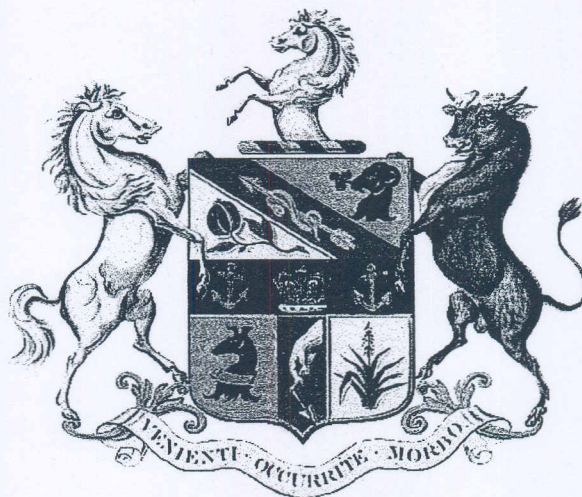


# Royal Veterinary College

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## FINANCIAL STATEMENTS 2001

- 1 Financial Summaries
- 2 Treasurer's Report
- 3 Income and Expenditure Account
- 3 Statement of Total Recognised Gains and Losses
- 4 Balance Sheets
- 5 Cash Flow Statements
- 6 Notes to the Accounts
- 16 Statement of Principal Accounting Policies
- 17 Responsibilities of the College Council
- 18 Corporate Governance Statement
- 19 Independent Auditors' Report

## CONSOLIDATED FINANCIAL SUMMARIES

	2001 £000	2000 £000	1999 £000	1998 £000	1997 £000
<b>INCOME &amp; EXPENDITURE ACCOUNT</b>					
Funding Council grants	10,886	10,241	8,671	7,688	7,312
Academic fees and support grants	2,926	2,627	2,378	2,717	2,570
Research grants and contracts	3,993	4,105	3,745	3,254	3,442
Other operating income	6,843	5,316	4,560	4,031	3,663
Endowment income and interest receivable	1,154	941	892	1,383	1,199
Profit on sale of fixed assets and investments	44	105	60	124	196
<b>TOTAL INCOME</b>	<b>25,846</b>	<b>23,335</b>	<b>20,306</b>	<b>19,197</b>	<b>18,382</b>
Staff Costs	13,379	12,499	10,901	10,346	9,924
Depreciation	1,403	1,250	1,208	1,200	1,097
Other operating expenses	9,645	7,745	7,254	6,860	6,313
Interest payable	121	-	-	-	-
<b>TOTAL EXPENDITURE</b>	<b>24,548</b>	<b>21,494</b>	<b>19,363</b>	<b>18,406</b>	<b>17,334</b>
<b>SURPLUS FOR THE YEAR</b>	<b>1,298</b>	<b>1,841</b>	<b>943</b>	<b>791</b>	<b>1,048</b>

### BALANCE SHEET

Fixed assets & investments	24,041	19,031	18,446	15,015	13,988
Endowment asset investments	9,236	6,915	5,910	5,535	4,802
Cash at bank and in hand	3,163	2,154	735	3,858	4,854
Net non cash current (liabilities) / assets	(1,989)	(1,922)	(1,318)	(1,090)	(911)
Provisions, long term loan & deferred capital grants	(14,817)	(10,261)	(10,759)	(11,704)	(12,643)
<b>TOTAL NET ASSETS</b>	<b>19,634</b>	<b>15,917</b>	<b>13,014</b>	<b>11,614</b>	<b>10,090</b>

# TREASURER'S REPORT

for the year ended 31 July 2001

## 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.

## 2 RESULTS FOR THE YEAR

	2001	2000
	£000	£000
Income	25,846	23,335
Expenditure	(24,548)	(21,494)
Surplus for the year	<b>1,298</b>	<b>1,841</b>

The consolidated surplus includes sums intended for strategic development aimed at further improving the academic performance of the College.

## 3 INCOME

Total income for the year rose by 11%. Funding Council grants showed an overall increase of 6%, however, 4% (£417,000) of this was funding for additional student numbers. The increase in student numbers is also reflected in a 16% rise in home full-time student fees. The College's continued success in bidding for additional funded student numbers under the Higher Education Funding Council for England (HEFCE) scheme has a significant beneficial effect on the College's financial position.

The 12% increase in full-time overseas and full cost fees reflects the College's continued strong position in the North American market.

Income from research grants and contracts decreased by 3%. Research grant income increased by 4%, whereas that from research contracts fell by 11%. However, contributions to overheads under this heading rose from £422,000 to £582,000 (38%). As a proportion of total research grant and contract income this represents an increase from 10% to 15%. The 30% increase in other operating income resulted from increased clinical and related earnings.

## 4 EXPENDITURE

Overall expenditure increased by 14%, staff costs rose by 7% as a result of the continued increase in academic and academic-related staff, Other operating expenses increased by 25% mainly due to additional expenditure on estates projects and minor works.

The increase in student and educational expenditure reflects a reclassification of stipends and studentships from staff costs. Depreciation charged to general income rose from £739,000 in 2000 to £868,000.

## 5 INVESTMENTS

The closing market value of the College's investment portfolio was £10,779,000 (2000 - £8,348,000).

