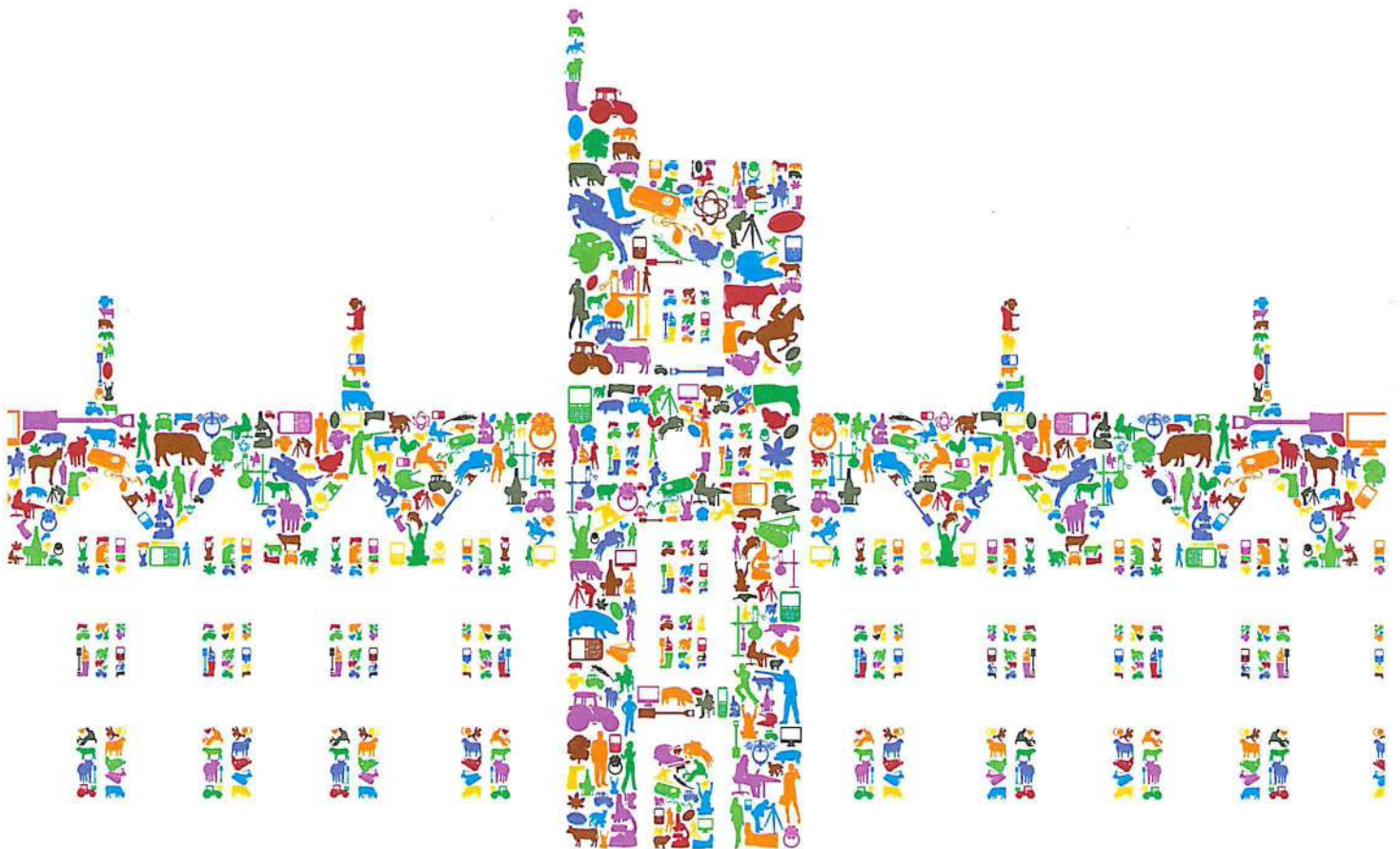


Registered Company Number 99168  
Charity Registered Number 311780

# Annual Report and Financial Statements

for the year ended 31 July 2015



## **Royal Agricultural University**

### **Annual Report and Financial Statements for the year ended 31 July 2015**

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## Foreword

### Chairman of Governors

It is always a great pleasure to be able to report on a year of success and achievement for our University and this year is no exception.



Perhaps the highlight of the year was the visit by our President, His Royal Highness the Prince of Wales to one of our graduation ceremonies in the summer. The Prince spoke with enthusiasm of his links with the Royal Agricultural University and with his customary and very necessary passion about the importance of sustainable agriculture in the world. Our students were delighted to welcome you, Sir.

Our academic success continues to increase and not unexpectedly this translates into exceptionally high employability statistics, a fact of which we are very proud. Nonetheless, and as I wrote last year University life is of course about much more than mere academic success and whilst it is pleasing to see the contribution being made by Cirencester graduates in many walks of local and national life the Cirencester experience remains strong in the memory of our alumni.

With student numbers remaining steady, we are very conscious of retaining the essential "collegiate" nature of our University. In this sense small is not limiting and we continue to punch above our weight in so many ways in the wider academic world.

Finally, may I express my thanks to the Vice-Chancellor, Deputy Vice-Chancellor, the Company Secretary, Director of Finance, 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. I also offer my thanks to my fellow Governors who give freely of their time for the benefit of the Institution.

But chiefly my thanks go to our students who make it all worthwhile!

A handwritten signature in black ink, which appears to read 'Jeremy Lewis'. The signature is fluid and cursive, with a large initial 'J' and a long, sweeping underline.

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

## Group Strategic Report

### Introduction by the Vice-Chancellor

The Royal Agricultural University (RAU) continues to develop significantly, providing specialism and diversity in a changing and challenging 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, is now intense, and successful institutions will be judged by the experience of students and measurable outcomes such as student retention, degree results and employability figures. The RAU is therefore very proud to be named University of the Year for Student Retention in 2015, and to be in the top three universities for employability, with over 98% of graduates finding good jobs on completion of their qualifications. The RAU continues to strive to provide the best environment possible for its students and staff continuing to invest in facilities such as social learning space for students that are increasingly valued by students.



The RAU is also conscious of its place in the local and regional community and economy, and is working closely with the town of Cirencester and the Local Enterprise Partnership (LEP) to provide support for industry, particularly rural industry, that is crucial to the economic growth and social cohesion of Gloucestershire. Funding from the LEP for business support and incubation units will help the RAU deliver this agenda, and build on the recent investment in the Rural Innovation Centre at the University farm at Harnhill.

The emphasis on relevance increasingly extends to our course provision. Throughout its history the institution has provided a range of courses that provide practical as well as theoretical skills. The options of one, two year or three year courses in agriculture, as well as a range of postgraduate opportunities, allow choice and progression, two key components of higher education policy nationally.

Student recruitment to all programmes remains key to the success of the RAU and remained strong in 2014/15. The impact of the removal of student number controls in 2015/16 creates an environment of further competition, both within the UK and increasingly with universities abroad, as differences in fees and increasing teaching in English blurs national boundaries. The RAU continues to recruit strongly from outside the European Union (EU) with students from over 40 different countries represented, but the perception that visa controls imposed by the UK are unhelpful both to prospective students and the reputation of the UK is widely held, and it is hoped that efforts will be made at national level to deal with this.

The University's Corporate Plan for 2014 to 2019 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),

## **Group Strategic Report (continued)**

### **Introduction by the Vice-Chancellor (continued)**

successfully launched in 2014. The Plan is an evolving one and one that recognises the changing and challenging nature of higher education and the requirements of students and employers.

The University continues to benefit from the growing importance of land-based subjects to society, both in the UK and overseas, 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 2015, not only for traditional programmes but also the one year courses at both non degree and postgraduate level. As is the case across the higher education sector, recruitment to postgraduate Masters courses remains challenging, but the professional courses in the School of Real Estate and Land Management and courses in international rural development and food security in the School of Agriculture, Food and Environment remain very attractive to students. Retention rates remain high, putting the RAU amongst the best in the University sector and leading this year to the award by the Sunday Times university league tables of University of the Year for Student Retention. Combined with a top six ranking for graduate employability in 2014, the latest figures available, at over 98% are a powerful indicator that our courses are valued by student and employer alike. The introduction of courses in real estate in Hong Kong and mainland China, with further opportunities in Turkey and London, will provide a greater number of students to realise the value of an RAU qualification.

The University's Access Agreement and plans for widening participation have once again been accepted by the Office for Fair Access (OFFA). This is an important component of our student recruitment strategy, and our new Access Agreement provides an integrated approach, and not a 'bolt on' to other recruitment activities. Attracting new people, and 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 University takes great pride in the success of our foundation degrees and one year courses, and achievements of the students, many of whom choose to progress further in higher education through, for example, top-up degrees. The RAU is also committed to developing relationships with other 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. This component to our provision of higher education has seen considerable growth in 2014/15, both with new partners and growing provision within in existing partners. A significant number of students now have the opportunity to study for RAU qualifications away from Cirencester.

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 are providing an impetus to the research activity of the University. In research, as in most areas of university endeavour,

## **Group Strategic Report (continued)**

### **Introduction by the Vice-Chancellor (continued)**

collaboration is an increasingly crucial component and the RAU is actively building such collaborations both in this country and overseas.

The University continues to explore alternate sources of income to cushion it against reductions in revenue from student fees and public sector grants. Through its subsidiary, RAU Enterprises Ltd (RAUEL), it offers commercial services such as events, professional courses and facilities, and it will continue to build on the opportunities that exist in this area. 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, through for example, the annual telephone fundraising event. The resultant Cirencester Fund has provided funds for individual student support and facility development, and is much appreciated by students and staff alike.

