 financial statements have been restated to reflect this change.

(c) Teachers' Pension Scheme (TPS)

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 Teachers' Pension Scheme (TPS) is a multi-employer pension scheme. As the TPS is underwritten by central government and the University has no future obligation to make contributions to the scheme. This scheme is accounted for as a defined contribution scheme in accordance with Financial Reporting Standard 17 – 'Retirement Benefits'.

The University had 55 members of the TPS as at 31 July 2014; (2013: 49). The scheme as a whole had 691,000 members.

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

25. Pensions (continued)

(d) USS Pension Scheme

Two members of staff are members of the Universities Superannuation Scheme (USS), a defined benefit scheme; (2013: 2). The University offers membership of this Scheme to the governor appointed University Senior Executive. There were no outstanding contributions payable at the balance sheet date by the University in either 2014 or 2013.

The USS is a multi-employer defined benefit pension scheme and it is not possible for such schemes separately to identify each institution's share of the underlying assets and liabilities in the scheme on a reasonable and consistent basis. Therefore these schemes should be treated as though they were defined contribution schemes and the University has accounted for it as such.

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

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 University took the decision on 25 July 2014 that it would withdraw from active membership of the Scheme once alternate arrangements were in place for its 2 serving members. It recognised that in so doing it would trigger the s75 withdrawal debt and provision has been made for this in the 2013/14 financial statements. See notes 7 and 34.

(e) Defined contribution schemes (Group Personal Pension)

With a 1 January 2014 staging date for auto-enrolment the University took the opportunity to review its pension provisions for support staff. Historically two separate defined contribution schemes (GPP) were available to support staff members with either Aegon or the Prudential.

The Aegon Scheme was set up September 2010 for those support staff who were former members of the RACPS scheme. The University contribution to Aegon is 10% of salary plus a top up contribution for the first four years on a sliding scale which ran until 31 March 2014. Members pay a variable contribution of not less than 4%.

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

The University ceased contributions to the Prudential Scheme on 31 December 2013 and all active members became deferred members of that scheme. It opened a new pension scheme with Friends Life for support staff future service. This scheme comes under the umbrella of the Higher Education Defined Contribution scheme (HEDCS) and is portable between member universities.

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

25. Pensions (continued)

The HEDCS Friends Life scheme has two distinct strands of membership, X and Y:

- X Scheme - a tier 1 compliant auto-enrolment scheme with employee and employer contributions in line with current legislation being 1% and 2% respectively until 30 September 2017, rising to 3% each for the next year and settling at 5% employee and 4% employer from 1 October 2018;
- Y Scheme - salaried staff pay a variable contribution of not less than 2% (4% for new members) and the University contributes 6.5%. All members' contribution rates will be increased to 5% from 1 October 2018 in line with pensions legislation for auto-enrolment schemes.

The assets of all the defined contribution schemes are held separately from the University by the scheme providers, Aegon, Prudential and Friends Life.

The pensions charge in the financial statements represents contributions made by the University to the DC scheme providers on behalf of its employees. As at 31 July 2014 £10k contributions due to Aegon and £0.2k due to Friends Life had not been paid; these sums were paid in August 2014. This compared to £12k and £0 respectively in 2013.

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 overleaf.

	2014 £'000	2013 £'000 (Restated)	2012 £'000 (Restated)
Defined benefit schemes			
RACPS	-	-	-
FSSU supplemental scheme	-	-	-
TPS	304	295	266
USS	14	13	29
	318	308	295
Defined contribution schemes			
GPP: Aegon	88	107	116
GPP: Prudential	43	93	89
GPP: Friends Life	87	-	-
	218	200	205
Total Pensions Costs per Staff Cost note 7	536	508	500

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

25. Pensions (continued)

Analysed as:

Current service	536	508	500
Past service	-	-	-
	536	508	500

Basic employers' contribution rates used during the financial year to 31 July 2014 were:

