



The Royal Veterinary College

ANNUAL ACCOUNTS 2007

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MEMBERS OF THE COUNCIL OF THE ROYAL VETERINARY COLLEGE

Members appointed by Nominating Bodies

Independent Member

Members Nominated by the Academic Board

Co-opted Members

President of the Students Union Society

Principal (*ex-officio*)

Vice-Principals (*ex-officio*)

Bankers The Royal Bank of Scotland, London WC2H 0NN

Auditors Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
St. Albans

TREASURER'S REPORT

for the year ended 31 July 2007

1 SCOPE OF FINANCIAL STATEMENTS

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

2 CONSOLIDATED RESULTS FOR THE YEAR

	2007	2006
	£000	£000
Income	51,464	44,385
Expenditure	(49,936)	(43,133)
Surplus on Continuing Operations	1,528	1,252
Profit on Sale of Fixed Asset	1,966	-
Transfer (to) from specific endowments	<u>(693)</u>	<u>5</u>
Surplus within General Reserves	<u>2,801</u>	<u>1,257</u>

The College had set an objective to achieve a surplus of

1.5% of income in 2007 to fund future student support. The surplus of £2,801 (2006: £1,257) represents 5.4% (2006: 2.8%) of the surplus on continuing operations. This surplus is primarily due to the increase in income from the sale of fixed assets and the decrease in expenditure on continuing operations.

RESPONSIBILITIES OF THE COLLEGE COUNCIL

CORPORATE GOVERNANCE

for the year ended 31 July 2007

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

2 Throughout the year ended 31 July 2007, the College has been in compliance with all the provisions set out in Section 1 of the Combined Code on Corporate Governance insofar as they relate to Universities. The College also complies with the Guide for Members of Governing Bodies of Universities and Colleges in England and Wales that was issued by the Committee of University Chairmen in 2004.

3 The Council of the College is of the view that there is an ongoing process for identifying, evaluating and managing the College's significant risks, that it has been in place for the year ended 31 July 2007 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Council and that it accords with the internal control guidance for directors in the Combined Code on Corporate Governance.

7 The principal academic and administrative officer of the College is the Principal, who under the Statutes is responsible for the conduct of the College. Under the terms of the formal Financial Memorandum between the College and the Higher Education Funding Council for England, the Principal is the designated officer of the College and in that capacity

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CORPORATE GOVERNANCE

for the year ended 31 July 2007

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

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

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

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

INDEPENDENT AUDITORS' REPORT

	Note	Consolidated		College	
		2007 £000	2006 £000	2007 £000	2006 £000
INCOME					
Funding Council Grants	1	23,551	20,985	23,521	20,945
Academic Fees and Support Grants	2	4,903	4,049	4,903	4,049
Research Grants and Contracts	3	8,708	6,195	8,708	6,195
Other Operating Income	4	13,455	12,413	12,470	11,757
Endowment Income and Investment Income	5	847	743	647	797
TOTAL INCOME		51,464	44,385	50,249	43,743
EXPENDITURE					
Staff Costs	6	27,927	24,630	27,617	24,296
Other Operating Expenses	9	18,486	14,914	18,000	16,387
Depreciation	8	3,018	3,078	2,807	2,866
Interest Payable	7	505	511	322	332
TOTAL EXPENDITURE		49,936	43,133	48,746	43,881
SURPLUS / (DEFICIT) on Continuing Operations		1,528	1,252	1,503	(138)
Profit on Disposal of Assets		1,966	-	1,966	-
Surplus before transfer from/ (to) specific endowments		3,494	1,252	3,469	(138)
Transfer from / (to) specific endowments		(693)	5	(173)	(101)
SURPLUS / (DEFICIT) RETAINED WITHIN GENERAL RESERVES	20	2,801	1,257	3,296	(239)

The consolidated income and expenditure relates wholly to continuing operations.