The University is positioning itself 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.

A handwritten signature in black ink, appearing to read 'C Gaskell', is positioned above the name of the Vice-Chancellor.

Professor Chris Gaskell CBE  
Principal (to 30 September 2015), Vice-Chancellor (from 1 October 2015)

## Group Strategic Report (continued)

### Our Strategic Priorities

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

- 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.
- 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.
- 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.
- To catalyse the development of the campus, farms and facilities of the University through partnerships with industry, other institutions and philanthropists.
- To increase the research activity and profile of the University.
- To maximise the utilisation of the campus, augmenting the core business usage with commercial activities.
- To be an institutional exemplar for working in an ethical and an increasingly sustainable environment.
- Through translation, stimulate a culture of creativity, enterprise and innovation, maximising the beneficial economic and social impact of our intellectual assets.
- 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.

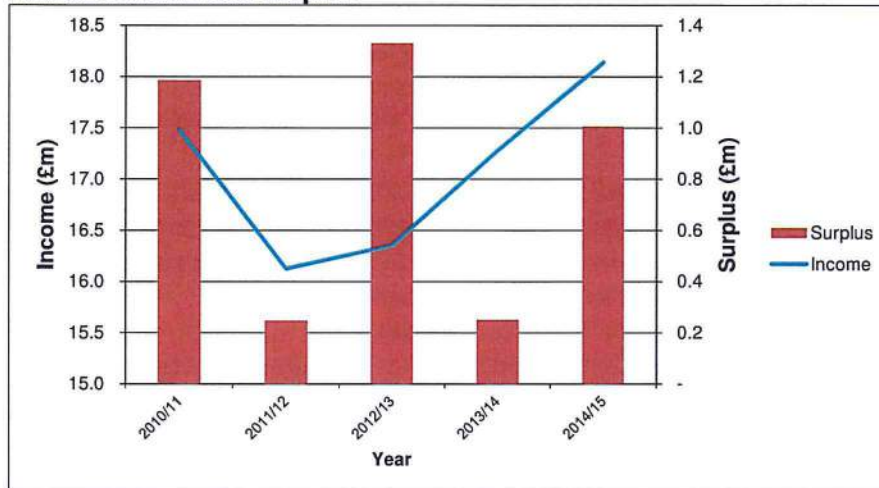
The University monitors its performance against these priorities and reports regularly on the actions it takes to support the achievement of the Corporate Plan. Detailed reports are provided to Senior Management Group and the Planning & Resources Committee. A higher level executive summary report on progress is given to Governing Council at each meeting to enable Governors to monitor progress.

### Financial Review

The Royal Agricultural University ensures its success and sustainability through its strategy, quality of teaching and research, management of key risks and financial performance. A key component of this sustainability is the financial operating surplus that is planned each year. In 2014/15 the University is reporting a surplus for the year after depreciation of £1,006k or 5.5% of total income (2014: £250k, or 1.4%). This figure is slightly above the levels recommended by HEFCE for long term sustainability (a recommended level of 4.5%) as well as the University's own medium term financial forecasts. The 2014/15 surplus is significantly higher than last year's comparative, when non-recurring payments in respect of a provision for pension liabilities adversely affected results. It is also within the range of results achieved over the past five years, as shown below.

## Group Strategic Report (continued)

### Annual income and surplus



The University's surplus available for reinvestment each year includes profits generated by its wholly owned subsidiary, Royal Agricultural University Enterprises Limited (RAUEL), which is responsible for the conferencing, retail and consultancy operations of the University. Operating profits from RAUEL are gift aided to the University. In 2014/15 these profits were £168k (2014: £312k), with the reduction due largely to the slowdown in commercial activity caused by difficult trading conditions in year.

Total income for 2014/15 was £18,155k, an increase of some 5.1% from last year (2014: £17,267k). This increase is in line with long term trends and the impact (from 2012/13 onwards) of the move away from direct grant funding of the Higher Education sector towards a system based on tuition fees for undergraduates, along with targeted funding from government to recognise the higher costs involved in the provision of education at small specialist institutions such as RAU.

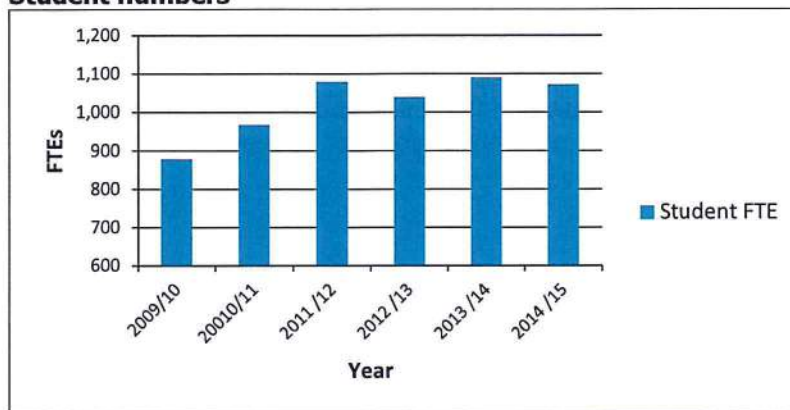
The University has maintained tuition fees at £9k for all undergraduate courses, with scholarships, bursaries and awards available to eligible students. 2014/15 is the first year when all UK and EU undergraduates on a three year course are funded under the tuition fee system, and as a result the breakdown of the University's total income in 2014/15 is very different to last year, with tuition fee income now accounting for £10,348k or 57.0% (2014: £8,550k or 49.5%) of total income.

Tuition fee income is also driven by student numbers, which until recently have been subject to controls and limits in the form of the SNC (Student Number Control, i.e. the maximum number of new funded undergraduates any university is allowed to recruit in any one academic year). Total student numbers in 2014/15 were slightly lower than last year's totals and lower than the aspirational targets outlined in the corporate plan, though there remains a longer term intention to grow student numbers further from 2015/16 onwards.



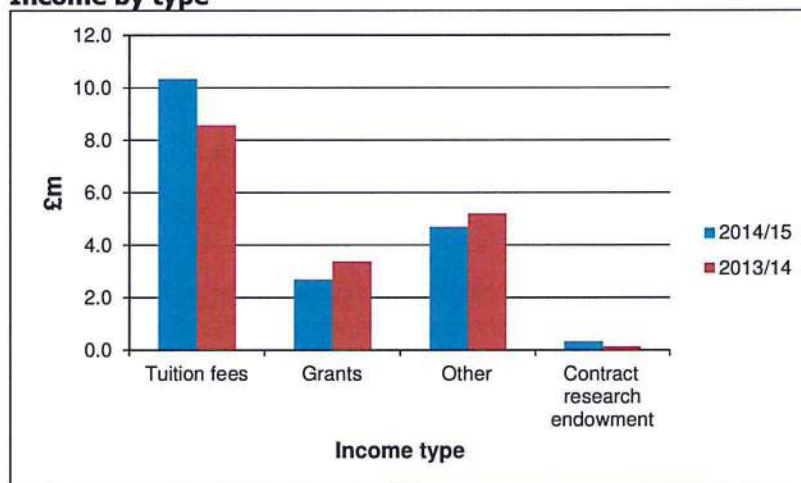
## Group Strategic Report (continued)

### Student numbers



Other Income (i.e. not from tuition fees and not from direct grants), consists mainly of income from RAUEL, farm income, and other commercial services. Total other income in 2014/15 was £4,741k (2014: £5,200k) and is a significant contributor to the University turnover, providing 26.1% of the total (2014: 30.1%). A summary comparison of income types is shown below.

### Income by type



The University's total expenditure for the year 2014/15 was £17,149k, an increase of 0.8% on last year (2014: £17,017k). The biggest element of University spend is staff costs relating to 206 FTE permanent employees (2014: 211 FTE), and which at £8,393k in 2014/15 accounts for 49.0% of total expenditure (2014: £8,599k and 50.5%). The decrease in staff costs relates largely to the inclusion in 2013/14 of a provision in relation to the RAU's liabilities when it withdrew from the Universities Superannuation Scheme (see note 24 of the financial statements for further details).

## Group Strategic Report (continued)

Other Operating Expenses relate to non-pay spend in the University's schools and departments as shown in note 10. Expenditure in 2014/15 was £7,696k (2014: £7,225k) with the majority of the increase resulting from planned growth in educational activity and new course development costs.

In terms of the Balance Sheet, the inclusion of the University's net pension liability reduces the value of net assets to £10,511k (2014: £9,756k) (see note 24 for further detail). The value of the University's fixed assets (including investments) is slightly higher than last year at £24,492k (2014: £23,070k), whilst current assets are also higher at £3,939k (2014: £3,608k). The University's debt position continues to improve primarily as a result of ongoing repayment of existing bank loans (see note 19 for further details). Overall the current ratio of Current Assets to Current Liabilities as at the year-end is 1.21, down from last year's figure (2014: 1.35) due to the inclusion of pension debt relating to the USS pension scheme in creditors falling due within one year as at 31 July 2015. The most significant long term liability is the University's net pension liability which has increased this year to £10,257k (2014: £8,864k). Further details are given in note 24.

### Financial Risk Management

The University 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 is mandated to amend pricing policy should the need arise as a result of competitors' actions. Revenue from other sources received in the group is 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 made up of a fairly large number of transactions which individually 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 are 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.