	TPS	USS	Aegon	The Pru	Friends Life X	Friends Life Y
1 August 2013 to 31 December 2013	14.1%	16.0%	12%	6.5%	-	-
1 January 2014 to 31 March 2014	14.1%	16.0%	12%	-	2.0%	6.5%
1 April 2014 to 31 July 2014	14.1%	16.0%	10%	-	2.0%	6.5%

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

The assumptions and other data relevant to the determination of the contribution levels of the Defined Benefit Schemes in which the University participates (or participated) are as follows:

Pension Scheme	RACPS	TPS	USS
Last Actuarial Valuation	2014	2012	2011
Investment returns p.a.	6.09%	5.06%	6.1%
Salary scale increase p.a.	n/a	4.75%	4.4%
Pensions increase p.a.	2.3% -3.5%	2.0%	3.4%
Market value of assets at last valuation date £000	18,037	176,600	32,433
Minimum Funding Requirement proportion of accrued benefits covered by the actuarial value of the assets	67%	92%	92%

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

25. Pensions (continued)

Reconciliation of Fair Value of Scheme Assets (RACPS Only)

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

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
At the beginning of the year	16,953	16,230	16,000	14,353	11,437
Contributions by University	650	483	400	1,093	774
Contributions by employees	-	-	-	40	163
Benefits paid	(637)	(590)	(547)	(277)	(298)
Expected return on assets	1036	968	963	899	760
Asset out/(under) performance	35	(138)	(586)	(108)	1,517
At the end of the year	18,037	16,953	16,230	16,000	14,353

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

	2014 £'000	2013 £'000 (Restated)	2012 £'000 (Restated)	2011 £'000 (Restated)	2010 £'000 (Restated)
At the beginning of the year	(25,061)	(24,420)	(21,482)	(18,910)	(15,490)
Current service cost (operating charge)		-	-	(369)	(417)
Interest cost	(1,153)	(1,074)	(1,128)	(1,012)	(969)
Employee contributions	-	-	-	(40)	(163)
Benefits paid	697	650	612	277	298
Actuarial gains/(losses)	(49)	(27)	(322)	84	93
Change in assumptions	(1,335)	(190)	(2,100)	(1,512)	(2,262)
At the end of the year	(26,901)	(25,061)	(24,420)	(21,482)	(18,910)

Reconciliation to Balance Sheet (RACPS and FSSU)

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Present value of Scheme liabilities	(26,901)	(25,061)	(24,420)	(21,482)	(18,910)
Fair value of Scheme assets	18,037	16,953	16,230	16,000	14,353
Scheme deficits	(8,864)	(8,108)	(8,190)	(5,482)	(4,557)

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

25. Pensions (continued)

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

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
RACPS	(8,517)	(7,755)	(7,831)	(5,080)	(4,168)
FSSU supplemental scheme	(347)	(353)	(359)	(402)	(389)
	(8,864)	(8,108)	(8,190)	(5,482)	(4,557)

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

Group and University	2014	2013	2012	2011	2010
Rate of increase in pensionable salaries	-	-	-	-	3.70%
Rate of increase in pensions in payment – pre 06/04/97	3.00%	3.00%	3.00%	3.00%	3.00%
Rate of increase in pensions in payment – post 06/04/97 (LPI3-5)	3.50%	3.60%	3.30%	3.70%	3.60%
Rate of increase in pensions in payment – post 01/04/03 (LPI 5)	3.20%	3.30%	2.70%	3.60%	3.40%
Rate of increase in pensions in payment – post 01/04/05 (LPI 2.5)	2.30%	2.40%	2.20%	2.40%	2.40%
Inflation rate (RPI)	3.20%	3.30%	2.70%	3.60%	3.40%
Inflation rate (CPI)	2.45%	2.55%	2.20%	3.10%	2.90%
Discount rate	4.20%	4.60%	4.40%	5.25%	5.35%
Cash commutation	25.00%	25.00%	25.00%	25.00%	25.00%
	SAPS S1 PMA CMI 2011	SAPS S1 PMA CMI 2011	SAPS 51 PMA CMI 2011	PCA00MC	PCA00MC
Mortality – active & deferred members	0.50% floor	0.50% floor	0.50% floor	0.50% floor	0.50% floor
	SAPS S1 PMA CMI 2011	SAPS S1 PMA CMI 2011	SAPS 51 PMA CMI 2011	PCA00MC	PCA00MC
Mortality – pensioners	0.50% floor	0.50% floor	0.50% floor	0.50% floor	0.50% floor