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

		Consolidated		College	
		2007 £000	2006 £000	2007 £000	2006 £000
Surplus / (deficit) after depreciation and disposal of assets		3,494	1,252	3,469	(138)
Unrealised gain on endowment asset investments	18	991	965	991	965
New endowments	18	1,079	512	77	74
TOTAL RECOGNISED GAINS FOR THE PERIOD		5,564	2,729	4,537	901
Opening reserves and endowments		26,193	23,464	23,540	22,639

	Note	Consolidated		College	
		2007 £000	2006 £000	2007 £000	2006 £ 000
FIXED ASSETS					
Investments	10	-	-	100	100
Tangible assets	11				

CASH FLOW STATEMENTS

for the year ended 31 July 2007

	Note	Consolidated		College	
		2007	2006	2007	2006
		£000	£000	£000	£000
Net cash inflow from operating activities	21	6,164	4,395	7,050	4,633
Returns on investments and servicing of finance	22	185	(23)	298	104
Capital expenditure and financial investment	23	1,723	(1,053)	721	(1,491)
Cash outflow before liquid resources and financing		8,072	3,319	8,069	3,246
Management of liquid resources - short-term deposits		(4,693)	(2,446)	(6,215)	(3,474)
Financing	24	(230)	(349)	(230)	(349)
INCREASE / (DECREASE) IN CASH		3,149	524	1,624	(577)

NOTES TO THE CASHFLOW STATEMENT:

RECONCILIATION OF CASH FLOW TO MOVEMENT IN NET FUNDS (DEBT)

Increase / (decrease) in cash in the period	3,149	524	1,624	(577)
Cash inflow from increase in liquid resources	4,693	2,446	6,215	3,474
Repayment of loan and finance lease	230	349	230	349
	8,072	3,319	8,069	3,246
Opening net debt	(1,612)	(4,931)	(1,709)	(4,955)
CLOSING NET FUNDS (DEBT)	6,460	(1,612)	6,360	(1,709)

	Opening Balance	Cash Flows	Other Changes	Closing Balance
	£000	£000	£000	£000
CHANGES IN NET FUNDS (DEBT) - Consolidated				
Endowment cash	1,555	2,770	-	4,325
Other cash	2,333	379	-	2,712
	3,888	3,149	-	7,037
Short term deposits	2,446	4,693	-	7,139
	6,334	7,842	-	14,176
Loan repayable within one year	(231)	230	(243)	(244)
Loan repayable after one year	(7,715)	-	243	(7,472)
NET DEBT	(1,612)	8,072	-	6,460

CHANGES IN NET FUNDS (DEBT) - College

Endowment cash	(86)	1,248	-	1,162
Other cash	2,235	376	-	2,611
	2,149	1,624	-	3,773
Short term deposits	4,087	6,215	-	10,302
	6,236	7,839	-	14,075
Loan repayable within one year	(230)	230	(243)	(243)
Loan repayable after one year	(7,715)	-	243	(7,472)
NET FUNDS (DEBT)	(1,709)	8,069	-	6,360

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

for the year ended 31 July 2007

1 ACCOUNTING CONVENTION

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

2 BASIS OF CONSOLIDATION

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

3 RECOGNITION OF INCOME

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

4 PENSION COSTS

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

5 CASH FLOWS AND LIQUID RESOURCES

Cash flows comprise movements in cash. Cash includes

8 FIXED ASSETS

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

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

9 LEASES

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

10 INVESTMENTS

	Note	Consolidated		College	
		2007	2006	2007	2006
		£000	£000	£000	£000
1 FUNDING COUNCIL GRANTS - HEFCE					
Recurrent grants		22,964	19,166	22,934	19,126

	Consolidated		College	
	2007	2006	2007	2006
	£000	£000	£000	£000
6 STAFF COSTS	Note			
Wages and salaries		23,189	20,851	22,915
Social security costs				20,595

8 EXPENDITURE BY ACTIVITIES

	Staff	Other Exp	Depn	Interest	Consolidated 2007 Total	2006 Total
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NOTES TO THE ACCOUNTS

for the year ended 31 July 2007

	Freehold Properties	Furniture and Equipment	Total
11 TANGIBLE FIXED ASSETS -CONSOLIDATED			
COST	£000	£000	£000
At 1 August 2006	53,990	2,333	56,323
Additions	4,392	939	5,331
Disposals	(1)	(1,066)	(1,067)
At 31 July 2007	58,381	2,206	60,587
DEPRECIATION			
At 1 August 2006	(13,727)	(1,025)	(14,752)
Charge for the year	(2,176)	(842)	(3,018)
Disposals	1	1,066	1,067
At 31 July 2007	(15,902)	(801)	(16,703)
Net Book Value at 31 July 2007	42,479	1,405	43,884
Net Book Value at 31 July 2006	40,263	1,308	41,571

Freehold properties and equipment include £5,792,000 (2006 - £2,657,000) for buildings and patient record system as work in progress which is not depreciated.