## Group Strategic Report (continued)

### Cash flow and 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 in good time.

On behalf of the board

A handwritten signature in black ink, appearing to read "Richard Macdonald". The signature is written in a cursive style with a large initial 'R' and a long, sweeping underline.

Richard Macdonald  
Chairman of Planning & Resources Committee  
20 November 2015

## Report of the Governors and Corporate Governance Statement

<p><b>Principal address and Registered Office</b>                  The Royal Agricultural University                  Stroud Road                  Cirencester                  Gloucestershire, GL7 6JS</p>	<p><b>Principal Officers</b>                  Principal (to 30 Sep 2015) and Vice-Chancellor (from 1 Oct 2015): Prof Chris J Gaskell                  Vice Principal (to 30 Sep 2015) and Deputy Vice-Chancellor (from 1 Oct 2015): Prof Paul Davies                  Company Secretary: Mrs Theresa M Chapman</p>
<p><b>Investment Managers</b>                  Schroder &amp; Co Ltd t/a Cazenove Capital Management                  12 Moorgate                  London, EC2R 6DA</p>	<p><b>Bankers</b>                  Lloyds Bank plc                  14 Castle Street                  Cirencester                  Gloucestershire, GL7 1QJ</p>
<p><b>Solicitors</b>                  Pennington Manches LLP                  9400 Garsington Road                  Oxford Business Park                  Oxford, OX4 2HN</p>	<p><b>Solicitors</b>                  Eversheds LLP                  1 Wood Street                  London, EC2V 7WS</p>
<p><b>Registered auditors</b>                  PricewaterhouseCoopers LLP                  2 Glass Wharf                  Bristol, BS2 0FR</p>	

### 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. It also aims to 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 and the revised version dated December 2014), known as the CUC Governance Code of Practice and General Principles.

### 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.

The University has two wholly owned subsidiaries: Royal Agricultural University Enterprises Limited, and Royal Agricultural College Limited, which is a dormant company.

## **Report of the Governors and Corporate Governance Statement (continued)**

### **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-Chancellor), Vice Principal (Deputy Vice-Chancellor) and Company Secretary attend on an ex-officio basis. Governing Council has 3 formal meetings and a strategy day each year and ad-hoc meetings as necessary. It has a number of sub-committees that report to it.

### **Planning and Resources Committee**

This is a 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-Chancellor), Vice Principal (Deputy Vice-Chancellor), and the Company Secretary - and 2 Senior Academics currently represented by the Deans of the School of Agriculture, Food and the Environment and the School of Real Estate and Land Management. The Director of Finance and an additional governor are also in attendance. The Committee meets formally 3 times per year with ad hoc meetings as required. The Governing Council delegates many of its operational powers to this committee.

### **The Audit Committee**

This sub-committee has 3 formal meetings a year and ad-hoc meetings as necessary. The Committee consists of up to 4 Governors and has one external co-opted member with financial expertise. The Principal (Vice-Chancellor), Company Secretary, and Director of Finance 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 Nominations Committee**

This sub-committee has 3 formal meetings a year and ad-hoc meetings as necessary. The Committee is chaired by the Chair of the University Governors and includes in its membership at least three Independent Governors, the Principal (Vice-Chancellor) and one of the staff representatives on Governing Council. The function of the Nominations Committee is to seek out and recommend new Independent and co-opted Governors. It ensures that a wide trawl for names is achieved and, in making recommendations, the Committee pays due regard to the balance of membership of the University Governors and the needs of the University. The Committee is empowered to appoint Governors to sub-committees, to co-opt persons (others than Governors) for specific purposes and acts as an initial forum for Academic Board and Governing Council when providing a recommendation on the appointment of a President or Vice-President.

## **Report of the Governors and Corporate Governance Statement (continued)**

### **The Remunerations Committee**

This sub-committee has 3 formal meetings a year and ad-hoc meetings as necessary. The Committee consists of at least four independent governors and the Principal (Vice-Chancellor) is a member for matters other than his pay and conditions. The Committee is responsible for the remunerations policy of the University and specifically determines the salaries of the University Senior Executive. The Remunerations Committee seeks comparative information on salaries and other emoluments and conditions of service in the university sector to inform its decisions.

### **The Principal (Vice-Chancellor)**

The Principal is the chief executive and head of the University. From 1 October 2015, the title of the position of Principal at the RAU was changed to Vice-Chancellor (and that of Vice Principal became Deputy Vice-Chancellor). The decision was taken by Governing Council and reflects the RAU's transition to full university status in 2013, when changes were brought about to allow smaller and more specialist institutions to be recognised as universities. In line with other universities, and to mark this important progression, the Council decided that the titles of the Principal and Vice Principal should also now change.

Under the terms of the Memorandum of Accountability and Assurance with the Higher Education Funding Council for England (HEFCE), the Principal 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 Memorandum of Accountability and Assurance 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 Memorandum of Assurance and Accountability. If the Governing Council nonetheless chooses to proceed with such an action or policy, he is required to inform the Accounting Officer at HEFCE in writing of the action or policy. The Principal may be summoned to appear before the Public Accounts Committee of the House of Commons.

### **Register of Interests**

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

### **The Governing Council**

The composition of the Governing Council 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.

## Report of the Governors and Corporate Governance Statement (continued)

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:

<b>Independent Governors, Charity Trustees &amp; Directors of the Limited Company</b>	
Mr Mohamed Amersi (from Dec 14)	Mr Philip Moody
Prof Sir John Beddington	Prof Chris Mullard (to Nov 14)
Mrs Alison Bernays (from Dec 14)	Mr Chris Musgrave
Prof Patricia Broadfoot	Prof Michael Osbaldeston
Mr Anthony Colburn	Mr Colin Pett, Chairman of Audit Committee
Prof Colin Dennis (to Nov 14)	Mrs Jean Roberts (from Dec 14)
Prof Richard Ellis (to Nov 14)	Mr Julian Sayers, Vice Chair
Prof Jonathan Kydd (from Dec 14)	Mr David Slack
Mr Jeremy Lewis, Chairman of Governors	Mr Michael Tucker
Mr Richard Macdonald, Chairman of P&R Committee	

<b>Co-Opted Governors, Charity Trustees &amp; Directors of the Limited Company</b>	
The Earl Bathurst (to Nov 14)	Prof Jonathan Kydd (to Nov 14)
Mrs Alison Bernays (to Nov 14)	Prof Chris Mullard (from Nov 14)
Prof Colin Dennis (from Nov 14)	Mr Nick Stace (from Mar 15)
Prof Susan Jebb (from Nov 14)	Mr James Townshend (from Jul 15)

<b>President</b>	<b>Vice Presidents</b>
His Royal Highness The Prince of Wales	The Earl Bathurst (from Nov 14) Mr Simon Pott
<b>Staff Representatives</b>	
Dr Nicola Cannon	Mr William Manley
Ms Scarlett Crewe (from Aug 15)	Ms Sarah Tennant-Bell (to Jul 15)
<b>Student Union Representatives</b>	
Mr Barnaby Price Elmhurst (Aug 14 to Jul 15)	Mr Hugo Pearson-Wood (from Sep 15)
Miss Camilla Mantle (SU Chair) (to Sep 15)	Mr Mike Wilkins (SU Chair) (from Sep 15)
<b>Officers</b>	
Prof Chris J Gaskell (Vice-Chancellor)	Prof W Paul Davies (Deputy Vice-Chancellor)
Mrs Theresa M Chapman (Company Secretary)	

## Report of the Governors and Corporate Governance Statement (continued)

### Governors' interests in shares of the University

The interests in the issued share capital of the University by Governors in post either at 31 July 2015 and/or at 31 July 2014 were:

	<b>2015</b>	2014
The Earl Bathurst		1
Prof Patricia Broadfoot	<b>1</b>	1
Mr Anthony Colburn	<b>1</b>	1
Prof Colin Dennis	<b>1</b>	1
Miss Caroline Drummond	<b>1</b>	1
Prof Richard Ellis		1
Mr Jeremy Lewis	<b>1</b>	1
Mr Richard Macdonald	<b>1</b>	1
Mr Philip Moody	<b>1</b>	1
Prof Chris Mullard	<b>1</b>	1
Mr Chris Musgrave	<b>1</b>	1
Prof Michael Osbaldeston	<b>1</b>	1
Mr Colin Pett	<b>1</b>	1
Mr Julian Sayers	<b>1</b>	1
Mr David Slack	<b>1</b>	1
Mr Michael Tucker	<b>1</b>	1
<b>Total (out of 120)</b>	<b>14</b>	16

In addition, Professor Chris Gaskell (Vice-Chancellor) held 6 shares at 31 July 2015 (2014:6). 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.

### Financial Risk Management

The University's risk management processes are set out in the Strategic Review on page 9.



## **Report of the Governors and Corporate Governance Statement (continued)**

### **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 of the group 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, in accordance with s418 of the Companies Act 2006, 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 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 the group 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 Memorandum of Assurance and Accountability with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;

## **Report of the Governors and Corporate Governance Statement (continued)**

### **Statement of the Governing Council's responsibilities (continued)**

- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; and
- secure the economic, efficient and effective management of the University's resources and expenditure.

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.

## **Report of the Governors and Corporate Governance Statement (continued)**

### **Statement on Public Benefit**

The RAU Articles of Association state that, "The objects of the University are the advancement of education and learning, including instruction and vocational training in, and research into, agriculture, land management and other subjects".

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 in 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.