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

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

25. Pensions (continued)

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

Group & University	Long term rate of return expected 2014 %	Value at 31 July 2014 £'000	Long term rate of return expected 2013 %	Value at 31 July 2013 £'000	Long term rate of return expected 2012 %	Value at 31 July 2012 £'000
Bonds	4.20	1,874	4.60	1,785	4.40	1,672
Gilts	3.25	2,815	3.30	2,689	2.50	2,604
Property	7.00	1,709	7.00	1,497	7.00	1,475
Dynamic Growth Fund/LDI Portfolio	7.00	5,854	7.00	5,488	7.00	5,296
Global Absolute Return Strategies	7.00	5,700	7.00	5,361	7.00	5,067
Cash	0.50	85	0.50	133	0.50	116
Total market value of assets	6.09	18,037	6.11	16,953	5.96	16,230

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

No amounts were charged to staff costs in the income and expenditure account in respect of the RACPS defined benefit scheme.

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

25. Pensions (continued)

Analysis of the amount charged to other finance costs

RACPS Scheme	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Expected return on pension scheme assets	1,036	968	963	899	760
Interest on pension scheme liabilities	(1,137)	(1,058)	(1,107)	(991)	(945)
Net return RACPS Scheme	(101)	(90)	(144)	(92)	(185)
FSSU Scheme					
Interest on pension scheme liabilities	(16)	(16)	(21)	(21)	(24)
Total	(117)	(106)	(165)	(113)	(209)

Movement in deficit of the RACPS Scheme during the year

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Deficit in the scheme at the start of the year	(7,755)	(7,831)	(5,080)	(4,168)	(3,676)
Movement:					
Current service cost (operating charge)	-	-	-	(369)	(417)
Contributions	650	483	400	1,093	774
Other finance charge	(101)	(90)	(144)	(92)	(185)
Actuarial loss in STRGL resulting from the RACPS Scheme	(1,311)	(317)	(3,007)	(1,544)	(664)
Deficit in the scheme at the end of the year	(8,517)	(7,755)	(7,831)	(5,080)	(4,168)

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

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Actual return less expected return on pension scheme assets	35	(138)	(586)	(108)	1,517
Experience gains and losses arising on the scheme liabilities	(15)	7	(337)	72	67
Changes in the assumptions underlying the present value of the scheme liabilities	(1,331)	(186)	(2,084)	(1,508)	(2,248)
Actuarial loss recognised in the statement of total recognised gains and losses resulting from the RACPS Scheme	(1,311)	(317)	(3,007)	(1,544)	(664)

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

25. Pensions (continued)

History of experience gains and losses

	2014	2013	2012	2011	2010
Difference between the actual and expected return on scheme assets:					
Amount (£'000)	35	(138)	(586)	(108)	1,517
Percentage of scheme assets	0.2%	(0.8%)	(3.6%)	(0.7%)	10.6%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	(15)	7	(337)	72	67
Percentage of the present value of the scheme liabilities	0.1%	0.0%	1.4%	(0.3%)	(0.4%)
Total amount recognised in the statement of total recognised gains and losses:					
Amount (£'000)	(1,311)	(317)	(3,007)	(1,545)	(664)
Percentage of the present value of the scheme liabilities	4.9%	1.3%	12.5%	7.3%	3.6%

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

Discretionary FSSU Supplementation pension scheme

The scheme is unfunded and its deficit amount has been based on an actuarial valuation at 31 July 2014.

The assumptions having the most significant effect on the calculation of the provision are that future interest rates will average 4.20% (2013: 4.60%) per annum and that the rate of increase in pensions in payment will be 3.20% (2013: 3.30%) per annum.

There are no assets held in the FSSU Scheme.

