



THE ROYAL VETERINARY COLLEGE

ANNUAL REPORT AND FINANCIAL STATEMENTS 2011

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GOVERNORS AND ADVISORS

MEMBERS OF THE COUNCIL OF THE ROYAL VETERINARY COLLEGE

Independent Members

The Rt Hon The Baroness Shephard of Northwold (*Chairman from 1 January 2008*) – *second term from 1 August 2011 to 31 July 2015* +*

Mr P Orchard-Lisle (*Vice-Chairman from 1 January 2009*) – *second term from 1 August 2010 – 31 July 2014* +*

Mr C Perrin (*Honorary Treasurer*) – *with effect from 1 July 2010 – 31 July 2014* +*

Mr D Danson – *with effect from 1 January 2009 – 31 July 2012*+

The Rt Hon Frank Dobson, MP – *with effect from 1 January 2009 – 31 July 2012*

Dr K Fleming – *with effect from 1 January 2009 – 31 July 2012* #*

Professor J C Milne – (*from 1 January 2008*) – *second term from 1 August 2011 to 31 July 2015* #

Professor Dame Lesley Southgate – *with effect from 1 August 2009 – 31 July 2013*

Mr E Stobart – *with effect from 1 August 2009 - 31 December 2010* +

Mr J Walmsley – *with effect from 1 August 2009 – 31 July 2013*

Professor J Wyke – *with effect from 1 October 2008 – 31 July 2012* #

Members Elected by the Academic Board

Professor A Rycroft – *with effect from 1 February 2008 – 31 July 2011*

Dr C Wheeler-Jones – *with effect from 1 January 2009 – 31 July 2012*

President of the Students' Union

Miss E Bill (2010/11)

Principal (*ex-officio*)

Professor Q McKellar – *to 31 December 2010*

Professor SWJ Reid – *from 1 January 2011*

Vice-Principals (*ex-officio*)

Professor DB Church (V-P Academic and International Affairs) – *with effect from 1 January 2011*

Professor J Elliott (V-P Research) – *with effect from 14 November 2007*

Professor CR Howard (V-P International and Strategic Development) – *retired 31 December 2010*

Professor S May (Deputy Principal & V-P Teaching) – *with effect from 1 January 2008*

Secretary to Council (in attendance): Mrs Elaine Acaster

The members of Council are considered to be the Trustees.

Members of Council Committees

+ Finance and General Purposes Committee

Audit Committee

* Remuneration Committee

Bankers The Royal Bank of Scotland, London

Auditors KPMG LLP
Chartered Accountants and Statutory Auditors
London

CHAIRMAN'S INTRODUCTION
for the year ended 31 July 2011

As Chairman of Council of the Royal Veterinary College, I am delighted to report on another successful year. Maintaining our position as a leader and innovator in all aspects of our mission is at the heart of Council's objectives as it supports the new Principal and the staff of RVC in their work.

RVC is an international organisation in every respect, from the nationalities of our students to our research in Africa and our initiatives in Hong Kong. Animal health is a global issue and RVC has a global vision.

Clearly, the landscape for all of those involved in higher education is changing and a governing body of any College must be both reactive and proactive as challenges arise and new opportunities present themselves. This we do with a firm focus on the quality of all that RVC offers – whether it is education, research or caring for the animals committed to our care, we expect to deliver to the highest standards. I commend its work to you.

The Rt Hon The Baroness Shephard of Northwold

PRINCIPAL'S REPORT
for the year ended 31 July 2011

It is a privilege for me to be Principal of the Royal Veterinary College; I have joined an organisation of great heritage and with an international reputation for excellence in veterinary science, education and clinical service. As with any move, particularly when it occurs mid year, the early months of 2011 were exciting and stimulating for me, as I came to understand the essence of RVC and its mission. I am delighted to find myself in an institution that ranks amongst the most innovative and forward looking of its kind, anywhere in the world.

The external environment, as ever, is changing but 2011 has been remarkable by any reckoning. With economic crises still disrupting world markets and completely new funding structures for the Higher Education sector being introduced in England and Wales, the pressures that are being brought to bear on our activities have arguably never been greater. More than ever, clear mission and robust strategy will mark out those organisations that prevail.

The Operating and Financial Review demonstrates the intensity of activity across the College. Good progress has been made despite the backdrop of tightened financial stringency and a substantial building programme. One of my first responsibilities was to conclude the voluntary severance scheme introduced prior to my arrival. This was clearly a difficult and unsettling period for the College, but it was with relief that the target savings set were achieved without the need to move to compulsory redundancies. My colleagues maintained a professional attitude throughout this emotive period and the process was well managed by those directly involved. For this I am grateful.

Three major building projects progressed simultaneously during the year and these will contribute greatly to improvements in infrastructure supporting teaching, research, clinical activities and the student experience. We are indebted to the Jean Sainsbury Animal Welfare Trust for the generous gift towards the refurbishment of the renamed Beaumont Sainsbury Animal Hospital. Whilst the completion of our new build programme adds significantly to the ambiance and appearance of the estate, it also brings into sharp relief the areas of our campus where investment has been lacking. The imperative from HEFCE is clear; reduction of both physical and carbon footprints is a requirement and so we have been actively looking at demolition or disposal of facilities that will then allow us to progress the priority projects addressing student sport and leisure facilities, as well as the food and farming agenda.

It is very pleasing to be able to report a financial out-turn better than forecast, given the historic context of the previous financial year and the significant change issues evolving throughout 2011. A combination of additional effort directed towards income generation and defined budgetary controls leave us well placed for the coming year but continued vigilance and prudence will remain essential in fiscal matters.

With solid foundations of international quality research, clinical leadership and educational innovation, we must focus anew on the totality of the student experience and work closely with our students to ensure that our mission is embraced by all and our commitment to quality is embedded in all of our processes. The National Student Survey (NSS) is an important barometer of the extent to which we are meeting the expectations of our students. This importance is only likely to grow and we must address the matters raised in these annual surveys if we are to say that we are truly 'student centred'. Some issues can be dealt with in the short term, but others will require sustained effort over a number of years.

As I have mentioned, we are entering into a period of unprecedented change in the funding structures of higher education. The contributions of students directly to their education and, in some cases, the complete withdrawal of government funding, alters the landscape immensely. The fees levels we have set for 2012 will be competitive and the financial support packages we will offer to students are attractive. These changes are the significant part of proposals made in the Coalition Government's White Paper, which places the student at the heart of the education system, and it was particularly pleasing to note that the College's Gateway foundation year programme was cited in the White Paper as an example of a successful widening participation strategy.

Over the first few months of my tenure I have come to the opinion that some changes to our organisational structure will be required if we are to achieve our objectives and I am proposing modest alterations to the portfolios of senior management and a modification to academic departmental identities. This will be completed in the coming year, in parallel with a realignment of our internal resource allocation model.

Finally, and recognising the adage that the road to success is always under construction, it has been the people that have made the biggest impact on me since my arrival. The energy of the students, the dedication of the staff, the support of our friends and alumni, and the commitment of our Council Members: This is the family that is the Royal Veterinary College - 220 years and still going strong.