### **Beneficiaries**

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

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

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

## **Report of the Governors and Corporate Governance Statement (continued)**

### **Statement on Public Benefit (continued)**

from outside trusts. Financial support is given in a number of different ways: through bursaries and fee waivers; through discounted tuition fees for RAU graduates who return to carry out postgraduate study; through scholarships to encourage local recruitment and enable students to reduce the cost of higher education by living at home and studying; and through overseas scholarships to promote further the diverse international community at the University. In addition, the University has continued developing its progression partnerships and outreach activities (such as raising aspirations and achievement, ensuring support during study, and providing targeted promotional materials) with schools and Further Education Colleges in target areas.

As well as fostering a community-based learning environment which supports a range of students from more than 40 different countries, the University actively encourages interaction with business and social enterprises. For example, RAU students undertake work placements as part of their course and use of the University farms as an outdoor laboratory is integral to the education provided. With the aim of developing the leaders of tomorrow and adding value to students' degrees, and providing better graduate employment to the students, the University promotes Student Enterprise projects such as the 'Grand Idea' which engages external business people and entrepreneurs to mentor and advise budding student 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 wider society. The University's employability statistics (amongst the very highest in the whole of the UK), bear out the educational merit and value its courses deliver to society. The provision of a steady stream of high-calibre graduates benefits not only the industries the University serves, but also employers and the economy.

Further to its interaction with business, the University is a key stakeholder in sharing developments in agriculture as a rural centre of excellence, promoting a deeper understanding of agriculture, food production and the land based sector. The RAU's investment in Harnhill Farm allows the University to further its research and learning activities in relation to agriculture, the food chain and global food security, and 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.

### **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 RAU is increasing 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 helps students to understand the sector's future. The research projects often employ placement

## **Report of the Governors and Corporate Governance Statement (continued)**

### **Statement on Public Benefit (continued)**

students, and open days and farm walks for students are hosted by the University's researchers and sponsoring companies.

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

### **Environmental policy**

The RAU takes its environmental responsibilities seriously and continues to embed sustainability within the curriculum 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. In recent years the RAU has made significant progress in reducing its carbon emissions and increasing the proportion of energy generated from renewable sources. The RAU is recognising progress in these areas and working towards full accreditation of its Environmental Management System through ISO14001.

### **Fundraising**

In order further to expand the facilities of the University and increase the bursaries and financial support available to student beneficiaries, the RAU operates a regular giving programme, the Cirencester Fund. Aimed at raising support from alumni, who kindly contribute either with a single gift or by setting up a direct debit, this programme generates cash which will go towards projects directly benefitting current students and further enhancing the student experience at the RAU. The level of alumni engagement with the RAU is particularly strong and is an excellent gauge of warmth to the institution and the perceived relevance of the learning and teaching provided.

### **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.

## **Report of the Governors and Corporate Governance Statement (continued)**

### **Statement on Public Benefit (continued)**

#### **Summary**

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.

## **Report of the Governors and Corporate Governance Statement (continued)**

### **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 Memorandum of Assurance and Accountability 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. We review the effectiveness of internal control on at least an annual basis.

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 continue 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 25/2014 "HEFCE's Accounts direction to higher education institutions for 2014/15 financial statements" and the accompanying annexes.

As part of the annual update of operational risks that feed into the strategic risk register both inherent and residual risk is scored. Key strategic risk assessments are performed by Senior Managers within the University and are informed by the operational, departmental registers. The three tier hierarchy of risk registers ranges from the operational registers to a strategic, higher level registers where the risk areas map across to the strategic priorities in the 2014/2019 Corporate Plan and culminates in a top level review by the Vice-Chancellor. Senior Management Group reviews and updates the strategic risk registers annually and it is made available to the Audit Committee and Planning & Resources. The top level summary register is considered by Governing Council in the summer. Risk is regularly considered by Planning and Resources Committee, Audit Committee and Governing Council in decision making.

## **Report of the Governors and Corporate Governance Statement (continued)**

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. This was in force throughout the year and at the year end.

### **Independent Auditors**

PricewaterhouseCoopers LLP is the appointed Auditor to the Company.

On behalf of the board



Jeremy Lewis BSc (Econ) FCA (ret'd)  
Chairman of Governors  
20 November 2015



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

### **Report on the financial statements**

#### **Our opinion**

In our opinion, the Royal Agricultural University's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2015 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.

#### **What we have audited**

The financial statements comprise:

- the Group and University balance sheets as at 31 July 2015;
- the consolidated income and expenditure account for the year then ended;
- the consolidated statement of total recognised gains and losses for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the statement of principal accounting policies and estimation techniques; and
- the notes to the consolidated financial statements

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, 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.

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

In our opinion, the information given in the Group Strategic Report and 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 Memorandum of Assurance and Accountability, 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.

We have no exceptions to report arising from this responsibility.

### **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 included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group. We have no exceptions to report arising from this responsibility.

## **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 16 and 17, 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 the Statutes of the institution, section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992, 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.

### **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.

We primarily focus our work in these areas by assessing the Governing Council's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



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

25 November 2015

## **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 Generally Accepted Accounting Standards. The financial statements have been prepared on the going concern basis.

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

As in previous years 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 (RAUEL). 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.

Income from grants, contracts and other services rendered is accounted for on an accruals basis and included to the extent of completion of the contract or service concerned. 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.

## **Statement of Principal Accounting Policies and Estimation Techniques (continued)**

Endowment and investment income is credited to the income and expenditure account on a receivables basis. Income from endowments not expended in accordance with conditions 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 revaluation or disposal 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.

## **Statement of Principal Accounting Policies and Estimation Techniques (continued)**

The University receives no similar exemption in respect of Value Added Tax (VAT). The University's principal activities are exempt from VAT, but certain ancillary supplies and services are liable to VAT 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.

The University's wholly owned subsidiary company – Royal Agricultural University Enterprises Limited – is liable to Corporation Tax and VAT 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 and has now been abolished.

### **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 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 at least every five years with an interim valuation carried out at least 3 years after each full valuation.

### **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 13 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.

## Statement of Principal Accounting Policies and Estimation Techniques (continued)

### 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.

### 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 shown below. Freehold land is not depreciated.

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%

### 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.

### Investments

Listed investments held as fixed 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 sales proceeds and 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:

- Certain displayed paintings including past University Governors, principals, and other senior staff, and agricultural scenes.
- A collection of books and manuscripts of historical importance from the 16<sup>th</sup> to 19<sup>th</sup> centuries on subjects including animal husbandry, botany and natural history. Some of these manuscripts are on permanent display but otherwise available for public viewing by arrangement with the University Library.

## **Statement of Principal Accounting Policies and Estimation Techniques (continued)**

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 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.



## **Statement of Principal Accounting Policies and Estimation Techniques (continued)**

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

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

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

## **Statement of Principal Accounting Policies and Estimation Techniques (continued)**

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 24.

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 cost 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. 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.

On 5 April 2015 the University formally withdrew from the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out the State Second Pension (S2P).

### **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.

## Consolidated income and expenditure account for the year ended 31 July 2015

	Notes	2015 £'000	2014 £'000
<b>Income</b>			
Funding body grants	1	<b>2,714</b>	3,364
Tuition fees and education contracts	2	<b>10,348</b>	8,550
Research grants and contracts	3	<b>306</b>	107
Other income	4	<b>4,741</b>	5,200
Endowment and investment income	5	<b>46</b>	46
<b>Total income</b>		<b>18,155</b>	17,267
<b>Expenditure</b>			
Staff costs	7	<b>8,393</b>	8,599
Other operating expenses	10	<b>7,696</b>	7,225
Depreciation	12	<b>844</b>	866
Interest and other finance costs	8	<b>216</b>	327
<b>Total expenditure</b>	9	<b>17,149</b>	17,017
<b>Surplus</b>		<b>1,006</b>	250
<b>Surplus for the year retained within general reserves</b>			
	25	<b>1,006</b>	250

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

### Consolidated statement of historical cost surpluses and deficits for the year ended 31 July 2015

	Notes	2015 £'000	2014 £'000
Surplus after depreciation of tangible fixed assets and disposal of assets.		<b>1,006</b>	250
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	25	<b>16</b>	16
<b>Historical cost surplus for the year</b>		<b>1,022</b>	266

### Consolidated statement of total recognised gains and losses for the year ended 31 July 2015

	Notes	2015 £'000	2014 £'000
Surplus after depreciation of tangible fixed assets at valuation and disposal of assets.		<b>1,006</b>	250
Movement in unrealised gain on investments	26	<b>(134)</b>	15
Unrealised surplus on revaluation of fixed assets	26	<b>1,678</b>	45
Actuarial loss recognised in respect of the pension schemes	24	<b>(2,082)</b>	(1,349)
<b>Total recognised gains/(losses) relating to the year</b>		<b>468</b>	(1,039)

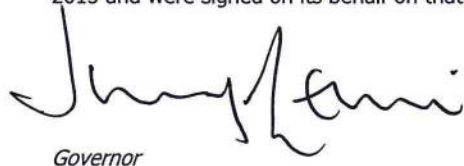
#### Reconciliation

Opening reserves and endowments	<b>8,301</b>	9,340
Total recognised gains/(losses) relating to the year	<b>468</b>	(1,039)
<b>Closing reserves and endowments</b>	<b>8,769</b>	8,301