Group & University	Value at 31 July 2014 £'000	Value at 31 July 2013 £'000	Value at 31 July 2012 £'000	Value at 31 July 2011 £'000	Value at 31 July 2010 £'000
Present value of scheme liabilities	(347)	(353)	(359)	(402)	(389)
Net pension deficit	(347)	(353)	(359)	(402)	(389)

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

25. Pensions (continued)

Analysis of the amount charged to other finance costs

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Interest on pension scheme liabilities	(16)	(16)	(21)	(21)	(24)
Net return	(16)	(16)	(21)	(21)	(24)

Movement in FSSU deficit during the year

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Deficit in the scheme at the start of the year	(353)	(359)	(402)	(389)	(377)
Movement:					
Current service cost	-	-	-	-	-
Contributions	60	60	66	63	58
Other finance expense	(16)	(16)	(21)	(21)	(24)
Actuarial loss in STRGL resulting from the FSSU	(38)	(38)	(2)	(55)	(46)
Deficit in the scheme at the end of the year	(347)	(353)	(359)	(402)	(389)

History of experience gains and losses

	2014	2013	2012	2011	2010
Experience gains and losses on scheme liabilities:					
Amount (£'000)	(34)	(34)	14	12	26
Percentage of the present value of the scheme liabilities	10.0%	10.0%	4.0%	3.0%	7.0%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	(38)	(38)	(2)	8	12
Percentage of the present value of the scheme liabilities	11.0%	11.0%	1.0%	2.0%	3.0%

The cumulative amount of actuarial gains and losses in respect of both the RACPS and FSSU schemes recognised in the Statement of Total Recognised Gains and Losses is £(7,030)k (2013: £(5,681)k).

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

25. Pensions (continued)

Teachers' Pension Scheme (TPS)

The last valuation of the TPS scheme was undertaken as at 31 March 2012. The Government Actuary's report of June 2014 revealed that the total liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £191,500 million. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176,600 million. The rate of real earnings growth is assumed to be 4.50%. The assumed gross rate of return and discount factor applied is 4.35%.

As from 1 April 2015 and as part of the cost-sharing agreement between employers and teachers' representatives, the standard contribution has been assessed at 25.7%, plus a supplementary contribution rate of 0.3% (to balance assets and liabilities as required by the regulations within 15 years); a Standard Contribution Rate (SCR) of 26.0%. This translates into an average employee contribution rate of 9.6% and employer contribution rate of 16.4% payable. These will come into effect 1 September 2015.

USS (Universities Superannuation Scheme)

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

At 31 March 2014, USS had over 148,000 active members and the University had 2 active members participating in the scheme.

Further details of the Scheme can be obtained from the USS web-site, www.uss.co.uk.

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

26. Income and expenditure account reserve

Group and University	2014 £'000	2013 £'000 (Restated)
At 1 August	4,692	3,707
Surplus retained for the year	250	1,330
Actuarial loss for the year from CARE and FSSU Pension Schemes (note 25)	(1,349)	(355)
Transfer from Revaluation Reserve (note 27)	16	10
Balance at 31 July	3,609	4,692

Balance represented by:	2014 £'000	2013 £'000
Income & expenditure reserve excluding pension reserve	12,473	12,800
Pension reserve (note 25)	(8,864)	(8,108)
Balance at 31 July	3,609	4,692

27. Revaluation reserve

Group and University	Investment 2014 £'000	Tangible fixed assets for investment purposes 2014 £'000	Tangible fixed assets for University use 2014 £'000	Total 2014 £'000	Total 2013 £'000
At 1 August	224	1,187	3,073	4,484	4,438
Net movement in unrealised gains on investments (note 15)	15	-	-	15	180
Asset revaluation in year (notes 13 & 14)	-	-	45	45	(124)
Release in year to Revenue Reserve (note 26)	-	-	(16)	(16)	(10)
At 31 July	239	1,187	3,102	4,528	4,484

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

28. Access funds

Group and University	2014 £'000	2013 £'000
Balance unspent at 1 August	4	7
Funding council grants	11	4
	15	11
Disbursed to students	(12)	(7)
	3	4