## 6 CAPITAL PROJECTS

During the year work continued on the new student accommodation at Camden Town. This was completed and ready for occupation in September 2001. The refurbishment of the ground floor of Northumberland Hall provided office accommodation for College Administration and Academic Support and Development. Phase 1 of the London BioScience Innovation Centre in the MacFadyean Building was completed with the aid of grant funding of £1,395,000 from the London Development Agency. Enabling works for the Large Animal Clinical Centre began in July 2001 having been delayed by the outbreak of foot and mouth disease. The start of the Learning Resource Centre was delayed pending statutory consent and confirmation of HEFCE funding for the project.

## 7 CASH FLOW

Net cash inflow was £73,000; the major outflow on capital expenditure and financial investment was offset by the financing loan. Closing net funds stood at £1,310,000.

## 8 FUTURE DEVELOPMENTS

The main challenges for the College in the future continue to be the recruitment of additional academic staff and securing adequate funding for capital projects. The surplus reflects the fact that recruitment continues to prove difficult although significant progress has been made. The College will continue to expand its infrastructure to provide excellent facilities for teaching, research and clinical services.

## 9 CONCLUSION

2001 can be regarded as having been financially satisfactory. The College remains financially sound and in a strong position to meet future challenges.

# INCOME AND EXPENDITURE ACCOUNTS

for the year ended 31 July 2001

	Note	Consolidated		College	
		2001 £000	2000 £000	2001 £000	2000 £000
<b>INCOME</b>					
Funding Council Grants	1	10,886	10,241	10,886	10,241
Academic Fees and Support Grants	2	2,926	2,627	2,926	2,627
Research Grants and Contracts	3	3,993	4,105	3,993	4,105
Other Operating Income	4	6,843	5,316	6,787	5,279
Endowment Income and Interest Receivable	5	1,154	941	726	516
Profit on Sale of Investments		44	105	44	105
		25,846	23,335	25,362	22,873
<b>EXPENDITURE</b>					
Staff Costs	6	13,379	12,499	13,259	12,418
Depreciation	8	1,403	1,250	1,403	1,250
Other Operating Expenses	7	9,645	7,745	9,349	7,599
Interest Payable	9	121	-	121	-
		24,548	21,494	24,132	21,267
<b>SURPLUS FOR THE YEAR</b>	21	1,298	1,841	1,230	1,606

The consolidated income and expenditure relates wholly to continuing operations.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Surplus for the year	21	1,298	1,841	1,230	1,606
Unrealised (loss) / gain on fixed asset investments	19	(135)	57	(135)	57
Unrealised (loss) / gain on endowment asset investments	20	(737)	211	(719)	229
Endowment (expenditure) / income retained for year		(144)	65	32	50
New endowments	20	3,067	498	2,434	166
Profit on disposal of endowment assets	20	135	231	122	224
<b>TOTAL RECOGNISED GAINS FOR THE YEAR</b>		3,485	2,903	2,964	2,332
Prior year adjustments	22	232	-	232	-
		3,717	2,903	3,196	2,332

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

# BALANCE SHEETS

as at 31 July 2001

	Note	Consolidated		College	
		2001 £000	2000 £000	2001 £000	2000 £ 000
<b>FIXED ASSETS</b>					
Tangible assets	12	22,498	17,598	20,226	17,598
Investments	10	1,543	1,433	1,643	1,433
Endowment asset investments	13	9,236	6,915	6,404	4,535
		33,277	25,946	28,273	23,566
<b>CURRENT ASSETS</b>					
Stocks	14	355	366	344	343
Debtors	15	3,093	2,020	3,902	2,019
Short term deposits		2,488	1,059	4,828	2,906
Cash at bank and in hand		675	1,095	660	1,071
		6,611	4,540	9,734	6,339
Creditors: due within one year	16	(5,437)	(4,308)	(8,267)	(6,587)
Net current assets / (liabilities)		1,174	232	1,467	(248)
Total assets less current liabilities		34,451	26,178	29,740	23,318
Creditors: due after more than one year	17	(4,046)	(212)	(3,986)	(87)
Provisions for liabilities and charges	18	(1,191)	(1,214)	(1,191)	(1,214)
Deferred capital grants	22	(9,580)	(8,603)	(8,185)	(8,603)
<b>TOTAL NET ASSETS</b>		<b>19,634</b>	<b>16,149</b>	<b>16,378</b>	<b>13,414</b>
Represented by:					
<b>ENDOWMENTS</b>					
Specific	20	7,449	5,827	4,617	3,447
General	20	1,787	1,088	1,787	1,088
		9,236	6,915	6,404	4,535
<b>RESERVES</b>					
Income and expenditure account	21	10,394	9,095	9,970	8,740
Revaluation - fixed asset investments	19	4	139	4	139
<b>TOTAL FUNDS</b>		<b>19,634</b>	<b>16,149</b>	<b>16,378</b>	<b>13,414</b>

The financial statements on pages 3 to 16 were approved by the Council on 5 December 2001 and signed on its behalf by:



Professor L E Lanyon  
Principal



J H Chatfeild - Roberts  
Chairman of Finance Committee

# CASH FLOW STATEMENTS

for the year ended 31 July 2001

	Note	Consolidated		College	
		2001 £000	2000 £000	2001 £000	2000 £000
Net cash inflow from operating activities	23	1,695	2,744	1,593	3,230
Returns on investments and servicing of finance	24	275	362	213	258
Capital expenditure and financial investment	25	(4,355)	(1,263)	(4,247)	(1,723)
Cash outflow before liquid resources and financing	25	(2,385)	1,843	(2,441)	1,765
Management of liquid resources - bank deposits		(1,429)	(983)	(1,922)	(1,458)
Financing loan and finance lease	26	3,887	51	3,952	116
<b>INCREASE / (DECREASE) IN CASH</b>		<b>73</b>	<b>911</b>	<b>(411)</b>	<b>423</b>

## RECONCILIATION OF CASH FLOW TO MOVEMENT IN FUNDS

Increase / (Decrease) in cash in the period	73	911	(411)	423
Increase / (Decrease) in short term deposits	1,429	983	1,922	1,458
Repayment of loan and finance lease	113	65	48	-
New loans	(4,000)	(116)	(4,000)	(116)
Changes in net funds	(2,385)	1,843	(2,441)	1,765
Opening net funds	3,695	1,852	3,861	2,096
<b>CLOSING NET FUNDS</b>	<b>1,310</b>	<b>3,695</b>	<b>1,420</b>	<b>3,861</b>

	Opening Balance £000	Cash Flows £000	Other Changes £000	Closing Balance £000
<b>CHANGES IN NET FUNDS - Consolidated</b>				
Endowment short term deposits	1,847	493	-	2,340
Other cash	1,095	(420)	-	675
Short term deposits	1,059	1,429	-	2,488
Loan and finance lease repayable within one year	(94)	113	(166)	(147)
Loan and finance lease repayable after one year	(212)	(4,000)	166	(4,046)
	<b>3,695</b>	<b>(2,385)</b>	<b>-</b>	<b>1,310</b>

<b>CHANGES IN NET FUNDS - College</b>				
Other cash	1,071	(411)	-	660
Short term deposits	2,906	1,922	-	4,828
Loan and finance lease repayable within one year	(29)	48	(101)	(82)
Loan and finance lease repayable after one year	(87)	(4,000)	101	(3,986)
	<b>3,861</b>	<b>(2,441)</b>	<b>-</b>	<b>1,420</b>

# NOTES TO THE ACCOUNTS

for the year ended 31 July 2001

	Note	Consolidated		College	
		2001 £000	2000 £000	2001 £000	2000 £000
<b>1 FUNDING COUNCIL GRANTS</b>					
Recurrent grants		10,379	9,548	10,379	9,548
Specific grants		223	409	223	409
Deferred capital grants released in year: buildings	22	284	284	284	284
		<u>10,886</u>	<u>10,241</u>	<u>10,886</u>	<u>10,241</u>
<b>2 ACADEMIC FEES AND SUPPORT GRANTS</b>					
Student fees - full-time		849	734	849	734
Student fees - full-time overseas and full cost		1,876	1,674	1,876	1,674
Student fees - part-time		74	90	74	90
Research training support grants		38	46	38	46
Short course fees		89	83	89	83
		<u>2,926</u>	<u>2,627</u>	<u>2,926</u>	<u>2,627</u>
<b>3 RESEARCH GRANTS AND CONTRACTS</b>					
Income from research grants		2,291	2,193	2,291	2,193
Income from research contracts		1,702	1,912	1,702	1,912
		<u>3,993</u>	<u>4,105</u>	<u>3,993</u>	<u>4,105</u>
Research Councils		486	240	486	240
UK based charities		1,529	1,696	1,529	1,696
UK government bodies		622	692	622	692
UK industry and commerce		766	755	766	755
EU government bodies		163	141	163	141
EU business		267	195	267	195
Outside EU		160	386	160	386
		<u>3,993</u>	<u>4,105</u>	<u>3,993</u>	<u>4,105</u>
<b>4 OTHER OPERATING INCOME</b>					
Residences, catering and conference		475	348	475	348
Clinical and related earnings		6,331	4,884	6,296	4,884
Rent and other income		37	84	16	47
		<u>6,843</u>	<u>5,316</u>	<u>6,787</u>	<u>5,279</u>