Freehold Furniture and

NOTES TO THE ACCOUNTS

for the year ended 31 July 2007

	Consolidated		College	
	2007	2006	2007	2006
12 ENDOWMENT ASSET INVESTMENTS	£000	£000	£000	£000
Historical Cost at 1 August	9,887	9,380	8,246	8,071
Market Value Adjustment at 1 August	1,759	794	1,759	794
Market Value at 1 August	11,646	10,174	10,005	8,865
Additions	510	1,014	510	1,014
Disposals	(1,506)	(426)	(1,506)	(426)
Market Value Adjustment	991	965	991	965
Cash Movement	2,768	(81)	1,246	(413)
Market Value at 31 July	14,409	11,646	11,246	10,005
Represented by				
Fixed Interest Stocks	-	918	-	918
Equities	10,084	9,173	10,084	9,173
Cash at Bank	4,325	1,555	1,162	(86)
Market Value at 31 July	14,409	11,646	11,246	10,005
13 STOCKS				
Consumables	313	333	305	326
Farm Stocks	114	137	114	137

NOTES TO THE ACCOUNTS

for the year ended 31 July 2007

	Consolidated		College	
	2007	2006	2007	2006
16 CREDITORS: DUE AFTER ONE YEAR	£000	£000	£000	£000
Unsecured loans	7,471	7,715	7,471	7,715
Unsecured Loans Repayable				
Between 1 and 2 years	259	243	259	243
Between 2 and 5 years	881	755	881	755
In 5 or more years	6,331	6,717	6,331	6,717
	7,471	7,715	7,471	7,715

The unsecured loans include two fixed interest loans for 25 years and one 20 year fixed rate with Royal Bank of

17 SHORT TERM DEPOSITS AND CASH

On consolidation, £2,503,000 (2006 £1,641,000) was moved from short term deposits and cash to endowment asset investments to cover the funds held by the College on behalf of the Animal Care Trust.

	Specific	General	Total
18 ENDOWMENTS -CONSOLIDATED	£000	£000	£000
At 1 August 2006	9,380	2,266	11,646
Additions	1,739	-	1,739

	Funding Council £000	Other Donors £000	Total £000
19 DEFERRED CAPITAL GRANTS - CONSOLIDATED			
Buildings	10,233	8,718	18,951
Equipment	819	151	970
At 1 August 2006	11,052	8,869	19,921
Cash Received - Buildings	2,806	215	3,021
Cash Received - Equipment	-	73	73
Released to I & E Account - Buildings	(519)	(543)	(1,062)
Released to I & E Account - Equipment	(68)	(44)	(112)
At 31 July 2007	13,271	8,570	21,841
Buildings	12,520	8,390	20,910
Equipment	751	180	931

DEFERRED CAPITAL GRANTS - COLLEGE

Buildings	10,233	7,672	17,905
Equipment	819	151	970
At 1 August 2006	11,052	7,823	18,875
Cash Received - Buildings	2,806	215	3,021
Cash Received - Equipment	-	73	73
Released to I & E Account - Buildings	(519)	(473)	(992)
Released to I & E Account - Equipment	(68)	(44)	(112)
At 31 July 2007	13,271	7,594	20,865
Buildings	12,520	7,414	19,934
Equipment	751	180	931

	Consolidated		College	
	2007	2006	2007	2006
20 INCOME AND EXPENDITURE ACCOUNT	£000	£000	£000	£000
At 1 August	14,547	13,290	13,535	13,774
Current year movement	2,801	1,257	3,296	(239)
At 31 July	17,348	14,547	16,831	13,535

	Consolidated		College	
	2007	2006	2007	2006

NOTES TO THE ACCOUNTS

for the year ended 31 July 2007

	Note	Consolidated		College	
		2007	2006	2007	2006
		£000	£000	£000	£000
22 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Income from endowments	18	365	331	295	279
Income from short term investments	5	325	157	325	157
Interest paid		(505)	(511)	(322)	(332)
		185	(23)	298	104

23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Payment for tangible assets	11	(5,331)	(3,119)	(5,331)	(3,119)
Payment for endowment assets	12	(510)	(1,014)	(510)	(1,014)
Total fixed and endowment assets acquired		(5,841)	(4,133)	(5,841)	(4,133)
Proceeds from sale of tangible assets		1,967	-	1,967	-
Proceeds from sales of endowment assets		1,424	485	1,424	485
Deferred capital grants received	19	3,094	2,083	3,094	2,083
Endowments received	18	1,079	512	77	74
		1,723	(1,053)	721	(1,491)

24 FINANCING LOANS

Capital repayment		(230)	(349)	(230)	(349)
Net cash outflow from financing		(230)	(349)	(230)	(349)

25 SUBSIDIARIES

London Bioscience Innovation Centre Ltd (company number 04013123) is a wholly owned subsidiary company registered in England and Wales. Its main business is to facilitate Biotechnology start up companies. Animal Care Trust (charity 281571) is a wholly owned charitable trust of the College whose function is to support the College activities.