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

29. Reconciliation of surplus before tax and profit on disposal of assets to net cash inflow/(outflow) from operating activities

Group	2014 £'000	2013 £'000 (Restated)
Surplus for the year	250	1,330
Investment income	(37)	(33)
Interest receivable	(9)	(14)
Interest payable	327	298
Depreciation on tangible assets	866	855
Loss / (Profit) on sale of tangible assets	8	(1,376)
Loss on investments	-	4
Capital grants released to income	(205)	(188)
Decrease / (Increase) in stocks	38	(94)
Decrease / (Increase) in debtors	135	(64)
Decrease in creditors	(182)	(229)
Increase in provisions	544	4
Net operating cash inflow before annual pension deficit payments	1,735	493
Annual pension contributions to closed schemes	(710)	(543)
Net cash inflow/(outflow) from operating activities	1,025	(50)

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

30. Financing

Group and University	2014 £'000	2013 £'000
New secured loan in year	-	1,000
Repayments on secured loans	(410)	(322)
Net (decrease) / increase in secured borrowing	(410)	678

31. Analysis of changes in net debt

Group	2013 £'000	Cash flow £'000	Other Movement £'000	2014 £'000
Cash at bank and in hand	2,206	(347)	-	1,859
Endowment bank accounts	164	-	-	164
Bank overdraft	(79)	(16)	-	(95)
Bank accounts and cash	2,291	(363)	-	1,928
Bank loans due within one year	(369)	369	(404)	(404)
Bank loans due after one year	(5,402)	41	404	(4,957)
	(3,480)	47	-	(3,433)

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

32. Capital commitments

Provision has not been made for the following capital commitments at 31 July 2014:

Group and University	2014 £'000	2013 £'000
Commitments contracted	-	982
Authorised but not contracted	568	1,050
	568	2,032

33. Other financial commitments

At 31 July 2014 the Royal Agricultural University had annual commitments under non-cancellable operating leases as follows:

Group and University	2014		2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	5	29	5	12
Expiring between two and five years inclusive	-	-	-	3
Expiring in over five years	64	-	64	-
	69	29	69	15

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

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

34. Contingent liabilities

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

- As part of the purchase of Harnhill Manor Farm in September 2009, the University signed a side letter to the vendor undertaking that, should the University sell the property within 5 years of purchase, it would pay the Trustees 50% of the difference in value between the purchase and sales prices and 25% of such difference for any sales in years 6 to 8 inclusive. Based on the Moore Allen & Innocent LLP valuation of the property dated 31 July 2012, these contingent liabilities are valued at £1,560k and £780k respectively;
- The University's teaching staff became eligible for membership of the Teachers' Pension Scheme on 1 August 2001 but they did not join until 1 October 2010. The University believes it has taken reasonable steps to mitigate the risk of any potential liabilities arising by paying the RAC Pension Scheme Trustees £423k during 2010/11 to guarantee an underpin to the RAC Scheme for each of these active members as at the date of Scheme closure. This underpin comes into force at the date each individual retires and offers a choice as to the scale of benefits (TPS or RAC) on which pensionable service between August 2001 and September 2010 is paid out. It is not possible to quantify any residual potential liabilities that might subsist at the present time.
- Pursuant to the University's planning consent for the Corinium Campus it entered into a s106 planning agreement whereby, should the site be developed, it would incur financial commitments up to £543k (2013: £540k); these are backed by a bond with Lloyds Bank.

In previous financial statements the University disclosed a contingent liability under the s75 Employer Debt Regulations in respect of the USS Pension Scheme as the University would be liable should its two members cease to be active and not be replaced by others.

Given the decision of Governing Council to withdraw from this Scheme (see note 25), the financial statements for 2013/14 provide for the s75 Employer Debt being levied. As at 5 June 2014 USS estimated the amount of any liabilities to be between £355k and £600k based on the most recent Scheme solvency ratings of 70% and 50% respectively. The higher figure has been taken into the financial statements. See note 7.