## Balance sheets at 31 July 2015

	Notes	Group 2015 £'000	2014 £'000	University 2015 £'000	2014 £'000
<b>Fixed assets</b>					
Intangible assets	11	-	-	-	-
Tangible assets	12 & 13	<b>23,405</b>	22,006	<b>23,405</b>	22,006
Investments	14	<b>1,087</b>	1,064	<b>1,137</b>	1,114
<b>Expendable endowment funds</b>	15	<b>164</b>	164	<b>164</b>	164
<b>Current assets</b>					
Stocks	16	<b>391</b>	446	<b>372</b>	411
Debtors	17	<b>1,043</b>	1,303	<b>1,177</b>	1,547
Cash at bank and in hand		<b>2,505</b>	1,859	<b>2,266</b>	1,500
		<b>3,939</b>	3,608	<b>3,815</b>	3,458
<b>Less: Creditors - amounts falling due within one year</b>	18	<b>(3,245)</b>	(2,673)	<b>(3,171)</b>	(2,573)
<b>Net current assets</b>		<b>694</b>	935	<b>644</b>	885
<b>Total assets less current liabilities</b>		<b>25,350</b>	24,169	<b>25,350</b>	24,169
<b>Less: Creditors - amounts falling due after more than one year</b>	19	<b>(4,526)</b>	(4,957)	<b>(4,526)</b>	(4,957)
<b>Less: Provisions for liabilities</b>	20	<b>(56)</b>	(592)	<b>(56)</b>	(592)
<b>Net assets excluding pension liability</b>		<b>20,768</b>	18,620	<b>20,768</b>	18,620
Net pension liability	24	<b>(10,257)</b>	(8,864)	<b>(10,257)</b>	(8,864)
<b>Net assets including pension liability</b>		<b>10,511</b>	9,756	<b>10,511</b>	9,756
Deferred capital grants	21	<b>1,741</b>	1,454	<b>1,741</b>	1,454
Expendable endowment funds	22	<b>164</b>	164	<b>164</b>	164
Share capital	23	<b>1</b>	1	<b>1</b>	1
<b>Reserves</b>					
Income and expenditure account excluding pension reserve	25	<b>12,806</b>	12,473	<b>12,806</b>	12,473
Pension reserve	25	<b>(10,257)</b>	(8,864)	<b>(10,257)</b>	(8,864)
Income and expenditure account including pension reserve	25	<b>2,549</b>	3,609	<b>2,549</b>	3,609
Revaluation reserve	26	<b>6,056</b>	4,528	<b>6,056</b>	4,528
<b>Total Funds</b>		<b>10,511</b>	9,756	<b>10,511</b>	9,756

The financial statements on pages 34 to 67 were approved and authorised for issue by Governing Council on 20 November 2015 and were signed on its behalf on that date by:



Governor



Governor

**Consolidated cash flow statement for the year ended 31 July 2015**

	Notes	2015 £'000	2014 £'000
Net operating cash flows before annual pension deficit payments	28	<b>2,073</b>	1,735
Annual pension contributions to closed schemes	28	<b>(712)</b>	(710)
<b>Net cash inflow from operating activities</b>	28	<b>1,361</b>	1,025
<b>Returns on investments and servicing of finance</b>			
Income from endowments	5	-	1
Other interest received	5	<b>7</b>	8
Interest paid	8	<b>(193)</b>	(210)
		<b>(186)</b>	(201)
<b>Capital expenditure and financial investment</b>			
Payments made to acquire fixed assets	12	<b>(565)</b>	(904)
Capital grants received	21	<b>419</b>	90
		<b>(146)</b>	(814)
<b>Cash inflow before use of liquid resources and financing</b>		<b>1,029</b>	10
<b>Management of liquid resources</b>	5	<b>39</b>	37
<b>Financing</b>	29	<b>(420)</b>	(410)
<b>Increase / (decrease) in cash</b>		<b>648</b>	(363)
<b>Reconciliation of net cash flow to movement in net debt</b>			
	Notes	2015 £'000	2014 £'000
<b>Increase/ (decrease) in cash in the year</b>		<b>648</b>	(363)
Decrease in Debt	29	<b>420</b>	410
<b>Decrease in Net Debt</b>		<b>1,068</b>	47
Net Debt at 1 August		<b>(3,433)</b>	(3,480)
<b>Net Debt at 31 July</b>	30	<b>(2,365)</b>	(3,433)

## Notes to the consolidated financial statements for the year ended 31 July 2015

### 1. Funding body grants

	2015 £'000	2014 £'000
Grants from Higher Education Funding Council for England (HEFCE):		
<b>Recurrent grant</b>	<b>2,197</b>	2,838
<b>Specific grants:</b>		
- Student Opportunity Allocation	<b>290</b>	241
- National Scholarship Programme	<b>71</b>	56
- Research	<b>57</b>	61
<b>Deferred capital grants released in the year:</b>		
- Buildings (note 21)	<b>95</b>	102
- Equipment (note 21)	<b>4</b>	66
	<b>2,714</b>	3,364

### 2. Tuition fees and education contracts

	2015 £'000	2014 £'000
<b>Students:</b>		
Full time home and EU students	<b>8,234</b>	6,421
Full time international students	<b>869</b>	837
Students taught overseas	<b>215</b>	195
Part time students	<b>138</b>	217
	<b>9,456</b>	7,670
<b>Short courses</b>	<b>892</b>	880
	<b>10,348</b>	8,550

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 3. Research grants and contracts

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Research councils and charities	<b>50</b>	32
Industry and commerce	<b>68</b>	24
Other grants and contracts	<b>188</b>	51
	<b>306</b>	107

### 4. Other income

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Commercial services	<b>3,294</b>	3,551
Consultancy	<b>247</b>	183
Farming	<b>606</b>	627
Released from deferred capital grants (note 21)	<b>33</b>	37
Property letting income	<b>162</b>	194
Other income	<b>399</b>	608
	<b>4,741</b>	5,200

### 5. Endowment and investment income

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Income from expendable endowments (note 22)	<b>-</b>	1
Income from short term investments	<b>39</b>	37
Other interest receivable	<b>7</b>	8
	<b>46</b>	46



## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

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

	2015	2014
<b>Royal Agricultural University Enterprises Limited</b>	<b>£'000</b>	<b>£'000</b>
<b>Profit and loss account</b>		
Income	<b>1,050</b>	1,101
Cost of sales	<b>(883)</b>	(790)
<b>Gross profit</b>	<b>167</b>	311
Interest receivable	<b>1</b>	1
<b>Profit before charitable contribution</b>	<b>168</b>	312
Gift Aid payment to parent company	<b>(168)</b>	(312)
<b>Retained in subsidiary</b>	<b>-</b>	-

Royal Agricultural University Enterprises Limited is registered and incorporated in England and Wales (Reg no 2752048). Its principal business activities are the provision of residential conference facilities, consultancy and retail. Of the turnover of the subsidiary £61k (2014: £73k) is from overseas.

The other wholly owned subsidiary, the Royal Agricultural College Limited (Reg. No 8542114), is dormant and has never traded (note 14).

### 7. Staff costs and employee information

	2015	2014
<b>Average staff numbers by major category</b>		
Academic	<b>54</b>	51
Academic support	<b>11</b>	11
Continuing education	<b>4</b>	6
Academic services	<b>28</b>	19
Central administration	<b>33</b>	44
Staff and student facilities	<b>8</b>	7
Premises	<b>25</b>	23
Residences and catering	<b>43</b>	50
	<b>206</b>	<b>211</b>

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 7. Staff costs and employee information (continued)

Staff costs	2015 £'000	2014 £'000
Wages and salaries	7,102	6,863
Social security costs	630	600
Other pension costs (note 24)	579	536
USS pension provision (note 33)	82	600
	<b>8,393</b>	8,599

No remuneration was paid to Governors (who are also directors) during the year. The aggregate directors' emoluments during the year were £Nil (2014: £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 £146k (2014: £140k) including pension contributions of £16k (2014: £16k) and taxable benefits. There are 3 staff representatives on Governing Council (2014:3).

The emoluments of the Vice-Chancellor in the year were as follows:-

	2015 £'000	2014 £'000
Salary	134	137
Bonus	19	14
Pension contributions	-	-
Benefits (including those arising from a requirement to live in University accommodation)	10	12
<b>Total emoluments</b>	<b>163</b>	163

There are no other higher paid employees who received emoluments of more than £100k (2014: None)

### 8. Interest and other finance costs

	2015 £'000	2014 £'000
Loans wholly repayable within five years	4	6
Loans repayable wholly or partly in more than five years	189	204
	<b>193</b>	210
Net interest charge on defined benefit pension scheme (note 24)	23	117
	<b>216</b>	327

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 9. Expenditure

Total expenditure is stated after charging:	2015 £'000	2014 £'000
External auditors' remuneration in respect of audit services (Royal Agricultural University Group £23,888; 2014:£21,400)	24	21
Internal auditors' remuneration in respect of audit services (Royal Agricultural University £17,729; 2014:£16,252)	18	16
Non-audit fees paid to the external auditor		
- Tax Services	1	6
- Other services	-	1
Depreciation charge for the year:		
- Tangible fixed assets (note 12)	844	866
Gain on investments	(157)	-
Loss on sale of other tangible assets for Royal Agricultural University use	-	8
Hire of land and buildings: operating leases	69	69
Hire of plant and machinery: operating leases	43	29
Governors' expenses	7	7
(Thirteen Governors received travel expenses in the year, there were ten in 2013/14)		

### 10. Other operating expenses

	2015 £'000	2014 £'000
Academic departments	1,838	1,800
Academic services	1,299	1,208
Research grants	215	108
Consultancy	103	50
Commercial services	594	643
Premises	1,627	1,364
Central administration	426	730
General education expenditure	459	358
Staff and student facilities	732	709
Others including general endowment expenditure	403	255
<b>Total per income and expenditure account</b>	<b>7,696</b>	<b>7,225</b>

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 11. Intangible fixed assets

Group and University	2015 £'000	2014 £'000
<b>Cost</b>		
At 1 August	57	57
Disposals	(57)	-
<b>At 31 July</b>	-	57
<b>Accumulated Amortisation</b>		
At 1 August	57	57
Disposals	(57)	-
<b>At 31 July</b>	-	57
<b>Net book value</b>		
<b>At 31 July</b>	-	-

These figures relate to milk quota purchased in 1994.