# NOTES TO THE ACCOUNTS

for the year ended 31 July 2001

	Note	Consolidated		College	
		2001 £000	2000 £000	2001 £000	2000 £000
<b>5 ENDOWMENT INCOME AND INTEREST RECEIVABLE</b>					
Transferred from specific endowments	20	285	140	47	51
Income from short-term investments	24	255	163	255	163
Release from deferred capital grant	21	251	227	251	227
Donations, gifts and legacies received		363	411	173	75
		1,154	941	726	516
<b>6 STAFF COSTS AND STATISTICS</b>					
Wages and salaries		11,418	10,678	11,308	10,606
Social security costs		819	751	815	747
Pension costs	30	1,142	1,070	1,136	1,065
	8	13,379	12,499	13,259	12,418
Emoluments of the Principal		124	107	124	107
Excluding employer's pension contributions of £17,000 (2000 - £15,000)					
<b>AVERAGE STAFF NUMBERS</b>		Number	Number	Number	Number
Academic		174	163	174	163
Technicians		118	111	118	111
Administrative and academic related		125	113	121	110
Maintenance and manual		34	36	34	36
		451	423	447	420
Remuneration of higher paid staff					
£50,001 - £60,000		10	4	10	4
£60,001 - £70,000		7	6	7	6
<b>7 OTHER OPERATING EXPENSES</b>		£000	£000	£000	£000
Residences, catering and conference		153	143	153	143
Consumables and laboratory expenses		2,346	2,302	2,346	2,302
Stationery and publications		594	515	558	515
Student and educational expenditure		710	332	710	332
Rates, cleaning and insurance		362	269	362	269
Electricity, gas, oil and water		437	432	427	432
Small equipment and repairs		1,195	873	1,073	846
Minor works and maintenance		1,608	646	1,603	646
External auditors' remuneration - audit fees		23	21	21	21
Legal and other outside consultancy		1,096	894	1,044	894
Travelling and subsistence		645	547	638	547
Telephone, fax and postage		347	285	340	285
Miscellaneous expenses		129	486	74	367
		9,645	7,745	9,349	7,599



## NOTES TO THE ACCOUNTS

for the year ended 31 July 2001

	Staff £000	Depn £000	Other Exp £000	Interest £000	Consolidated	
					2001 Total £000	2000 Total £000
<b>8 EXPENDITURE BY ACTIVITIES</b>						
Academic departments	5,329	164	1,303	-	6,796	6,298
Academic services	1,091	151	738	-	1,980	1,275
Research grants and contracts	1,722	-	1,689	-	3,411	3,683
Residences and catering	192	14	239	115	560	453
Premises and maintenance	645	851	2,520	-	4,016	2,598
Administration	1,332	33	988	-	2,353	2,828
Clinical and other services	3,068	190	2,168	6	5,432	4,359
<b>Consolidated Total</b>	<b>13,379</b>	<b>1,403</b>	<b>9,645</b>	<b>121</b>	<b>24,548</b>	<b>21,494</b>
College Total	13,259	1,403	9,349	121	24,132	21,267

Depreciation charge is funded by:

Deferred capital grant	535	511
General income	868	739

	Consolidated		College	
	2001 £000	2000 £000	2001 £000	2000 £000
<b>9 INTEREST PAYABLE</b>				
Bank loans not wholly repayable within 5 years	115	-	115	-
Finance lease	6	-	6	-
	<b>121</b>	<b>-</b>	<b>121</b>	<b>-</b>
<b>10 FIXED ASSET INVESTMENTS</b>				
Historical Cost at 1 August	1,294	1,457	1,294	1,457
Additions	502	603	502	603
Disposals	(257)	(766)	(257)	(766)
Cumulative Market Value Adjustment	4	139	4	139
Market Value at 31 July	1,543	1,433	1,543	1,433
100% Shares in London Bioscience Innovation Centre Ltd	-	-	100	-
	<b>1,543</b>	<b>1,433</b>	<b>1,643</b>	<b>1,433</b>

### 11 INTEREST IN GROUP UNDERTAKING

London BioScience Innovation Centre Ltd (company number 04013123) was formed on 12 June 2000. It is a wholly owned subsidiary company registered in England. Its main business is to facilitate Biotechnology start up companies.

## NOTES TO THE ACCOUNTS

for the year ended 31 July 2001

12 TANGIBLE ASSETS -CONSOLIDATED	Freehold Properties	Furniture & Equipment	2001 Total	2000 Total
COST	£000	£000	£000	£000
Opening balance	21,907	1,104	23,011	21,465
Additions *	5,601	702	6,303	1,941
Disposals	-	(400)	(400)	(395)
Closing balance	27,508	1,406	28,914	23,011
<b>DEPRECIATION</b>				
Opening Balance	(4,967)	(446)	(5,413)	(4,558)
Charge for the year	(828)	(575)	(1,403)	(1,250)
Eliminated on disposals	-	400	400	395
Closing Balance	(5,795)	(621)	(6,416)	(5,413)
Net Book Value at 31 July 2001	21,713	785	22,498	17,598
Net Book Value at 1 August 2000	16,940	658	17,598	16,907

\*Property costs include £6,012,000 (2000 - £965,000) building work in progress which is not depreciated. The net book value of an asset held under a finance lease within furniture and equipment is £74,000 (2000 - £99,000). Depreciation on owned assets was £1,378,000 (2000 - £1,225,000) and on leased assets was £25,000 (2000 - £25,000).