Professor Stuart WJ Reid

OPERATING AND FINANCIAL REVIEW

for the year ended 31 July 2011

The Operating and Financial Review considers the College's activities in the year 2010/11 in the context of the challenges and risks within which it operates.

Context and risk analysis

The Royal Veterinary College (RVC), founded in 1791, was the first of its kind in the UK and remains the only independent Higher Education Institution for teaching and research in the veterinary and allied sciences. The RVC has the largest range of veterinary, para-veterinary and animal science undergraduate and postgraduate courses of any veterinary school in the world, and is one of the largest veterinary schools in Europe. The College is a constituent college of the federal University of London.

The key strategic objectives of the College are set out within its Corporate Plan 2009-2013. At the heart of this Corporate Plan is the provision of leadership in veterinary education, research and clinical endeavour. Developing and enhancing excellence across all of the College's activities is paramount.

The College has adopted a range of Key Performance Indicators to assess its overall strength and progress against the Corporate Plan. Areas covered include: student recruitment, retention and employability; improving the student experience in both educational and social terms; financial performance against budgets and longer-term sustainability; quality of research outputs and funding success; growth in clinical caseload driven by targeted investment in services and facilities.

Risk awareness and management is well embedded within the College. The Corporate risk register sets out the top 10 key risks facing the College. Risks are identified through a combination of 'bottom-up' and 'top-down' processes and are discussed by the senior managers, Audit Committee and at Council. Indeed, the Council's strategy day in October 2011 was devoted to a 'first principles' review of risk, and assessment of the strength of mitigation. Given the significant changes and challenges in the financial context of the Higher Education sector, financial risks are considered the most significant at present. Other risks within the top-10 include those impacting on the College's reputation, including performance in the National Student Survey and other league tables.

Compared to other Higher Education Institutions, the College derives a relatively large proportion of its income from commercial activities. These are primarily through veterinary fees generated by its veterinary hospitals, first opinion practices and diagnostic laboratories. In addition, the College's wholly owned subsidiary, the London Bioscience Innovation Centre, provides laboratory and office space to small biotech and related industry companies. These areas of the College's operations are subject to very different market and competitive conditions when compared to teaching and research activities and are subject to appropriate leadership, management and risk analyses.

Academic review

Learning and the student experience

The College's teaching activities are dominated by the Bachelor of Veterinary Medicine degree. This five-year programme provides the education, skills and knowledge required to practice as a veterinary surgeon on completion of the course. Students on the BVetMed account for 1,200 of the College's 2,000 students. The College has been at the forefront of curriculum development in the BVetMed and 2010-11 saw the first cohort of students enter the final year of a substantially altered curriculum, which places emphasis on self-directed learning and a reduction in didactic teaching time. Feedback indicates that the students have superior problem solving and independent learning skills than their predecessors. With the vast majority of BVetMed students entering veterinary practice on graduation it is pleasing to report a continued increase in those taking optional modules in enterprise and entrepreneurship.

Also within its undergraduate portfolio the College recruits strongly to a BSc in Bioveterinary Science; a Veterinary Gateway programme; and a BSc and Foundation Degree in Veterinary Nursing. Work is progressing on modularising the teaching in the second year of the BSc Bioveterinary Science and identifying the core that is common with the Gateway Year, to enable combined delivery of this core. The 'jewel in the crown' of the BSc programmes is the individual student research project. These projects are often high quality and contribute to peer-reviewed publications.

The College's Veterinary Nursing activities now extend beyond the UK, with the successful recruitment in September 2010 of thirty-nine students to a joint degree programme with Hong Kong Polytechnic University. In the UK, the Veterinary Nursing foundation degree was given full approval status by the Royal College of Veterinary Surgeons (RCVS), giving students exemptions from sitting additional exams with the RCVS on graduation.

OPERATING AND FINANCIAL REVIEW (continued)
for the year ended 31 July 2011

Overall recruitment of new students continues to be capped by HEFCE, limiting the number of places the College can offer. Application rates for the year remained strong, both in quantity and quality.

At postgraduate level, the College's specialist Masters courses were aided by the reorganisation of the Registry support function, in order to streamline processes and increase efficiency of operations. A new Masters Course Co-ordinating Committee was established in the year in order to identify opportunities to develop and enhance the College's portfolio of Masters courses. Two key proposals are the development of a 'one-health' MSc in collaboration with the London School of Hygiene and Tropical Medicine (LSHTM), and the modularisation of all current Masters courses.

The College's reputation as a leader in simulation for Veterinary Education has continued to grow. The College's development of the use of haptics to simulate various conditions has been responsible for driving discussion between vets, medics and dentists and sharing of experiences. In November 2010 the College hosted a Haptics Workshop for delegates from across Europe.

The College's completion rate for the National Student Survey (NSS) increased from 70% in 2010 to 76% in 2011 following an active campaign to develop both student and staff awareness of the importance of this survey to the College. For a number of years the College has lagged behind its competitor vet schools in overall satisfaction scores. Unfortunately this is borne out in the most recently published survey, where the College's BVetMed course is ranked last of the UK vet schools with an overall satisfaction score of 80% (compared to scores above 90% for the other vet schools).

During the year the College has developed general principles to foster an enhanced 'student centred university' based on respect and understanding, openness and trust as well as on mutual support and commitment. The central plank of this strategy is greater engagement of the student body with the College's activities and a major increase in the effectiveness of interactions between staff and students at the academic, pastoral and social levels. One of the highest priorities identified has been enhancing feedback to students that is relevant, focussed and timely, particularly in the latter part of the BVetMed course. A number of actions have been agreed to help to address this.

Research, innovation and employer engagement

Research activity across the College has increased significantly, and preparations for the Research Excellence Framework (REF) in 2014 have progressed well, and we would expect to realise the benefits of this in due course.

The College has been actively involved in the pilot exercises assessing impact, which is a new component of assessment. As part of the information gathering required for the REF on public engagement, academics have completed a Public Engagement Survey as part of their appraisal process. The responses received indicate a high level of activity in engaging with all stakeholder groups and the general public. The College's REF Working Group is developing twenty impact and engagement case studies to be submitted to the REF. A mock REF exercise has recently been undertaken to ensure that publications meet the likely levels needed to continue to attract QR funding from HEFCE.

Grant applications and awards have been exceptional and demonstrate how competitive academic staff have been in the current difficult funding climate. The College recognises that, where appropriate, research outcomes are best delivered by collaborating with other institutions and has responded to funders' increased expectations in this regard. The College has well established collaborations in the UK with University College London, King's College London, the London School of Hygiene and Tropical Medicine, University of Reading and University of Nottingham. In addition to these the College was successful in its bid to host a BBSRC funded Agrifood Training Partnership (in collaboration with the Universities of Cambridge and Newcastle and Roslin Institute Edinburgh). The College also collaborates widely with EU partners in Germany, France, Spain, Switzerland and Denmark. These projects provide significant reputational and financial benefits to the College.

The College's researchers continue to be recognised at national and international level by their peers through the awards in numerous areas and representation on research committees.