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 12. Tangible fixed assets

	Freehold land and buildings at valuation	Freehold land and buildings at cost	Assets in course of construction at cost	Heritage assets at valuation	Fixtures, fittings and equipment at cost	Total 2015	Total 2014
Group and Royal Agricultural University	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost/Valuation</b>							
At 1 August	6,615	19,253	7	525	3,030	29,430	28,569
Additions	-	298	195	-	72	565	904
Reclassification of assets	-	(91)	(7)	-	98	-	-
Disposals	-	-	-	-	(26)	(26)	(43)
Revaluation during the year (note 26)	1,215	-	-	-	-	1,215	-
<b>At 31 July</b>	<b>7,830</b>	<b>19,460</b>	<b>195</b>	<b>525</b>	<b>3,174</b>	<b>31,184</b>	<b>29,430</b>
<b>Accumulated Depreciation</b>							
At 1 August	-	6,801	-	-	2,223	9,024	8,238
Provided during the year (note 9)	48	577	-	-	219	844	866
Reclassification of assets	-	30	-	-	(30)	-	-
Eliminated on disposal	-	-	-	-	(26)	(26)	(35)
Revaluation during the year (note 26)	(48)	-	-	-	-	(48)	(45)
<b>At 31 July</b>	<b>-</b>	<b>7,408</b>	<b>-</b>	<b>-</b>	<b>2,386</b>	<b>9,794</b>	<b>9,024</b>
<b>Net book value</b>							
<b>At 31 July 2015</b>	<b>7,830</b>	<b>12,052</b>	<b>195</b>	<b>525</b>	<b>788</b>	<b>21,390</b>	
At 31 July 2014	6,615	12,452	7	525	807		20,406

As at July 2015, the freehold land and building at valuation comprises Harnhill Manor Farm £7,830k (2014: £5,232k), which was revalued on 31 July 2014. Harnhill Manor Farm is held in the financial statements 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. The valuation is based upon the work of Bidwells LLP who valued the University's property assets as at 1 August 2014 in preparation for the adoption of the new FRS102 reporting standard next year and, as such, the assets have been subject to an interim valuation as at 31 July 2015 in accordance with the requirements of FRS15.

The valuation was done on the basis of Fair Value and in accordance with the requirements of the RICS Appraisal and Valuation Standards and the International Valuation Standards. The valuation has been 'updated' to 31 July 2015 as a result of an internal review by the University's Estates Department.

The £7k opening assets in the course of construction relate to the extension of the Atrium. The closing £195k assets in course of construction consist of £131k relating to works on the Garner Block, £56k on the new RAU website and £8k on the extension to the Rural Innovation Centre.

Within freehold land and buildings at cost, Bailey Lodge and Steadings Cottages, included at net book values of £22k (2014: £23k) and £48k (2014: £50k) 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.

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 13. Tangible fixed assets for investment purposes

Group and University	2015 £'000	2014 £'000
<b>Freehold land and buildings at valuation</b>		
At 1 August	1,600	1,600
Revaluation in the year	415	-
At 31 July	2,015	1,600

Tangible fixed assets held for investment purposes, representing freehold land and buildings held at 31 July 2015, are included at not less than their open market values.

The values of 2 Chesterton Park, Trent Lodge and the Corinium Campus as at 31 July 2015 are based on valuations carried out by Bidwells LLP, an independent firm of chartered surveyors and land agents, as at 1 August 2014, updated by a review carried out by the Estates Department.

The Bidwell's 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.

### 14. Investments

	Group		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
At 1 August	1,064	1,049	1,114	1,099
Net unrealised (loss)/profit on revaluation:				
Taken to revaluation reserve (note 26)	(134)	15	(134)	15
Taken to income & expenditure account	157	-	157	-
At 31 July	1,087	1,064	1,137	1,114

Quoted investments held at 31 July 2015 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 £1,087k as at 31 July 2015, with a book value of £982k, resulting in a £157k realised gain (due to reinvestment during the year from a book value of £825k as at 31 July 2014) and a £23k unrealised gain as at 31 July 2015, resulting in a net decrease of the revaluation reserve of £134k from £239k at 31 July 2014.

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

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 14. Investments (continued)

	Group		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Investments are analysed as follows:</b>				
Listed (at market value)	1,087	1,064	1,087	1,064
Unlisted (at cost)	-	-	50	50
At 31 July	1,087	1,064	1,137	1,114
<b>Historic cost</b>				
At 31 July	982	825	1,032	875

### 15. Endowment funds

Group and University	2015 £'000	2014 £'000
At 1 August	164	164
Disbursed	-	(1)
Net income for the year (note 22)	-	1
At 31 July	164	164
<b>Represented by:</b>		
Cash at bank held for endowment funds	164	164

There were no additions to Endowment Assets during 2014/15.

The Endowments consist of the following:

- RICS Rural Fellowship £56k (2014: £57k)
- Walter Smith Award £54k (2014: £53k)
- FE Turner £54k (2014: £54k)

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 16. Stocks

Group and University	Group		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Farm valuation</b>				
Livestock	79	66	79	66
Produce	216	243	216	243
Stores	30	35	30	35
	<b>325</b>	344	<b>325</b>	344
<b>Other stocks</b>				
Food and drink	25	32	25	32
Stationery and retail	22	37	3	2
Other	19	33	19	33
	<b>66</b>	102	<b>47</b>	67
<b>Total Stocks</b>	<b>391</b>	446	<b>372</b>	411

### 17. Debtors

	Group		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Amounts falling due within one year:				
Trade debtors	466	545	355	442
Amounts owed by group undertakings	-	-	263	376
Prepayments and accrued income	577	758	559	729
	<b>1,043</b>	1,303	<b>1,177</b>	1,547



## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

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

	Group		University	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Bank overdrafts (note 19)	93	95	93	95
Secured loans (note 19)	415	404	415	404
Payments received in advance	234	323	234	323
Trade creditors	665	578	660	570
Taxation and social security	249	241	249	241
Other creditors	126	107	126	107
Accruals and deferred income	781	865	712	773
Amounts payable in respect of s.75 obligation	682	60	682	60
	<b>3,245</b>	<b>2,673</b>	<b>3,171</b>	<b>2,573</b>

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

	Group		University	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Secured instalment loans repayable by 2034 (see below)	4,526	4,957	4,526	4,957

### Analysis of the bank overdraft and loans (included in notes 18 & 19 above)

	Group		University	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
<b>Maturity of debt</b>				
Repayable as follows:				
In one year or less	508	499	508	499
Between two and five years	1,376	1,424	1,376	1,424
In more than five years	3,150	3,533	3,150	3,533
	<b>5,034</b>	<b>5,456</b>	<b>5,034</b>	<b>5,456</b>

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 19. 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	2 Years	Base + 0.25%	265	1-3 Woodlands Hall
Vic Hughes Hall Loan	9 Years	2.086% fixed to Aug 2023	601	Vic Hughes Hall
Harnhill Manor Farm Loan	19 Years	6.29% fixed to Sept 2019	1,992	Harnhill Manor Farm
West Lodge Loan	12 Years	3 month LIBOR Cap with a strike rate of 2.50% fixed until Dec 2022	2,083	West Lodge

### 20. Provisions for liabilities

Group and University	2015 £'000
At 1 August 2014	592
Increase in Provisions (charged to Income and Expenditure Account)	4
Transfer to current liabilities (s.75 debt) - see note 18	(540)
<b>At 31 July 2015</b>	<b>56</b>
<b>Purpose of Provisions</b>	
Dilapidations on onerous property leases	56
<b>At 31 July 2015</b>	<b>56</b>

The opening provision included £540k as an estimate of the amount payable after more than 1 year in respect of the withdrawal from the USS Pension Scheme. The remaining £60k was held within current liabilities. The full liability is now shown in current liabilities for 2014/15.

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 21. Deferred capital grants

Group and University	Funding Council £'000	Other Grants & Benefactions £'000	2015 Total £'000	2014 Total £'000
At 1 August				
- Buildings	1,156	166	1,322	1,442
- Equipment	32	100	132	127
	<b>1,188</b>	<b>266</b>	<b>1,454</b>	1,569
Cash Received				
- Buildings	169	250	419	-
- Equipment	-	-	-	90
	<b>169</b>	<b>250</b>	<b>419</b>	90
Released to income and expenditure				
- Buildings (notes 1 & 4)	95	18	113	120
- Equipment (notes 1 & 4)	4	15	19	85
	<b>99</b>	<b>33</b>	<b>132</b>	205
At 31 July				
- Buildings	1,230	398	1,628	1,322
- Equipment	28	85	113	132
<b>Total</b>	<b>1,258</b>	<b>483</b>	<b>1,741</b>	1,454

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 22. Expendable endowment funds

Group and University	2015			2014
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
Expenditure for the year	-	-	-	(1)
<b>At 31 July</b>	<b>152</b>	<b>12</b>	<b>164</b>	<b>164</b>

### 23. Share capital

	2015 £'000	2014 £'000
<b>Authorised</b>		
120 (2014: 120) Ordinary shares of £10 each	1	1
<b>Issued</b>		
120 (2014: 120) Ordinary shares of £10 each	1	1

## **Notes to the consolidated financial statements For the year ended 31 July 2015 (continued)**

### **Note 24: Pensions**

The University operates the following pension schemes:

#### **(a) The Royal Agricultural College Pension Scheme (RACPS)**

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. 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. Staff affected 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. FSSU is accounted for as a defined benefit scheme and its present value of scheme liabilities are consolidated for disclosure purposes within the RACPS liabilities. It has no assets.