TANGIBLE ASSETS -COLLEGE	Freehold Properties	Furniture & Equipment	2001 Total	2000 Total
COST	£000	£000	£000	£000
Cost at 1 August 2000	21,907	1,104	23,011	21,465
Additions *	3,329	702	4,031	1,941
Disposals	-	(400)	(400)	(395)
Cost at 31 July 2001	25,236	1,406	26,642	23,011
<b>DEPRECIATION</b>				
Depreciation at 1 August 2000	(4,967)	(446)	(5,413)	(4,558)
Charge for the year	(828)	(575)	(1,403)	(1,250)
Eliminated on disposals	-	400	400	395
Depreciation at 31 July 2001	(5,795)	(621)	(6,416)	(5,413)
Net Book Value at 31 July 2001	19,441	785	20,226	17,598
Net Book Value at 1 August 2000	16,940	658	17,598	16,907

\*Property costs include £3,740,000 (2000 - £965,000) building work in progress which is not depreciated. The net book value of an asset held under a finance lease within furniture and equipment is £74,000 (2000 - £99,000). Depreciation on owned assets was £1,378,000 (2000 - £1,225,000) and on leased assets was £25,000 (2000 - £25,000).

# NOTES TO THE ACCOUNTS

for the year ended 31 July 2001

	Consolidated		College	
	2001	2000	2001	2000
	£000	£000	£000	£000
<b>13 ENDOWMENT ASSET INVESTMENTS</b>				
Historical Cost at 1 August	5,900	5,106	3,558	3,118
Additions	3,459	2,079	3,295	2,079
Disposals	(894)	(1,760)	(707)	(1,639)
Cumulative Market Value Adjustment	278	1,015	258	977
Cash Movement	493	475	-	-
<b>Market Value at 31 July</b>	<b>9,236</b>	<b>6,915</b>	<b>6,404</b>	<b>4,535</b>
Represented by				
Fixed Interest Stocks	940	1,035	448	502
Equities	5,956	4,033	5,956	4,033
Cash at Bank	2,340	1,847	-	-
<b>Market Value at 31 July</b>	<b>9,236</b>	<b>6,915</b>	<b>6,404</b>	<b>4,535</b>
<b>14 STOCKS</b>				
Consumables	240	263	229	240
Farm Stocks	115	103	115	103
	<b>355</b>	<b>366</b>	<b>344</b>	<b>343</b>
<b>15 DEBTORS: DUE WITHIN ONE YEAR</b>				
Trade debtors	1,343	1,097	1,326	1,097
Research grant debtors	903	784	903	784
London Bioscience Innovation Ltd	-	-	1,397	-
Taxes receivable	143	41	139	40
Prepaid expenses & other debtors	704	98	137	98
	<b>3,093</b>	<b>2,020</b>	<b>3,902</b>	<b>2,019</b>
<b>16 CREDITORS: DUE WITHIN ONE YEAR</b>				
Unsecured loan and finance lease	(147)	(94)	(82)	(29)
Trade creditors	(2,063)	(1,012)	(2,063)	(1,012)
Animal Care Trust	-	-	(2,915)	(2,344)
Research grants creditors	(2,664)	(2,374)	(2,664)	(2,374)
Taxes payable	(311)	(351)	(293)	(351)
Other creditors	(184)	(163)	(184)	(163)
Accruals and deferred income	(68)	(314)	(66)	(314)
	<b>(5,437)</b>	<b>(4,308)</b>	<b>(8,267)</b>	<b>(6,587)</b>

# NOTES TO THE ACCOUNTS

for the year ended 31 July 2001

	Consolidated		College	
	2001	2000	2001	2000
	£000	£000	£000	£000
<b>17 CREDITORS: DUE AFTER ONE YEAR</b>				
Unsecured loans	(3,988)	(125)	(3,928)	-
Obligations under finance lease	(58)	(87)	(58)	(87)
	(4,046)	(212)	(3,986)	(87)
<b>Unsecured Loans Repayable</b>				
Between 1 and 2 years	(127)	(65)	(67)	-
Between 2 and 5 years	(231)	(60)	(231)	-
In 5 or more years	(3,630)	-	(3,630)	-
	(3,988)	(125)	(3,928)	-
<b>Finance Lease Repayable</b>				
Between 1 and 2 years	(29)	(29)	(29)	(29)
Between 2 and 5 years	(29)	(58)	(29)	(58)
	(58)	(87)	(58)	(87)

The unsecured loans are two fixed interest loans for 25 years with Royal Bank of Scotland. Interest is fixed at at 7.075625% and 7.505625% respectively.

	Opening	(Increase)/	Written off	Closing
	Balance	Decrease	to reserve	Balance
	£000	£000	£000	£000
<b>18 PROVISIONS FOR LIABILITIES AND CHARGES</b>				
Consolidated and College				
Unutilised backlog maintenance grant (KDK)	(1,075)	-	-	(1,075)
Contractual early retirement pension	(139)	23	-	(116)
	(1,214)	23	-	(1,191)

The HEFCE has notified the College that it is seeking the repayment of up to £2,397,000 (2000 £2,397,000) of unutilised backlog maintenance grant on the grounds that it was paid in error. The HEFCE have, however, indicated their willingness to reduce the claim by £1,400,000 (2000 £1,400,000) for amounts spent on certain capital and priority maintenance projects, which would not have otherwise been contemplated but for this funding. It is anticipated that agreement will be reached in the future regarding the provision of £1,075,000 (2000 £1,075,000). The other provision is a contractual early retirement pension enhancement relating to the Principal.