OPERATING AND FINANCIAL REVIEW (continued)
for the year ended 31 July 2011

Plans for veterinary SME and student engagement have evolved during the Higher Education Innovation Fund (HEIF) period. In the last year, the 'Innovets' experiential learning programme for clinical phase veterinary students has been developed and delivered. Innovets is a weeklong work-based small group learning experience whereby a working veterinary practice identifies an existing commercial challenge faced by the practice, briefs the students on the central issues and requires the students professionally to present solutions to the practice leadership team by the conclusion of the week. Students are then supported by the practice management and clinical team, entrepreneurial practitioners from across the veterinary community and RVC Enterprise staff members to scope the problem, benchmark current activities against others in the sector and develop innovative solutions. The first Innovets programme focused on small animal veterinary dentistry, and improving the flow of clients to the dental suite. Significantly, a number of the students' solutions have been adopted and implemented by the practice. There are now plans in place to run annual Innovets weeks in both small animal and farm animal practice environments.

Other activities supported by HEIF have performed well:

- A key patent family licensed to an animal health company partner is now going to grant in over 25 countries, and the vaccine product anticipated to be approved next year.
- RVC Enterprise managed a record quantity and value of contract business with external partners.
- The team continues to support the academic staff in activities directed towards social as well as economic impact. In addition to participation in the BBSRC Excellence with Impact initiative, RVC's entry for the BBSRC's Innovator of the Year competition achieved runner-up in the Social Innovator category.
- The London BioScience Innovation Centre has again increased its number of client companies (to 42 – including many virtual clients with overseas headquarters), and 97% of physical space occupied.

Corporate responsibility

Staff

The College recognises that its staff members are critical to its success. As such the College offers a broad range of development opportunities to its staff through a structured annual programme covering leadership and management skills, recruitment and retention, IT skills, research careers, health and safety and wellbeing and also through personal development objectives agreed through the staff appraisal process.

Employment strategy is considered by the Council, through its Remuneration Committee. In addition regular meetings are held between the College's management and the Recognised Trade Union bodies. The College strives to work as collaboratively and constructively as possible with the RTUs, and this has been apparent in the dialogue entered into through the staff cost reduction exercise of the last year.

Staff wellbeing is very important to the College. This is supported through encouraging open communication between staff and their managers, access to an occupational health service and a telephone advice line available at no cost to all employees.

The scientific nature of the College's work means that certain staff are exposed to conditions for which strict health and safety measures must be in place. The College has a well established risk assessment process, training programme and set of standard operating procedures in place in these instances, thereby limiting the number of incidents that occur. The Safety Committee review policy and procedure and any incidents and these are reported directly to the College Council.

Equality and diversity

Equality and diversity are widely promoted across the College, both in relation to staff and to students.

All staff are required to undertake online equality and diversity awareness training as part of their induction and cannot be confirmed in post until this has been successfully completed. The College has an Equality Strategy Group. This group is responsible for developing policies and strategy and monitoring compliance. During the year this Group built on its work in the previous year in further developments to the College's Single Equality Scheme.

OPERATING AND FINANCIAL REVIEW (continued)
for the year ended 31 July 2011

Financial

The financial statements have been prepared in accordance with the SORP 2007: 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), the London BioScience Innovation Centre Limited (LBIC), RVC Developments Limited, and Royal Veterinary College (Hong Kong) Limited.

CONSOLIDATED RESULTS FOR THE YEAR TO 31 JULY

	2011 £000	2010 £000
Income	68,598	65,832
Expenditure	68,248	67,644
Surplus/(Deficit) on Continuing Operations	350	(1,812)
Transfer from specific endowments	429	626
Surplus/(Deficit) retained within General Reserves	779	(1,186)
Investment in Fixed Assets	23,322	9,931
Borrowings	24,639	24,937
Short-term cash and deposits	6,367	20,180
Net cash flow from operating activities	6,821	(419)
Net Liquidity days	36	116

Income and expenditure

The Group achieved a surplus of £779,000, which was better than anticipated. This result is stated after non-recurrent severance costs of £1,739,000 from a voluntary scheme offered to staff during the financial year. Voluntary severance was one of a range of options made available to reduce recurrent costs staff. Forty-three employees left the College under voluntary severance terms, with a further reduction in FTEs achieved through flexible working, early retirement and a recruitment freeze. These actions were a major component in the College's strategic response to cuts in government funding for Higher Education. The College had set a target to achieve recurrent savings of £3.5million in staff costs; it is anticipated this will be reached. The staff savings achieved in 2010/11 were sufficient to fully pay back the severance costs of £1,739,000.

The College has set itself targets to increase its recruitment of students from non-EU countries. 2010/11 was a successful year in this regard (undergraduate non-EU student numbers increased by 20% from 100 to 120), as reflected in the increased tuition fee income recognised in the accounts. Delivery on the strategic intent to diversify recruitment outside the traditional North American market also progressed well during the year.

Research performance was strong in the year, with the College building on its success in the Research Assessment Exercise in 2008. The funders of the College's research are diverse, indicating the attractiveness of the researchers, the high quality facilities available and the College's reputation for successful delivery. In addition to income recognition above £12m (a 40% increase on the previous year), overhead recovery was also much improved at £1.9m as a higher proportion of grants awarded are on a full economic cost basis.

Given the disappointing financial result in 2010, additional systems of internal financial control and reporting were put in place and these improvements assisted in expenditure being in line with budgets and forecasts.

OPERATING AND FINANCIAL REVIEW (continued)
for the year ended 31 July 2011

Capital Investment

The College continues to invest in its physical infrastructure. During the year the Teaching and Research Centre (TaRC) project was completed. The capital cost of the project was £8.1million, with £7.1million of this provided by HEFCE under the Capital Investment Framework. The College secured a further £0.5million donation from the Wolfson Foundation in support of the research laboratories within the building.

Also completed in the year was the major refurbishment of the Beaumont Animals' Hospital, at a cost of £1.4m. The Jean Sainsbury Animal Welfare Trust made a significant grant of £1m towards the improvements to the working and living environments of staff at the hospital and to the enhancement of patient care. In recognition of the Trust's contribution the hospital was renamed the Beaumont Sainsbury Animals' Hospital.

The third major capital project during the year was the continued construction of a new refectory, student residences and short-let accommodation at the Hawkshead campus. The new refectory was completed and operational in January 2011, with an increased seating capacity. All anticipated residence blocks were completed and ready for occupation for students starting in September 2011. The project is the College's largest single capital development, with a cost of £18m, and was undertaken on a 'design and build' contract thereby transferring a substantial element of risk to the main contractor. The project was delivered on time and within budget.

Capital structure

The College has a borrowing ratio (borrowings: total income) of 37%. This is a measure used by HEFCE in assessing debt levels and compares to a sector average of 22%. While above the sector average, all of the College's debt has been used to fund activities with a specific ongoing income stream, principally student residences. The debt is with the Royal Bank of Scotland and is at fixed rates of interest, thereby giving certainty over future cash flows. The maximum duration of any loan is 25 years.

Treasury policy and investments

The College's treasury policy seeks to ensure an appropriate return on investments at a level of risk agreed by the College Council. The Finance and General Purposes Committee has agreed a revised investment strategy which will support a higher drawdown than previously. This is designed to enable further investment in student financial support to be made available.