#### **(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 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 it is accounted for as a defined contribution scheme in accordance with Financial Reporting Standard 17 – 'Retirement Benefits' (FRS 17).

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%.

## **Notes to the consolidated financial statements For the year ended 31 July 2015 (continued)**

### **Note 24: Pensions (continued)**

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.

The University had 57 members of the TPS as at 31 July 2015; (2014: 55). The scheme as a whole had 691,000 members.

#### **(d) Universities Superannuation Scheme (USS)**

Two members of the governor appointed University Senior Executive were members of the Universities Superannuation Scheme (USS), a defined benefit scheme; (2014: 2) until the University formally withdrew from the Scheme on 5 April 2015. There were no outstanding contributions for active service payable at the balance sheet date by the University in either 2015 or 2014. The s75 withdrawal debt is included in the 2014/15 financial statements within creditors amounts falling due within one year (note 18).

#### **(e) Defined contribution schemes (Group Personal Pension)**

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. Members pay a variable contribution of not less than 4%.

The University opened a new pension scheme with Friends Life for support staff future service on 1 January 2014. This scheme comes under the umbrella of the Higher Education Defined Contribution scheme (HEDCS); it is portable between member universities. All active support staff who were in the Prudential Scheme, which it replaced, became deferred members of the Prudential scheme and joined Friends Life for future service.

There are two arms to the Friends Life Scheme: which has two distinct strands of membership:

- X Scheme - tier 1 compliant auto-enrolment scheme with contributions in line with current legislation being 1% (employee) and 2% (employer) 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 variable contributions of not less than 2% (4% for new members) and RAU 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.

## Notes to the consolidated financial statements For the year ended 31 July 2015 (continued)

### Note 24: Pensions (continued)

The basic employers' contribution rates during the year were as follows:

	TPS	USS	Aegon	Friends Life X	Friend Life Y
1 Aug 2014 - 31 Mar 2015	14.1%	16.0%	10.0%	2.0%	6.5%
1 Apr 2015 - 31 Jul 2015	14.1%	-	10.0%	2.0%	6.5%

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 per annum	6.09%	5.06%	6.1%
Salary scale increase per annum	n/a	4.75%	4.4%
Pensions increase per annum	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 if accrued benefits covered by the actuarial value of assets	67%	92%	92%

### Charge in the income and expenditure account

The charge for pensions, adjusted for FRS17 where applicable, is as follows:

	2015 £'000	2014 £'000	2013 £'000
<b>Defined benefit schemes</b>			
RACPS	-	-	-
FSSU	-	-	-
TPS	343	304	295
USS	11	14	13
<b>Sub total</b>	<b>354</b>	<b>318</b>	<b>308</b>
<b>Defined contribution schemes</b>			
GPP: Aegon	74	88	107
GPP: Friends Life	151	87	-
GPP: Prudential	-	43	93
<b>Sub total</b>	<b>225</b>	<b>218</b>	<b>200</b>
<b>Total Pensions Cost as per note 7 Staff Costs</b>	<b>579</b>	<b>536</b>	<b>508</b>

## Notes to the consolidated financial statements For the year ended 31 July 2015 (continued)

### Note 24: Pensions (continued)

		<b>2015</b>	2014	2013
		<b>£'000</b>	£'000	£'000
Analysed as:				
	Current service	<b>579</b>	536	508
	Past service	-	-	-
<b>Total</b>		<b>579</b>	536	508

The contributions to be paid by the employer to the RACPS in respect of 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.

The pensions charge in the financial statements represents contributions made by the University to the defined contribution scheme providers on behalf of its employees. As at 31 July 2015 £10k contributions due to Aegon and £22k due to Friends Life had not been paid; these sums were paid in August 2015. This compared to £10k and £0.2k respectively in 2014.

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

	<b>2015</b>	2014	2013	2012	2011
	<b>£'000</b>	£'000	£'000	£'000	£'000
Fair value of Scheme assets	<b>19,017</b>	18,037	16,953	16,230	16,000
Present value of Scheme liabilities	<b>(29,274)</b>	(26,901)	(25,061)	(24,420)	(21,482)
<b>Scheme deficits</b>	<b>(10,257)</b>	(8,864)	(8,108)	(8,190)	(5,482)

The deficit in the balance sheet in respect of defined benefit schemes is shown below. The FSSU scheme is unfunded and its deficit amount is based on an actuarial valuation at 31 July 2015.

	<b>2015</b>	2014	2013	2012	2011
	<b>£'000</b>	£'000	£'000	£'000	£'000
RACPS	<b>(9,955)</b>	(8,517)	(7,755)	(7,831)	(5,080)
FSSU supplemental scheme	<b>(302)</b>	(347)	(353)	(359)	(402)
<b>Total deficits</b>	<b>(10,257)</b>	(8,864)	(8,108)	(8,190)	(5,482)



## Notes to the consolidated financial statements For the year ended 31 July 2015 (continued)

### Note 24: Pensions (continued)

The table below provides a reconciliation of the fair value of Scheme assets. Assets are held by RACPS only; the FSSU has no assets that the University can include in this statement.

	<b>2015</b> <b>£'000</b>	2014 £'000	2013 £'000	2012 £'000	2011 £'000
At the beginning of the year	<b>18,037</b>	16,953	16,230	16,000	14,353
Contributions by University	<b>650</b>	650	483	400	1,093
Contributions by employees	-	-	-	-	40
Benefits paid	<b>(970)</b>	(637)	(590)	(547)	(277)
Expected return on assets	<b>1,085</b>	1,036	968	963	899
Actuarial gains/(losses)	<b>215</b>	35	(138)	(586)	(108)
<b>At the end of the year</b>	<b>19,017</b>	18,037	16,953	16,230	16,000

The table below reconciles the present value of Scheme liabilities for both RACPS and FSSU.

	<b>2015</b> <b>£'000</b>	2014 £'000	2013 £'000	2012 £'000	2011 £'000
At the beginning of the year	<b>(26,901)</b>	(25,061)	(24,420)	(21,482)	(18,910)
Current service cost (operating charge)	-	-	-	-	(369)
Interest cost	<b>(1,108)</b>	(1,153)	(1,074)	(1,128)	(1,012)
Employee contributions	<b>62</b>	-	-	-	(40)
Benefits paid	<b>970</b>	697	650	612	277
Actuarial losses	<b>(2,297)</b>	(1,384)	(217)	(2,422)	(1,428)
<b>At the end of the year</b>	<b>(29,274)</b>	(26,901)	(25,061)	(24,420)	(21,482)

**Notes to the consolidated financial statements  
For the year ended 31 July 2015 (continued)**

**Note 24: Pensions (continued)**

**Principal assumptions made by the actuaries in valuation for the purpose of FRS 17**

<b>Group and University</b>	<b>2015</b>	2014	2013	2012	2011
Rate of increase in pensionable salaries		-	-	-	-
Rate of increase in pensions in payment – pre 06/04/97	<b>3.00%</b>	3.00%	3.00%	3.00%	3.00%
Rate of increase in pensions in payment – post 06/04/97 (LPI3-5)	<b>3.48%</b>	3.50%	3.60%	3.30%	3.70%
Rate of increase in pensions in payment – post 01/04/03 (LPI 5)	<b>3.14%</b>	3.20%	3.30%	2.70%	3.60%
Rate of increase in pensions in payment – post 01/04/05 (LPI 2.5)	<b>2.34%</b>	2.30%	2.40%	2.20%	2.40%
Inflation rate (RPI)	<b>3.16%</b>	3.20%	3.30%	2.70%	3.60%
Inflation rate (CPI)	<b>2.41%</b>	2.45%	2.55%	2.20%	3.10%
Discount rate	<b>3.58%</b>	4.20%	4.60%	4.40%	5.25%
Cash commutation	<b>25.00%</b>	25.00%	25.00%	25.00%	25.00%
Mortality – active & deferred members	<b>SAPS S1PMA CMI 2011</b>	SAPS S1PMA CMI 2011	SAPS S1PM CMI2011	SAPS 51PM CMI2011	PCA00 MC
	<b>0.50% floor</b>	0.50% floor	0.50% floor	0.50% floor	0.50% floor
Mortality – pensioners	<b>SAPS S1PMA CMI 2011</b>	SAPS S1PMA CMI 2011	SAPS S1PMA CMI 2011	SAPS 51PMA CMI 2011	PCA00 MC
	<b>0.50% floor</b>	0.50% floor	0.50% floor	0.50% floor	0.50% floor

A rate of cash commutation of 25% is shown in these figures, based on Scheme actual experience (20%) plus flexibility offered to members by the Pensions Act 2004 (25% HMRC tax free limit).

## Notes to the consolidated financial statements For the year ended 31 July 2015 (continued)

### Note 24: Pensions (continued)

The demographic assumptions used in valuation for the purpose of FRS 17 will clearly have an impact on the total value derived. Over recent years the FRS 17 disclosures have been prepared using assumed mortality rates derived from the S1PMA/S1PFA tables, published by the Continuous Mortality Investigations Bureau ('CMI'), which are in common use throughout the pensions industry.