<b>19 REVALUATION - FIXED ASSET INVESTMENTS</b>				
Opening Balance	(139)	(82)	(139)	(82)
Current year movement	135	(57)	135	(57)
Closing Balance	(4)	(139)	(4)	(139)

# NOTES TO THE ACCOUNTS

for the year ended 31 July 2001

	Specific £000	General £000	2001 Total £000	2000 Total £000
<b>20 ENDOWMENTS -CONSOLIDATED</b>				
Opening Balance	(5,827)	(1,088)	(6,915)	(5,910)
Additions	(2,430)	(637)	(3,067)	(498)
Market value adjustment	737	-	737	(211)
Profit on disposal	(106)	(29)	(135)	(231)
Income for the year	(108)	(33)	(141)	(205)
Transfer to Income and Expenditure Account	285	-	285	140
<b>Closing Balance</b>	<b>(7,449)</b>	<b>(1,787)</b>	<b>(9,236)</b>	<b>(6,915)</b>
Represented by				
Prize and scholarships	(4,461)	-	(4,461)	(3,293)
Other restricted funds	(2,988)	(1,787)	(4,775)	(3,622)
<b>Closing Balance</b>	<b>(7,449)</b>	<b>(1,787)</b>	<b>(9,236)</b>	<b>(6,915)</b>
<b>ENDOWMENTS -COLLEGE</b>				
OpeningBalance	(3,447)	(1,088)	(4,535)	(3,866)
Additions	(1,797)	(637)	(2,434)	(166)
Market value adjustment	719	-	719	(229)
Profit on disposal	(93)	(29)	(122)	(224)
Income for the year	(46)	(33)	(79)	(101)
Transfer to Income and Expenditure Account	47	-	47	51
<b>Closing Balance</b>	<b>(4,617)</b>	<b>(1,787)</b>	<b>(6,404)</b>	<b>(4,535)</b>
<b>REPRESENTED BY</b>				
Prize funds	(4,461)	-	(4,461)	(3,293)
Other restricted funds	(156)	(1,787)	(1,943)	(1,242)
<b>Closing Balance</b>	<b>(4,617)</b>	<b>(1,787)</b>	<b>(6,404)</b>	<b>(4,535)</b>
<b>21 INCOME AND EXPENDITURE ACCOUNT</b>				
	Consolidated 2001 £000	2000 £000	College 2001 £000	2000 £000
Opening Balance	(9,095)	(7,022)	(8,740)	(6,902)
Prior year adjustment	-	(232)	-	(232)
Current year movement	(1,298)	(1,841)	(1,230)	(1,606)
<b>Closing Balance</b>	<b>(10,393)</b>	<b>(9,095)</b>	<b>(9,970)</b>	<b>(8,740)</b>

In line with FRS 17 Retirement Benefits, the College now charges costs of providing retirement benefits under the USS and SAUL's defined benefit pension schemes to the Income and Expenditure account as they are incurred as the College is unable to identify its share of the underlying assets and liabilities of these schemes. Previously a SSAP 24 prepayment was carried forward to offset against future pension cost. The impact of this change of accounting policy has been to reduce the reported surplus for the year by approximately £60,000.

## NOTES TO THE ACCOUNTS

for the year ended 31 July 2001

	Funding Council £000	Other Donors £000	2001 Total £000	2000 Total £000
22 DEFERRED CAPITAL GRANTS - CONSOLIDATED				
Opening Balance: Buildings	(4,886)	(3,717)	(8,603)	(9,099)
Opening Balance: Equipment	-	-	-	(15)
	(4,886)	(3,717)	(8,603)	(9,114)
Cash Received: Buildings	-	(1,395)	(1,395)	-
Cash Received: Equipment	-	(117)	(117)	-
Released to I & E Account - Buildings	284	212	496	496
Released to I & E Account - Equipment	-	39	39	15
Closing Balance: Buildings	(4,602)	(4,900)	(9,502)	(8,603)
Closing Balance: Equipment	-	(78)	(78)	-
	(4,602)	(4,978)	(9,580)	(8,603)
DEFERRED CAPITAL GRANTS - COLLEGE	£000	£000	£000	£000
Opening Balance: Buildings	(4,886)	(3,717)	(8,603)	(9,099)
Opening Balance: Equipment	-	-	-	(15)
	(4,886)	(3,717)	(8,603)	(9,114)
Cash Received: Buildings	-	-	-	-
Cash Received: Equipment	-	(117)	(117)	-
Released to I & E Account - Buildings	284	212	496	496
Released to I & E Account - Equipment	-	39	39	15
Closing Balance: Buildings	(4,602)	(3,505)	(8,107)	(8,603)
Closing Balance: Equipment	-	(78)	(78)	-
	(4,602)	(3,583)	(8,185)	(8,603)
23 RECONCILIATION OF OPERATING SURPLUS TO			Consolidated	College
NET CASH INFLOW FROM OPERATING ACTIVITIES	Note		2001	2000
			£000	£000
Surplus before tax			1,298	1,841
Interest payment on loans & finance lease			121	6
Depreciation	12		1,403	1,250
Deferred capital grants released	22		(535)	(511)
Investment income	5		(540)	(303)
Profit on sale of fixed asset investments			(44)	(105)
Decrease / (Increase) in stocks			11	(43)
(Increase) / Decrease in debtors			(1,073)	154
Increase in creditors			1,077	464
Decrease in provisions			(23)	(9)
Net cash inflow from operating activities			1,695	2,744
			1,593	3,230