The College has a long-standing engagement with BlackRock Asset Management to administer and advise on appropriate funding opportunities for surplus cash and liquid assets over and above those needed for routine working capital purposes. At 31 July 2011, the College held a total of £8,866,000 across three BlackRock funds: UK Income Equities, International Equities and All Stocks Corporate Bonds. In addition to this, £2,677,000 was held in BlackRock's Institutional Liquidity Fund. The majority of these investments represent endowment assets.

Overall, the College's investments produced a return of 9% for the year to 31 July 2011, thanks mainly to the recovery in equity markets. This return was in line with the benchmark return agreed with BlackRock. The return helped to supplement endowment funds which were then used to enhance the College's clinical and research activities and to alleviate student financial hardship.

The investment of working capital funds is monitored by the Finance and General Purposes Committee. There is a short list of permitted organisations for College deposits, all of which are required to have a credit rating of 'A' or above as rated by international agencies.

Cash flows

The significant capital expenditure during the year led to a reduction in cash and investments held (excluding endowments) from £20.2m to £6.4m. Some changes in timings of capital project expenditures meant that at the year end the cash balance was higher than forecast. In 2010 the full loan value of £18m was drawn down in advance of cash required for the student residences project. This was utilised throughout the year as the project progressed.

Due to the surplus reported; high levels of depreciation charged; and an increase in creditors; the net cash inflow from operating activities was £6.8m (2010: out flow of £0.4m).

The College has in place overdraft facilities to deal with any unexpected short-term changes in its cash profile and position. This facility was not drawn upon during 2010-11.

OPERATING AND FINANCIAL REVIEW (continued)
for the year ended 31 July 2011

Pension funds

Staff at the College are entitled to join either the Universities Superannuation Scheme (USS) or the Superannuation Scheme of the University of London (SAUL). Following the Hutton report, these schemes, along with the majority of public sector and defined benefit schemes, have been under review. There are considerable cost pressures from increased longevity, salary inflation, and more volatile investment performance, which pose risks to the financial sustainability of such schemes. In October 2009, the contribution rate for employers to the USS scheme increased from 14% to 16%. The first full year effect of this increase is recorded in these financial statements.

After a period of protracted negotiations, major reforms to the scheme were agreed by the USS Board. These reforms include a benefits section of the scheme for entrants after 1 October 2011 based on career average earnings, rather than final salary. Existing members will remain in a final salary section, but will be expected to contribute more to receive these benefits. There is no change to the 16% employer's contribution rate.

The SAUL scheme has also been discussing reforms, which are still under negotiation.

Both schemes were formally valued on 31 March 2011 and it is expected that their overall funding positions will be below the level required by The Pensions Regulator. If this is the case then a formal action plan to address any funding gap will be required to be provided to The Pensions Regulator.

Financial outlook

The upcoming year is one of preparation for major changes in funding from 2012-13. Reductions in HEFCE grants are apparent already, without an ability to easily increase income from other sources to offset.

From 2012-13 the balance of funding the teaching of students shifts dramatically away from public funds towards contributions directly from students. At a sector level, the total funding from HEFCE for teaching is expected to be cut from over £5bn in 2010-11 to around £1bn in 2014-15.

The College's fee and financial support proposals for new undergraduate students entering in 2012-13 have been agreed by the Office for Fair Access (OFFA). The College will charge between £7,500 and £9,000 per student, a substantial change from the permitted maximum of £3,375 in 2011-12. In agreeing to increased fees, OFFA also reviewed and approved the College's proposals on the type and level of financial support it will offer to students. On average between 2012 and 2015, 27% of the additional fee income will be made available to students in the form of bursaries and other financial aid. This is in line with the current proportion being made available, although the distribution between individual courses is proposed to change to have regard to course length and employment opportunities on graduation.

The way in which students will pay fees is also changing. There will be no up-front fees payable by students; it will all be deferred until their graduate earnings are above a threshold of £21,000. During their time in higher education this change actually represents a cash flow benefit to new undergraduate students. Students will also continue to have access to loans and grants to support the costs of their education and living expenses.

The impact on demand for the College's courses resulting from the changes in fee levels and financial support packages is difficult to predict and therefore represents a significant financial risk. Enhanced marketing effort is underway to ensure communications to prospective students highlight the long-term value of a higher education and not simply the cost.

HEFCE have issued draft proposals for funding students in higher-cost subject areas, for which the College qualifies. The majority of the College's students are funded in the highest cost banding. If the current proposals are enacted for 2012-13 the College may benefit from an increase in the total resource per student in this highest band.

HEFCE have also set out proposals which build on the intentions set out in the HE White Paper regarding the creation of a 'core' and 'margin' for taught undergraduate students. The 'margin' refers to student groupings who will sit outside of the strict number controls on recruitment. One of these margin groups is students who attain the equivalent of grade AAB or better at A-level. Historically the College has recruited the majority of its students from this cohort, so this presents a potential opportunity for expansion – however this is also an opportunity for the other four English veterinary schools, which may impact negatively on recruitment levels. The other schools are all part of larger multi-faculty universities and may therefore have the capacity and flexibility to vire student numbers between departments into higher-funded activities.

OPERATING AND FINANCIAL REVIEW (continued)
for the year ended 31 July 2011

Whilst it is difficult to assess how these changes will impact on the demand for higher education at undergraduate level, it is even more difficult to predict the impacts on postgraduate students. While undergraduate students will have access to loans, only repayable once they are in employment, postgraduate students do not have access to such financial support.

One response to these uncertainties has been a drive to increase recruitment from outside the EU. Whilst this has been successful to date, as noted above, there is continued uncertainty generated by the UK Borders Agency in the issuance of student visas. The outlook for research funding, at least at a macro-level, is more stable. The commitment to maintain funding for health-related research will result in a real-terms fall in funding in other discipline areas. Recently announced 'efficiency' measures by the Research Councils will mean the College will need to work hard to maintain its position in research and must look to opportunities for efficiency in operations.

The College generates over 20% of its annual income from its clinical activities. The College has arguably some of the best equipped and resourced referral hospitals in the UK, yet it is not alone in this marketplace. Increased competitive pressures, coupled with impacts of the general tougher economic conditions facing animal owners, and more prolonged examination by insurance companies of claims made under pet insurance policies, will all be important factors in determining whether the financial targets set for clinical activities will be met.

Although the new student residences at the Hawkshead campus were completed in time for student occupation in September 2011, the project phasing did not allow sufficient time for effective marketing of the accommodation to students. This has resulted in lower occupancy levels than anticipated. Whilst these changes have been reflected in amended budgets and appropriate mitigating actions taken to modify other budgets, it is imperative that occupation levels for 2012-13 are in line with original expectations of near to complete occupancy in order for the repayment of the loan financing costs to be met. Feedback from the current occupants is very encouraging and more robust marketing plans are in place to assist in achieving this.

The College has invested heavily in capital projects, which have greatly enhanced the College's two campuses. The focus has been on building new facilities, but this will need to switch in future years to addressing a backlog of maintenance required to older parts of the estate. Funding this investment will be challenging, given the large reductions in capital funding from HEFCE and the relatively unattractive nature of the work to other funders.