These tables assume a long term improvement trend in life expectancy of 0.50% per annum. In valuing RAU pensions, the death rates implied by the tables have been reduced (to 91% for males and 87% for females) to reflect the particular mortality characteristics of the Scheme members.

The CMI has recently published more up to date tables (the 'S2' tables) and published projections annually (the most recently available at the time of writing being the CMI 2014 projections). However, the Scheme is due to undergo a three yearly actuarial valuation in late 2015. This triennial review, which is not complete at the date of these financial statements, should include a review of the mortality tables and assumptions used for scheme funding, as the Pension Scheme Trustees are expected to conduct their own review of Scheme members mortality.

In advance of this review therefore, the mortality assumptions adopted for the 2014 disclosures have been retained for the 2015 disclosures. These assumptions have been considered as realistic in that they are neither overly prudent nor overly optimistic.

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

Group and University	Long term return expected 2015 %	Value at 31 July 2015 £'000	Long term return expected 2014 %	Value at 31 July 2014 £'000	Long term return expected 2013 %	Value at 31 July 2013 £'000
Bonds	3.58	<b>2,009</b>	4.20	1,874	4.60	1,785
Gilts	2.59	<b>3,290</b>	3.25	2,815	3.30	2,689
Property	5.59	<b>1,918</b>	7.00	1,709	7.00	1,497
Dynamic growth fund/ LDI portfolio	5.59	<b>5,714</b>	7.00	5,854	7.00	5,488
Global absolute return strategies	5.59	<b>6,071</b>	7.00	5,700	7.00	5,361
Cash	0.50	<b>15</b>	0.50	85	0.50	133
<b>Total market value</b>	4.85	<b>19,017</b>	6.09	18,037	6.11	16,953

## Notes to the consolidated financial statements For the year ended 31 July 2015 (continued)

### Note 24: Pensions (continued)

The discretionary FSSU supplementation scheme holds no assets and its deficit has been based on an actuarial valuation at 31 July 2015. The assumptions having the most significant effect on the calculation of the provision are that future interest rates will average 3.58% (2014: 4.2%) per annum and that the rate of increase in pensions in payment will be 3.52% (2014: 3.2%) per annum.

#### Movements during the year

The table below analyses the movement in deficit (for RACPS and FSSU) during the year:

<b>RACPS and FSSU</b>	<b>2015</b> <b>£'000</b>	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Deficit in schemes at start of year	<b>(8,864)</b>	(8,108)	(8,190)	(5,482)	(4,557)
Movement:					
Current service cost (operating charge)	-	-	-	-	(369)
Contributions	<b>712</b>	710	543	466	1,156
Other finance costs	<b>(23)</b>	(117)	(106)	(165)	(113)
Actuarial loss in STRGL	<b>(2,082)</b>	(1,349)	(355)	(3,009)	(1,599)
<b>Deficit in schemes at end of year</b>	<b>(10,257)</b>	(8,864)	(8,108)	(8,190)	(5,482)

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.

An analysis of the amount charged to other finance costs is shown in the following table:

<b>RACPS and FSSU</b>	<b>2015</b> <b>£'000</b>	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Expected return on RACPS assets	<b>1,085</b>	1,036	968	963	899
Interest on liabilities	<b>(1,108)</b>	(1,153)	(1,074)	(1,128)	(1,012)
<b>Net return</b>	<b>(23)</b>	(117)	(106)	(165)	(113)

**Notes to the consolidated financial statements**  
**For the year ended 31 July 2015 (continued)**

**Note 24: Pensions (continued)**

An analysis of amounts recognised in the Statement of Total Recognised Gains and Losses is given below:

<b>RACPS and FSSU</b>	<b>2015</b> <b>£'000</b>	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Actual less expected return on RACPS assets	<b>215</b>	35	(138)	(586)	(108)
Experience gains/(losses) arising on liabilities	<b>194</b>	(49)	(27)	(322)	21
Changes in assumptions underlying present value	<b>(2,491)</b>	(1,335)	(190)	(2,101)	(1,512)
<b>Actual loss recognised in STRGL</b>	<b>(2,082)</b>	(1,349)	(355)	(3,009)	(1,599)

The cumulative amount of actuarial losses for both the RACPS and FSSU schemes recognised in the Statement of Total Recognised Gains and Losses is £(9,112)k (2014: £(7,030)k).

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 25. Income and expenditure account reserve

Group and University	2015 £'000	2014 £'000
At 1 August	3,609	4,692
Surplus retained for the year	1,006	250
Actuarial loss for the year from RACPS and FSSU Pension Schemes (note 24)	(2,082)	(1,349)
Transfer from Revaluation Reserve (note 26)	16	16
<b>Balance at 31 July</b>	<b>2,549</b>	<b>3,609</b>

Balance represented by:	2015 £'000	2014 £'000
Income & expenditure reserve excluding pension reserve	12,806	12,473
Pension reserve (note 24)	(10,257)	(8,864)
<b>Balance at 31 July</b>	<b>2,549</b>	<b>3,609</b>

### 26. Revaluation reserve

Group and University	Investment 2015 £'000	Tangible fixed assets for investment purposes 2015 £'000	Tangible fixed assets for University use 2015 £'000	Total 2015 £'000	Total 2014 £'000
At 1 August	239	1,187	3,102	4,528	4,484
Net movement in unrealised gains on investments (note 14)	(134)	-	-	(134)	15
Asset revaluation in year (notes 12 & 13)	-	415	1,263	1,678	45
Release in year to Revenue Reserve (note 25)	-	-	(16)	(16)	(16)
<b>At 31 July</b>	<b>105</b>	<b>1,602</b>	<b>4,349</b>	<b>6,056</b>	<b>4,528</b>

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 27. Access funds

Group and University	2015 £'000	2014 £'000
Balance unspent at 1 August	3	4
Funding council grants	-	11
	3	15
Disbursed to students	(3)	(12)
	-	3
Balance unspent at 31 July	-	3

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.

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

Group	2015 £'000	2014 £'000
Surplus for the year	1,006	250
Investment income	(39)	(37)
Interest receivable	(7)	(9)
Interest payable	216	327
Depreciation on tangible assets	844	866
Loss / (Profit) on sale of tangible assets	-	8
Gain on investments	(157)	-
Capital grants released to income	(132)	(205)
Decrease in stocks	55	38
Decrease in debtors	260	135
Increase / (decrease) in creditors	563	(182)
(Decrease) / increase in provisions	(536)	544
Net operating cash inflow before annual pension deficit payments	2,073	1,735
Annual pension contributions to closed schemes	(712)	(710)
Net cash inflow from operating activities	1,361	1,025

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 29. Financing

Group and University	2015 £'000	2014 £'000
New secured loan in year	-	-
Repayments on secured loans	(420)	(410)
Net decrease in secured borrowing	(420)	(410)

### 30. Analysis of changes in net debt

Group	2014 £'000	Cash flow £'000	Other Movement £'000	2015 £'000
Cash at bank and in hand	1,859	646	-	2,505
Endowment bank accounts	164	-	-	164
Bank overdraft	(95)	2	-	(93)
Bank accounts and cash	1,928	648	-	2,576
Bank loans due within one year	(404)	404	(415)	(415)
Bank loans due after one year	(4,957)	16	415	(4,526)
	(3,433)	1,068	-	(2,365)



## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 31. Capital commitments

Provision has not been made for the following capital commitments at 31 July 2015:

Group and University	2015 £'000	2014 £'000
Commitments contracted	139	-
Authorised but not contracted	2,199	568
	<b>2,338</b>	568

### 32. Other financial commitments

At 31 July 2015 the Royal Agricultural University had annual commitments under non-cancellable operating leases as follows:

Group and University	2015		2014	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	5	43	5	29
Expiring between two and five years inclusive	-	-	-	-
Expiring in over five years	64	-	64	-
	<b>69</b>	<b>43</b>	69	29

See notes 12 and 24 for details of a charge on two of the property assets of the Royal Agricultural University to the defined benefit pension scheme.

## Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)

### 33. 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 Bidwells LLP valuation of the property as at 1 August 2014, as updated to 31 July 2015 (see note 12), the remaining contingent liability is valued at £1,183k (2014: £780k).
- 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 (2014: £543k); these are backed by a bond with Lloyds Bank.

### 34. 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 financial statements are not included in the consolidated figures for 2013/14 or 2014/15.

### 35. 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 (2014: £Nil). The amount owed by the Royal Agricultural University to the Life Cover Trust at the year end was £Nil (2014: £Nil).

## **Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)**

### **35. Related party transactions (continued)**

#### **(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](http://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.

#### **(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.

## **Notes to the consolidated financial statements for the year ended 31 July 2015 (continued)**

### **35. Related party transactions (continued)**

In recognition of this the University made a donation to them of £5,000; (2014: £5,000). Normal business sales to the RAC Beagles amounted to £11,111 (2014:£10,907). 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 £155,250 (2014: £154,100) and supplied goods and services to the student union to the value of £79,348 (2014: £82,664). 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 2014 show income of £207,000 (2013: £253,400) and expenditure of £228,715 (2013: £283,525) with a positive fund of £38,484 (2013: positive fund of £60,199). 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 2014 show income of £18,652 (2013: £19,893) and expenditure of £30,800 (2013: £22,500) with a positive fund of £834,109 (2013: fund balance of £825,258). More recent accounts are not available.



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