# NOTES TO THE ACCOUNTS

for the year ended 31 July 2001

	Note	Consolidated		College	
		2001 £000	2000 £000	2001 £000	2000 £000
<b>24 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Income from endowments	20	141	205	79	101
Income from short term investments	5	255	163	255	163
Interest paid		(121)	(6)	(121)	(6)
		275	362	213	258
<b>25 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>					
Payment for tangible assets	12	(6,303)	(1,941)	(4,031)	(1,941)
Payment for fixed asset investments	10	(502)	(603)	(602)	(603)
Payment for endowment assets	13	(3,459)	(2,079)	(3,295)	(2,079)
Total fixed and endowment assets acquired		(10,264)	(4,623)	(7,928)	(4,623)
Proceeds from sale of fixed asset investments		301	871	301	871
Proceeds from sales of endowment assets		1,029	1,991	829	1,863
Deferred capital grants received	22	1,512	-	117	-
Endowments received	20	3,067	498	2,434	166
		(4,355)	(1,263)	(4,247)	(1,723)
<b>26 FINANCING</b>					
New finance lease and loans		4,000	116	4,000	116
Capital repayment		(113)	(65)	(48)	-
Net cash inflow / (outflow) from financing		3,887	51	3,952	116
<p>The unsecured loans are two fixed interest loans for 25 years with Royal Bank of Scotland. Interest is fixed at at 7.075625% and 7.505625% respectively.</p>					
<b>27 CAPITAL COMMITMENTS</b>					
Contracted at 31 July		1,135	3,595	1,135	3,595
<b>28 ACCESS FUNDS</b>					
Funding Council Grants		32	42	32	42
Distributed to students		(30)	(35)	(30)	(35)
At 31 July		2	7	2	7
<b>29 RELATED PARTY DISCLOSURES</b>					
<p>The College has taken advantage of the exemption conferred by Financial Reporting Standard No 8, 'Related Party Disclosures', not to disclose transactions with related parties which are eliminated on consolidation.</p>					

## NOTES TO THE ACCOUNTS

for the year ended 31 July 2001

### 30 PENSION SCHEMES

The College participates in two centralised defined benefit schemes with the assets held in separate Trustee-administered funds. The College has now adopted FRS17 for accounting for pension costs. It is not possible to identify the College's share of the underlying assets and liabilities of the schemes, therefore contributions are accounted for as if they were defined contribution schemes. The pension costs are based on the amounts actually paid in accordance with paragraphs 8 - 12 of FRS17. The existing prepayment at the point of transition was written off by recognising a corresponding actuarial gain in the statement of recognised gains and losses.

The schemes are subject to triennial valuations by professional qualified and independent actuaries. The last available valuations were carried out as at 31 March 1999 using the projected unit credit methods in which the actuarial liabilities allow for projected earnings. The following assumptions were used to assess the past service funding positions:

	USS	SAUL
Latest actuarial valuations	31 Mar 1999	31 Mar 1999
Investment returns per annum	4.5%	4.5%
Salary Increase per annum	3.6%	4.1%
Pension increase per annum	2.5%	2.6%
Market value of assets at last valuation	£18,870 million	£847 million
Percentage of members accrued benefits covered by actuarial value of assets	108%	120%
Current employer contribution rate	14%	10.5%
Contribution for future service	16.3%	14.4%
Next actuarial valuations	31 March 2002	31 March 2002

The past service allows employers to pay contributions at 14% for USS and 10.5% for SAUL. Surpluses or deficits which arise at future valuations may impact on the employer's future contribution commitment. The next formal actuarial valuations are due at 31 March 2002 when the contribution rates will be reviewed.

	Note	2001 £000	2000 £000
USS contributions		847	732
USS premature retirement provision		(22)	40
SAUL contributions		313	303
Other pension payment		4	(5)
<b>Total Consolidated Pension Costs</b>	<b>6</b>	<b>1,142</b>	<b>1,070</b>



# STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

for the year ended 31 July 2001

## 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 Student Union Society has not been consolidated. The College has no financial interest and no control or significant influence over the 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.

## 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 cash in hand, overnight deposits and overdrafts. Liquid resources include term deposits and government securities.

## 6 FOREIGN CURRENCIES

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year end rates. The resulting exchange differences are written off in the I & E account for the financial year.

## 7 FIXED ASSETS

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

## 8 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.

## 9 INVESTMENTS

Endowment and fixed asset investments are included in the balance sheet at market value. Current asset investments are included at the lower of cost or net realisable value. Changes in the market value of fixed asset investments are reflected in the revaluation reserves. Changes in the market value of endowment asset investments are taken directly to the endowment fund.

## 10 STOCKS

The stocks comprise stores held by surgeries, farm livestock, produce and consumables. The farm stocks are professionally valued; other stocks are stated at the lower of cost or net realisable value.

## 11 TAXATION STATUS

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993. Accordingly the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by s505 of the Taxes Act 1988 or s256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively

# RESPONSIBILITIES OF THE COLLEGE COUNCIL

for the year ended 31 July 2001

The Council is responsible for the administration and management of the affairs of the College and is required to present audited financial statements for each financial year.