It is expected that the cost base of the College in its day-to-day operations will remain stable in the medium term. The actions taken in the last year to reduce staffing levels was intended to put the College in a sustainable position for the next four years at least. Increases in staff costs, through cost-of-living pay awards and pension scheme contribution changes, are expected to be minimal in the next two years, with a possible correction and catch-up in 2014-15, particularly if inflation remains above the Bank of England target of 2%.

The College will need to remain vigilant to changes in funding levels and cost pressures, such as a 'catch-up' in pay awards and utilities costs, emerging from the external environment and has in place contingency plans to address changes in the main assumptions it is using for medium-term financial planning.

CHARITABLE STATUS AND PUBLIC BENEFIT STATEMENT for the year ended 31 July 2011

The College is an exempt charity under the terms of the Charities Act 1993.

The governing body of the College is its Council. In accordance with the Articles of Governance, Council is responsible for determining the strategic direction, educational character and mission of the College while ensuring the efficient and effective use of resources, its solvency and the safeguarding of its assets.

In setting and reviewing the College's objectives and activities, Council has had due regard to the Charity Commission's guidance on the reporting of public benefit and particularly to its supplementary public benefit guidance on the advancement of education. Attention is also paid to guidance issued by HEFCE in its role as principal regulator on behalf of the Charities Commission.

General principles of public benefit

The main principles of public benefit in the Charities Act 2006 are as follows:

Principle 1: There must be an identifiable benefit or benefits

- It must be clear what the benefits are.
- The benefits must be related to the aims.
- Benefits must be balanced against any detriment or harm.

Principle 2: Benefit must be to the public, or a section of the public

- The beneficiaries must be appropriate to the aims.
- Where benefit is to a section of the public, the opportunity to benefit must not be unreasonably restricted:
 - by geographical or other restrictions; or
 - by ability to pay any fees charged.
- People in poverty must not be excluded from the opportunity to benefit.
- Any private benefits must be incidental.

Delivery of public benefit from the mission and strategic aims

The mission and aims, approved by Council for the Corporate Plan 2009-2013 state this directly:

Mission:

We will enhance our global reputation as an outstanding independent veterinary college by:

- Improving the quality of the student experience educationally and socially;
- Delivering excellent education through the best methods and progressive practice;
- Undertaking research of international quality in focused areas of global significance for animal and human health;
- Improving animal health and welfare by the provision of outstanding clinical activity across animal species;
- Engaging with the business community and exploiting our novel ideas;
- Promoting public health and supporting society through the study of the relationships between people, animals and food;
- Engaging fully with local, national and international communities and all our stakeholders.

Strategic aims:

The strategic aims of the College have all been set to promote and enhance excellence across its activities. These are set out in the College's Corporate Plan 2009-2013, which can be accessed at <http://www.rvc.ac.uk/corporateplan/index.cfm>

Delivery of public benefit through education and training

The provision of higher education remains one of the College's core activities. The beneficiaries are the students who participate in higher education at the College. Ultimately higher education provides a skilled population that can contribute to the enhancement of society and the economy through productive careers. In 2010-11, over four-hundred and fifty students of the College graduated from programmes of undergraduate, postgraduate and research study. As part of this process, graduates of the College's main undergraduate degree, the Bachelor of Veterinary Medicine, were also inducted into membership of the Royal College of Veterinary Surgeons and many of them go on to work in veterinary practices to provide expert advice and treatment for the benefit of both animals and their owners.

CHARITABLE STATUS AND PUBLIC BENEFIT STATEMENT (continued)

for the year ended 31 July 2011

The College is also the largest supplier of non-commercial veterinary CPD, and postgraduate professional certificates accredited by the Royal College of Veterinary Surgeons. It therefore contributes substantially to the public good of state-of-the-art veterinary services.

The College runs a number of successful postgraduate programmes, including distance learning Master of Science degrees in Veterinary Epidemiology & Public Health and Livestock Health & Production. These degree programmes allow students to study at their own pace from any location globally. Students from over fifty countries were enrolled on these distance learning programmes during the year and the knowledge gained, especially by those from developing countries, is used directly to influence key decisions in the veterinary profession in those countries. For example, the twelve students enrolled from Bangladesh and Sri Lanka are directly building intellectual capacity and informing national veterinary policy and practice through their roles in government or in university faculties.

The College also has a unique Centre for Excellence in Teaching and Learning that develops materials for the College's own curricula, and supplies them (free of charge) to other educational institutions, as well as making computer-aided learning packages available via the internet.

Delivery of public benefit through research

Researchers at the College are actively engaged in enhancing understanding in the basic sciences as well as in veterinary sciences. The vast majority of this research is undertaken for publication (often this is a condition of the research funder) and thus the outcomes of research activities add to the publicly available knowledge in these areas. Research is undertaken so that it has the potential to enhance or change society for the better through increasing understanding, influencing behaviours and stimulating economic opportunities.

Increasingly, the outcomes of research into improving animal health and wellbeing are applicable to understanding and improving human health (e.g. research into osteoporosis, arthritis, neuromuscular disorders, type II diabetes, atherosclerosis, fetal programming and the effect of maternal diet on health of the offspring and kidney function). The College is actively involved in this 'one health' agenda. In particular, research is being undertaken on canine diabetes and canine muscular dystrophies. The findings of both areas of this work are being used to inform researchers working on these conditions in humans.

We participate with five other colleges of the University of London in jointly funding the London International Development Centre whose focus is on cross-disciplinary research, training and building local capacity for the developing world. The College is involved, through LIDC, in an 'agri-health' project in which animal, medical and social science researchers are operating collaboratively.

Delivery of public benefit through outstanding clinical activity

During the year over 30,000 cases passed through the College's various clinical facilities, which are staffed and equipped to cater for companion animal species from rodents, through dogs and cats, to horses and alpacas, as well as production animals from farms in the region. The clinical teams in the College's hospitals offer a broad range of diagnostic techniques and treatment options to optimise care, whether cases are presented for primary care directly by their owners, or at the request of professional colleagues for secondary and tertiary services. Our capabilities range from the provision of routine clinical examinations and basic health care for all species to near unique procedures such as standing MRI and CT investigations in horses that avoid the need for general anaesthesia, and interventional radiological techniques in dogs and cats that facilitate advanced treatment of cardiac and respiratory disease, enabling access to appropriate care at many different levels.

The College's clinical staff are also regular attendees at external events, such as shows and professional exhibitions, delivering lectures and workshops to audiences including the general public and farmers, as well as veterinary surgeons.

CHARITABLE STATUS AND PUBLIC BENEFIT STATEMENT (continued)

for the year ended 31 July 2011

Access to Opportunity

The College actively encourages applications from all those with the academic ability to succeed, regardless of their background. A key element of this access to opportunity is through the College's Gateway programme, which is a one-year preparatory course for non-traditional students to provide a route into studying veterinary medicine. The programme is offered to non-selective state school students whose parents have not been to university and who satisfy strict requirements regarding levels of parental income. To encourage participation the College offers a generous bursary to Gateway students, which not only covers the cost of their tuition fees, but also contributes to their living expenses. Bursaries are made available to all students on undergraduate programmes to encourage potential students from a wide range of socio-economic backgrounds to apply to study. It is felt that these measures contribute to widening participation and ensure the opportunity to participate is not unreasonably restricted by the ability to pay fees.