35. Student Union

Historically, the Student Union was part of the University with its Income and Expenditure being included in Other Income, Staff Costs and Other Operating Expenditure of the University. With effect from 1 August 2013 the Student Union activities have been carried out through an independent Company Limited by Guarantee with registered charity status in its own right. Its accounts are not included in the consolidated figures for 2013/14. The Student Union income included in Other Income for 2013 was £267k and the expenditure included in Staff Costs and Other Operating Expenditure were £7k and £347k respectively.

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

36. Related party transactions

(a) Exemption

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

(b) Pension scheme and Life Cover Trust

The Royal Agricultural College Pension Scheme and Life Cover Trust are related parties by definition. The amount owed by the Royal Agricultural University to the pension scheme at the year end was £Nil (2013: £Nil). The amount owed by the Royal Agricultural University to the Life Cover Trust at the year end was £Nil (2013: £Nil).

(c) Transactions with organisations related to governors

Due to the nature of the University's operations and the composition of Council, being drawn from local and national public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of Council may have an interest. All transactions involving organisations in which a member of Council may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement practices.

The University maintains a Register of Interests of members of Council. The register is open to inspection under the Freedom of Information Act 2000 and the governors' register of interests is published on the University website and can be inspected at www.rau.ac.uk.

The full register of Governors' interests has been inspected by the external auditors.

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

All transactions involving organisations in which a member of the University Senior Management Group may have an interest are conducted at arm's length and in accordance with the University's Financial Regulations and usual procurement practices.

The University maintains a Register of Interests of its Senior Management Group. The register is open to inspection under the Freedom of Information Act 2000 and has been inspected by the external auditors.

(e) Farming operations

In 2013/14 the University put out an Arable Contract Farming Opportunity for its farming operations as the contracts awarded under the 2009 tendering exercise managed by Moore Allen & Innocent LLP under the auspices of the Public Contract Regulations 2006 and subsequent extension came to an end. The process was again organised by Moore Allen & Innocent LLP and resulted in a two year contract being offered to Kemble Farms, effective 29 September 2014. The contract work at Harnhill is now carried out on an ad hoc basis using various contractors.

Royal Agricultural University

Notes to the consolidated financial statements for the year ended 31 July 2014 (continued)

36. Related party transactions (continued)

(f) The Royal Agricultural College Beagles

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

In recognition of this the University made a donation to them of £5,000; (2013: £5,000). Normal business sales to the RAC Beagles amounted to £10,907 (2013:£10,342). There were no business purchases from the RAC Beagles in either of the two years.

(g) The Royal Agricultural University Student Union

As noted in Note 35 the Royal Agricultural University Student Union was separated off from the University and commenced trading as an unrelated limited company with effect from 1 August 2013. However, by token of its name and its purpose it is 'linked' to the University. During the year the University made a grant to the student union of £154,100 (2013: £Nil) and supplied goods and services to the student union to the value of £82,664 (2013: £Nil). There were no business purchases from the RAU Student Union in the year.

(h) Related Charities

The University is linked to the following charities:

The African Fellowship Trust, registered charity number 1120786, was set up in 2007 to permit African students to advance their education in sustainable development and protection of the environment by studying for a masters programme at the University. The Fellows are fully funded by the charity. The charity accounts for the year ended 30 September 2013 show income of £253,400 (2012: £69,300) and expenditure of £283,523 (2012: £120,973) with a positive fund of £60,199 (2012: positive fund of £90,322). More recent accounts are not available.

The Sir Emrys Jones Memorial Trust, registered charity 1105861, was set up in 2004 in memory of Sir Emrys Jones, Principal of the University from 1974 to 1979, to provide financial assistance by way of fees or maintenance grants to students from Wales (whether by origin or residence) who are in need of financial assistance to attend University. Without it being binding, the Trustees understand the benefactor's wish that priority should be given to students reading agriculture or related subjects. The charity accounts for the year ended 31 March 2013 show income of £19,893 (2012: £28,364) and expenditure of £22,500 (2012: £23,460) with a positive fund of £810,547 (2012: fund balance of £728,913). More recent accounts are not available.