## RECORD KEEPING AND ACCOUNTING

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the College's Charter, the Statement of Recommended Practice on Accounting for Further and Higher Education and other relevant accounting standards.

## FINANCIAL STATEMENTS

The Memorandum agreed between the HEFCE and the Council of the College (the Council) through its designated office holder (the Principal), is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit and cash flows for that year. During preparation of these statements, the Council has ensured:

- \* that suitable accounting policies are selected and applied consistently;
- \* that judgements and estimates are made that are reasonable and prudent;
- \* that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- \* that financial statements are prepared on the going concern basis.

The Council has taken reasonable steps to:

- \* ensure that funds from the HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the College and any other conditions which the Funding Council may from time to time prescribe;

- \* ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;

- \* safeguard the assets of the College and prevent and detect fraud;

- \* secure the economical, efficient and effective management of the College's resources and expenditure.

## INTERNAL FINANCIAL CONTROL

The College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- \* clear definitions of the responsibilities and delegated authority of heads of academic and administrative departments;
- \* a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- \* monthly reviews of financial results involving variance reporting and updates of forecast outruns;
- \* clearly defined and formalised requirements for approval and control of expenditure; investment decisions are subject to formal appraisal and review according to approval limits set by the Council;
- \* detailed Financial Regulations of financial controls and procedures are approved by the Audit Committee and Council;
- \* a professional Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of the Council, has reviewed the effectiveness of the College's system of internal financial control, and found it provides reasonable assurance against material misstatement or loss.

# CORPORATE GOVERNANCE

for the year ended 31 July 2001

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 in June 1998. Its purpose is to help readers of the financial statements understand how the principles have been applied.

2 Throughout the year ended 31 July 2001, 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 1998.

3 The College is an independent corporation, whose legal status derives from a Royal Charter granted in 1956, although the College can trace its history as a corporate body back to 1791. Its objects, powers and framework of governance are set out in this Charter and its supporting Statutes.

4 The Charter and Statutes require that the government of the College shall be vested in the Council, which has management and control of the College and administers all its property and income. The Council has a majority of members from outside the College (known as lay members) from whom the Chairman, Vice-Chairman and Treasurer are by custom elected. None of the lay members receive any payment for the work they do for the College, apart from the reimbursement of expenses.

5 The Statutes also require that there shall be an Academic Board, members of which are the Professors of the College and representatives of the teaching staff, and of which the Principal is Chairman. The Board advises the Council on all academic matters.

6 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 can be summoned to appear before the Public Accounts Committee of the House of Commons.

7 Although the Council ordinarily meets 3 times a year, much of its detailed work is initially discussed in Committees. All Council Committees are formally constituted with terms of reference and specified membership. All Committees report to the Council.

8 A majority of the lay members of Council is appointed by external bodies stipulated in the College's Royal Charter. The Council itself may co-opt up to eight members; proposals for the appointment of co-opted members are considered by the Nominations Committee. Ordinarily, lay members are eligible for re-appointment at the conclusion of the three year term of membership laid down by the Charter.

9 The Finance Committee inter alia recommends to Council the College's annual budgets and monitors performance in relation to the approved budgets. The Remuneration Committee determines the remuneration of the most senior staff, including the Principal.

10 The Audit Committee meets three times a year, with the College's external and internal auditors in attendance. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses. It also receives and considers reports from the Higher Education Funding Council for England as they affect the College's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee.

11 As Chief Executive of the College the Principal exercises considerable influence on the development of institutional strategy, the identification and planning of new developments and the shaping of institutional ethos. Senior academic and administrative officers all contribute in various ways to these aspects of the College's affairs but the Principal remains responsible for the conduct of the College.

12 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.

13 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.

14 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

to the Council of the Royal Veterinary College  
for the year ended 31 July 2001

We have audited the financial statements of Royal Veterinary College which comprise income and expenditure accounts, balance sheets, cash flow statement, statement of total recognised gains and losses and accompanying notes 1 to 30 which have been prepared under the accounting policies set out therein.

## RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

As described in the Responsibilities of the College Council, the Council is responsible for ensuring that financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report to you whether income from funding bodies administered by the College have been properly applied only for purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We also report to you if, in our opinion, the Treasurer's Report is not consistent with the financial statements, if the College has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

At the request of the Treasurer we also review whether the corporate governance statement reflects the College's compliance with the relevant provisions of the Combined Code specified for our review by the Governing Body and we report if it does not.

We read the other information contained in the Treasurer's report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## BASIS OF OPINION

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and whether the accounting policies are appropriate to the College's and group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## OPINION

In our opinion:

\* the financial statements give a true and fair view of the state of the affairs of the College and the group as at 31 July 2001 and of the College's and group's income and expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education and with the College's Charter and Statutes;

\* funds from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the College have been applied for the purposes for which they were received; and

\* income has been applied in accordance with the College's Charter and Statutes and where appropriate with the Financial Memorandum dated March 1996 with the Higher Education Funding Council for England.

*Deloitte & Touche*

DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors  
Hill House, 1 Little New Street  
London EC4A 3TR

5 December 2001