The College has an education liaison team which continues to enhance the College's widening participation activities. In the 2010/11 academic year the College worked with 4,800 learners from our Widening Participation target groups, exceeding our previous best by over 50%. Delivery of commitments to AimHigher were completed, including a residential Summer School and a programme of multi-disciplinary Health Fairs in boroughs across London. A "Summer Uni" for Kensington & Chelsea ran over four afternoons in August with 29 participants. School bookings for the coming year are strong, with "Afternoon Anatomy" full until next May. Plans are advanced for courses for black boys and girls, to take place in the next two half-terms, funded by the organisation "Generating Genius" and taught by staff from the College's Veterinary Basic Sciences department. Each interaction with one of the RVC's staff or students can potentially be life-changing, leading to raised aspirations and achievement for the widening participation groups.

In regard to the College's clinical activities the Beaumont Sainsbury Animals' Hospital in Camden operates as a first opinion practice for the local community, offering very competitive rates for treatment, and also undertakes particular charitable services for the Dogs Trust and other charities in neutering animals before re-homing.

Public and community engagement

For a number of years the College has run the 'Farming For All' project at the College Farm in Potters Bar. This initiative has attracted attention from potential funders who recognise the value in bringing disadvantaged people from the margins of society into the mainstream. Funds raised from a sponsored fun run are supporting three Care Farm Skills Courses, two-day progression courses aimed at furthering the development of clients who have already taken part in the basic course.

For the first time, the Camden Campus featured in the London-wide Open House event in September, and arrangements were made for local community groups to visit the Lightwell and museum.

Sustainability

The College has been in existence for two-hundred and twenty years and throughout that time has strived to be a socially responsible organisation which contributes to social and economic development through knowledge exchange, often through active partnerships, to wider audiences.

The College recognises the direct and indirect impact its activities have on the local, regional and global environment. The College has developed solutions to reduce these impacts through the creation of an environmental policy which is focused on travel and transport; energy; waste management and recycling; and water consumption.

The Council has approved a Carbon Management Plan which sets out a strategy to achieve a 20% reduction in emissions by 2018. During the upcoming year energy consumption will be reduced through the use of photovoltaic cells on the roofs of new student residences, voltage optimization technologies, more efficient gas heating systems and an ongoing campaign of raising awareness by the environmental staff team. The College offers a free shuttle bus service to staff and students at its Hawkshead campus in Hertfordshire. Average usage of this service has increased dramatically from 150 per day to 350 per day over the last year and this has greatly reduced the extent of private vehicle travel to and from the campus.

The operation of the College's estate is an example of the need to balance the benefits against any detriment or harm. These are considered during the decision making processes of the College and it is felt that the benefits gained from delivering education, training, research and clinical activities at the College's campuses outweigh the environmental impacts of these activities.

RESPONSIBILITIES OF THE COLLEGE COUNCIL

for the year ended 31 July 2011

The Council is required to present audited financial statements for each financial year. The Council is responsible for the maintenance and integrity of the College's corporate and financial information included on the College's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

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 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 2007 and other relevant accounting standards.

FINANCIAL STATEMENTS

Financial statements are prepared in accordance with the College's Charter. Guided by the College's Statement of Primary Responsibilities, Council ensures the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment. During preparation of these financial statements, the Council has ensured:

- that financial statements are prepared on the going concern basis. The Council is satisfied that the College has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements;
- that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memoranda with the College and any other conditions which the Funding Council may from time to time prescribe;
- that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.

INTERNAL CONTROLS

The College's system of internal control, which is designed to discharge the responsibilities set out above, includes 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;
- 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; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee, and endorsed by the Council and whose head provides the Council with a report on internal audit activity within the College, and the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

CORPORATE GOVERNANCE
for the year ended 31 July 2011

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 2011, 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 and revised in 2009.
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 2011 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 on the Combined Code as deemed appropriate for higher education.
4. 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, which were most recently revised in 2010.
5. The Charter and Statutes require that the governance of the College shall be vested in the Council, which, as the governing body, is collectively responsible for overseeing the institution's activities, determining its future direction and fostering an environment to achieve the institutional mission. The Council has a majority of members from outside the College (known as independent members) from whom the Chairman, Vice-Chairman and Hon Treasurer are elected. None of the independent members receives any payment for the work done for the College, apart from the reimbursement of expenses.
6. 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.
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 accountable officer of the College and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.
8. Independent Members constitute the majority on Council. Although the Council ordinarily meets three 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, and report to the Council.
9. The Finance and General Purposes 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 as appropriate. 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 work.

CORPORATE GOVERNANCE (continued)
for the year ended 31 July 2011

12. 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 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.
13. The College maintains a register of interests of members of the Council. Any enquiries about the constitution and governance of the College should be addressed to the Secretary to the Council.
14. 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, it continues to adopt the going concern basis in preparing the accounts.
15. 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 AUDITOR'S REPORT TO THE COUNCIL OF THE ROYAL VETERINARY COLLEGE

We have audited the Group and College's financial statements (the "financial statements") of The Royal Veterinary College for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and College Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Council, in accordance with Charter and Statutes of the College. Our audit work has been undertaken so that we might state to the Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditor

As explained more fully in the Responsibilities of the College Council set out on page 16 the Council is responsible for the preparation of financial statements which 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and College as at 31 July 2011 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; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control is inconsistent with our knowledge of the College and the Group.

Neil Thomas

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London, E14 5GL

25 November 2011

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 July 2011

		Year ended 31 July 2011	Year ended 31 July 2010
	Note	Consolidated £000	Consolidated £000
INCOME			
Funding body grants	1	27,839	29,635
Tuition fees and education contracts	2	8,969	8,257
Research grants and contracts	3	12,394	8,820
Clinical and related earnings	4	15,396	14,707
Other income	4	3,501	4,007
Endowment and investment income	5	499	406
TOTAL INCOME		68,598	65,832
EXPENDITURE			
Staff costs	6	36,655	38,243
Staff costs – non-recurrent severance payments	6	1,739	-
Other operating expenses	9	24,156	24,276
Depreciation	11	4,265	4,227
Interest and other finance costs	7	1,433	898
TOTAL EXPENDITURE		68,248	67,644
Surplus/(deficit) after depreciation of tangible fixed assets at valuation		350	(1,812)
Taxation		-	-
Surplus/(deficit) on continuing operations after depreciation of assets at valuation, disposal of assets and tax		350	(1,812)
Transfer from accumulated income in endowment funds	18	429	626
SURPLUS/(DEFICIT) RETAINED WITHIN GENERAL RESERVES	20	779	(1,186)

The consolidated income and expenditure relates wholly to continuing operations.