26 RELATED PARTIES

The College has taken advantage of the exemption conferred by Financial Reporting Standard No 8, 'related Party Disclosures', not to disclose transactions within related parties which are eliminated on consolidation. A related party relationship exists between the College and Immexis. Professor Howard is a director of the subsidiary, London Bioscience Innovation Centre Ltd and a controlling shareholder of Immexis. The College also has 23% shareholding in Immexis. Immexis is a customer of the Subsidiary and pays for laboratory services and accommodation at the same rate as other customers. The amount due from Immexis at the year end is £2,000 (2006 - £8,000). £6,000 has been written off during the year.

The College granted a £300,000 interest free loan to the Principal as part of his relocation package. The loan is secured on his property, and the benefit in kind arising from the loan is £15,000 (2006 - £15,000)

27 CAPITAL COMMITMENTS

Contracted at 31 July		6,598	10,381	6,598	10,381
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28 CONTINGENT LIABILITIES

HM Revenue & Customs wrote to the College, in August 2006, concerning the treatment of VAT in relation to publicly funded research which is claimed as a business activity. HMRC are still considering the response of the College and should they rule against the College, the estimated liability, for the past three years, is £1m. The timing is uncertain as no assessment has been issued by HMRC.

29 TAXATION

	Consolidated		College	
	2007	2006	2007	2006
	£000	£000	£000	£000
30 ACCESS FUNDS				
At 1 August 2006	3	20	3	20
Funding Council Grants	42	52	42	52
Distributed to students	(57)	(69)	(57)	(69)
At 31 July 2007	(12)	3	(12)	3

31 PENSION SCHEMES

The Royal Veterinary College
UNAUDITED CONSOLIDATED FINANCIAL SUMMARIES

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
INCOME AND EXPENDITURE ACCOUNT					
INCOME					
Funding Council grants	23,551	20,985	18,874	15,794	13,489
Academic fees and support grants	4,903	4,049	3,572	3,448	3,097
Research grants and contracts	8,708	6,195	4,781	4,337	4,288
Other operating income	13,455	12,413	10,469	9,855	9,191
Endowment and investment income	847	743	893	762	610
TOTAL INCOME	51,464	44,385	38,589	34,196	30,675
EXPENDITURE					
Staff Costs	27,927	24,630	21,250	19,337	16,652
Other operating expenses	18,486	14,914	13,258	11,882	10,318
Depreciation	3,018	3,078	2,811	2,648	1,932
Interest payable	505	511	486	721	523
TOTAL EXPENDITURE	49,936	43,133	37,805	34,588	29,425
SURPLUS / (DEFICIT) ON CONTINUING OPERATIONS	1,528	1,252	784	(392)	1,250
Profit / (Loss) on sale of fixed assets and investments	1,966	-	-	646	(242)
Surplus before transfer to specific endowments	3,494	1,252	784	254	1,008
Transfer from / (to) specific endowments	(693)	5	122	124	9
SURPLUS RETAINED WITHIN GENERAL RESERVES	2,801	1,257	906	378	1,017

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
BALANCE SHEET					
Fixed assets and investments	43,884	41,571	41,530	39,017	36,703
Endowment asset investments	14,409	11,646	10,174	8,495	6,939
Cash at bank and in hand and short term deposits	9,851	4,779	1,728	1,010	947
Net non cash current liabilities	(7,075)	(4,167)	(2,978)	(4,249)	(3,685)
Long term loans, creditors and provisions	(7,471)	(7,715)	(7,983)	(7,392)	(7,961)
TOTAL NET ASSETS	53,598	46,114	42,471	36,881	32,943
Deferred capital grants	21,841	19,921	19,007	16,002	13,998
Endowment funds	14,409	11,646	10,174	8,495	6,939
Retained earnings	17,348	14,547	13,290	12,384	12,006
TOTAL FUNDS	53,598	46,114	42,471	36,881	32,943