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 July 2011

		Year ended 31 July 2011	Year ended 31 July 2010
	Note	Consolidated £000	Consolidated £000
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and disposal of assets and tax		350	(1,812)
Increase in market value of investments	18	646	860
New Endowments	18	1,020	1,528
Endowments transferred to deferred capital grants	18	(1,435)	-
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		581	576
Reconciliation			
Opening reserves and endowments		32,955	32,379
Total recognised gains relating to the year		581	576
CLOSING RESERVES AND ENDOWMENTS		33,536	32,955

BALANCE SHEETS
as at 31 July 2011

	Note	Year ended 31 July 2011		Year ended 31 July 2010	
		Consolidated £000	College £000	Consolidated £000	College £000
FIXED ASSETS					
Tangible assets	11	79,500	77,926	60,386	57,940
Investments	10	114	142	78	100
		79,614	78,068	60,464	58,040
Endowment asset investments	12	12,852	11,490	13,050	11,096
CURRENT ASSETS					
Stocks	13	683	671	632	617
Debtors – amounts falling due within one year	14	6,672	7,030	5,320	5,631
Debtors – amounts falling due after more than one year	14	-	1,100	323	1,267
Short term deposits	17	1,166	2,528	15,208	17,163
Cash at bank and in hand		5,201	4,418	4,972	4,852
		13,722	15,747	26,455	29,530
Creditors – amounts falling due within one year	15	(16,881)	(19,282)	(12,300)	(15,010)
Net current assets		(3,159)	(3,535)	14,155	14,520
Total assets less current liabilities		89,307	86,023	87,669	83,656
Creditors – amounts falling due after more than one year	16	(24,368)	(24,368)	(24,642)	(24,642)
TOTAL NET ASSETS		64,939	61,655	63,027	59,014
Deferred Capital Grants	19	31,403	30,705	30,072	29,305
Endowments					
Expendable	18	3,178	1,853	3,637	1,729
Permanent	18	9,674	9,637	9,413	9,367
		12,852	11,490	13,050	11,096
General Reserve	20	20,684	19,460	19,905	18,613
TOTAL FUNDS		64,939	61,655	63,027	59,014

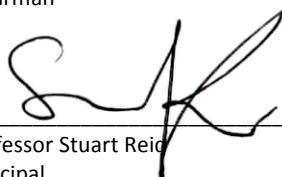
The financial statements on pages 20 to 46 were approved by the Council on 21 November 2011 and signed on its behalf on that date by:



The Right Hon The Baroness Shephard of Northwold
Chairman



Mr C J Perrin CBE
Honorary Treasurer



Professor Stuart Reid
Principal

CASH FLOW STATEMENTS
for the year ended 31 July 2011

	Note	Year ended 31 July 2011		Year ended 31 July 2010	
		Consolidated £000	College £000	Consolidated £000	College £000
Net cash inflow/(outflow) from operating activities	21	6,821	6,376	(419)	760
Returns on investments and servicing of finance	22	(934)	(779)	(492)	(331)
Capital expenditure and financial investment	23	(20,248)	(20,630)	(5,153)	(6,449)
Cash (outflow) before liquid resources and financing		(14,361)	(15,033)	(6,064)	(6,020)
Management of liquid resources – short-term deposits		14,042	14,635	(9,216)	(10,063)
Financing	24	(295)	(295)	17,724	17,724
(DECREASE)/INCREASE IN CASH IN THE YEAR		(614)	(693)	2,444	1,641

RECONCILIATION OF CASH FLOW TO MOVEMENT IN NET FUNDS

	Year ended 31 July 2011		Year ended 31 July 2010	
	Consolidated £000	College £000	Consolidated £000	College £000
(Decrease)/increase in cash in period	(614)	(693)	2,444	1,641
Change in short term deposits	(14,042)	(14,635)	9,216	10,063
Change in debt	295	295	276	276
New loans	-	-	(18,000)	(18,000)
Change in debt	(14,361)	(15,033)	(6,064)	(6,020)
Net funds at 1 August	1	216	6,065	6,236
NET (DEBT)/FUNDS AT 31 JULY	(14,360)	(14,817)	1	216

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
for the year ended 31 July 2011

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards. The financial statements are prepared in accordance with historical cost convention modified by the revaluation of certain fixed assets.

2. GOING CONCERN

The College's activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review on pages 6 to 12. The financial position of the College, its cash flows, liquidity position and borrowing facilities are also described in the Operating and Financial Review. The College has considerable financial resources. As a consequence, the College Council believe that the College is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Council has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3. BASIS OF CONSOLIDATION

The financial statements consolidate the results of the College and the Animal Care Trust, a separate registered charity, The London Bioscience Innovation Centre Limited, RVC Developments Limited and Royal Veterinary College (Hong Kong) Limited. The subsidiaries have the same year end as the College. The consolidated financial statements do not include those of the Student Union Society because the College does not control those activities, nor do they include those of Quy Biosciences Limited as the results of the company are considered immaterial.

4. RECOGNITION OF INCOME

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 students are studying. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic 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 or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet. Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of total recognised gains and losses.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)
for the year ended 31 July 2011

5. TAXATION STATUS

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT in relation to tangible fixed assets is included in their cost.

6. LAND AND BUILDINGS

Land and buildings are stated at historical cost. Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the institution from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

6(a) Depreciation

Freehold land is not depreciated. Buildings are depreciated over their expected useful economic lives to the College of between 20 and 25 years on the amount at which the tangible fixed asset is included in the balance sheet. No depreciation is charged on assets in the course of construction.

6(b) Repairs and maintenance

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

6(c) Heritage Assets

Works of art and other valuable artefacts (heritage assets) and valued at over £5,000 have been capitalised and recognised, based on valuations carried out by specialist valuers. Heritage assets are not depreciated since their long economic life and high residual value mean any depreciation would not be material. The historic library collection was valued, independently, in 2011 by Mr Norman Comben, an expert on antiquarian veterinary books, prints and ephemera.

Works of art classified as Heritage Assets are formally revalued every 3 years. All other classes of Heritage Asset, which are less material in value, are reviewed periodically, not more than 5 years from the previous review, to determine whether a formal revaluation is required.

7. EQUIPMENT

Equipment and furniture costing less than £5,000 per individual item and which is not part of a bigger piece of equipment, is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. All assets are depreciated over their useful economic lives to the College of between 3 and 7 years.

Where equipment is acquired with the aid of specific grants or donations, it is capitalised and depreciated as above, with the related grant credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

8. INVESTMENTS

Listed investments held as fixed assets or endowment assets are shown at market value. Investments in subsidiary undertakings are shown at the lower of cost or net realisable value.

9. STOCK

The stock comprises stores held by clinics, farm livestock, produce and consumables. The farm stocks are professionally valued; other stocks are stated at the lower of their cost and net realisable value.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)
for the year ended 31 July 2011

10. CASH FLOWS AND LIQUID RESOURCES

Cash flows comprise increases and 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.

Liquid resources comprise assets held as readily disposable store of value. They include term deposits but exclude any such assets held as endowment asset investments.

11. FOREIGN CURRENCY TRANSLATIONS

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

12. ACCOUNTING FOR RESEARCH AND DEVELOPMENT

Expenditure on pure and applied research is treated as part of the continuing activities of the College. Expenditure on development activities is carried forward and amortised over the period expected to benefit where there is a clearly defined project, the related expenditure is separately identifiable and the outcome of the project has been assessed to be reasonably certain.

13. INTRA-GROUP TRANSACTIONS

Gains and 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.

14. ACCOUNTING FOR CHARITABLE DONATIONS

14(a) Unrestricted donations

Charitable donations are recognised in the accounts 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.

14(b) Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the benefit of the institution.
2. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income.
3. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

14(c) 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.

15. ACCOUNTING FOR RETIREMENT BENEFITS

The College contributes to the Universities Superannuation Scheme (USS) and the Superannuation Arrangements for the University of London (SAUL). Both schemes are defined benefit schemes and because of the mutual nature of the schemes, the schemes' assets are not hypothecated to individual institutions and scheme-wide contribution rates are set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis. In accordance with FRS 17 these schemes are accounted for on a defined contribution basis and contributions to these schemes are included as expenditure in the period in which they are payable.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)
for the year ended 31 July 2011

16. PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised in the financial statements when the College 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.

Contingent liabilities are disclosed by way of 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; an inability to measure the economic outflow.

NOTES TO THE ACCOUNTS
for the year ended 31 July 2011

		Year ended 31 July 2011	Year ended 31 July 2010
	Note	Consolidated £000	Consolidated £000
1. FUNDING BODY GRANTS – HEFCE			
Recurrent grants		25,824	26,186
Specific grants			
Higher Education Innovation Fund		739	743
Centre for Excellence in Teaching and Learning		-	179
Lifelong Learning Network		94	1,148
Aim Higher		-	20
Economic Challenge Investment Fund		70	412
Deferred Capital Grants released in year:			
Buildings	19	920	737
Equipment	19	192	210
		27,839	29,635
2. TUITION FEES AND EDUCATION CONTRACTS			
Home and EU domicile students			
Full time undergraduate		4,293	3,979
Full time postgraduate		768	805
Part time undergraduate		37	30
Part time postgraduate		71	184
Overseas (non EU) domicile students			
Overseas students		3,172	2,570
Sub-Total HE course fees		8,341	7,568
Research training support grants		46	67
Short Course Fees		582	622
		8,969	8,257
3. RESEARCH GRANTS AND CONTRACTS			
Research councils		3,141	2,552
UK based charities		2,364	2,157
UK central government, local, health and hospital authorities		2,814	1,754
UK industry, commerce, public corporations		2,069	1,495
EU government bodies		861	211
EU other		699	393
Other overseas		421	238
Other		25	20
		12,394	8,820
4. OTHER INCOME			
Residences, catering and conference		1,661	1,689
Clinical and related earnings		15,396	14,706
Release from deferred capital grant	19	1,046	1,142
Rent and other income		110	205
Donations, gifts and legacies received		684	972
		18,897	18,714
5. ENDOWMENT AND INVESTMENT INCOME			
Income from expendable endowments	18	57	59
Income from permanent endowments	18	271	261
Income from short-term investments		171	86
		499	406

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

		Year ended 31 July 2011	Year ended 31 July 2010
	Note	Consolidated £000	Consolidated £000
6. STAFF COSTS			
Wages and salaries		30,700	32,097
Social security costs		2,342	2,468
Pension costs	30	3,549	3,488
Restructuring and redundancy costs		64	190
		36,655	38,243
Non-recurrent severance payments		1,739	-
		38,394	38,243

Emoluments of the Principal: Professor Q McKellar (1 Aug 2010-31 Dec 2010)			
Salary		97	204
USS Pension Contributions		13	31
Benefit in kind		8	18
		118	253

Emoluments of the Principal: Professor S Reid (1 Jan 2011-31 July 2011)			
Salary		137	-
USS Pension Contributions		20	-
Benefit in kind		-	-
		157	-

The College's pension contribution for the Principal is paid at the same rate as for other academic staff.

Remuneration of other higher paid staff, excluding employers' pension contributions:

	Number	Number
£100,001 to £110,000	9	8
£110,001 to £120,000	1	4
£120,001 to £130,000	4	4
£130,001 to £140,000	4	3
£140,001 to £150,000	1	3
£170,001 to £180,000	1	-
£220,001 to £230,000	1	-
	21	22

	Number	Number
Average staff numbers by major category:		
Teaching and Research Departments	322	329
Academic Support Services	82	89
Administration and Central Services	70	71
Premises	95	97
Clinical and related services	242	234
	810	820

During the year one senior officer left the College and received compensation for loss of office of £102,637. This compensation was paid from the College's general funds.

Both staff costs and numbers include temporary staff and staff employed by agents.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

	Year ended 31 July 2011	Year ended 31 July 2010
	Consolidated £000	Consolidated £000
7. INTEREST AND OTHER FINANCE COSTS		
Interest on bank loans not wholly repayable within 5 years	1,433	898
8. ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY		
Academic departments	17,687	19,358
Academic services	4,555	6,297
Research grants and contracts	10,254	7,462
Residences and catering	1,886	1,582
Premises and maintenance	9,156	9,859
Administration	6,219	4,222
Clinical and other services – College	15,546	16,718
Clinical and other services – Subsidiaries	2,921	2,146
	68,224	67,644
9. OTHER OPERATING EXPENSES		
Catering provisions	579	407
Consumables and laboratory expenses	5,541	5,255
Stationery and publications	1,035	1,271
Student and educational expenditure	3,816	3,743
Rent, rates, cleaning and insurance	1,658	1,208
Electricity, gas, oil and water	1,585	1,704
Small equipment and repairs	1,739	1,739
Minor works and maintenance	1,075	1,840
External auditors' remuneration – audit services *	65	43
External auditors' remuneration – non-audit services	54	55
Internal audit	56	42
Legal and other outside consultancy	3,132	2,968
Travelling subsistence	1,710	2,142
Telephone, fax and postage	517	635
Miscellaneous expenses	1,594	1,224
	24,156	24,276

*Included in audit services is the external audit fee for the College of £30,530 (2010: £31,970)

The total expenses paid to or on behalf of 10 trustees was £2,511 (2010: £3,734 to 9 trustees).

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

10. FIXED ASSET INVESTMENTS	Year ended 31 July 2011		Year ended 31 July 2010	
	Consolidated £000	College £000	Consolidated £000	College £000
Opening Balance as at 1 August 2010				
Subsidiary Companies	-	100	-	100
UK Equities	78	-	78	-
Additions	36	42	-	-
Closing Balance as at 31 July 2011				
Subsidiary Companies	-	142	-	100
UK Equities	114	-	78	-

The College's subsidiaries and its percentage shareholding in each are as follows:

	Nature of Business	Country of Registration	Shareholding	No. of Shares
			£1 Ord Shares	
London BioScience Innovation Centre Limited	Establishment and operation of biotechnology innovation centre	England and Wales	100%	100,000
RVC Developments Ltd	Provision of Construction Services	England and Wales	100%	2
Royal Veterinary College (Hong Kong) Limited	Education	Hong Kong	100%	2
Other shareholdings:			£0.01 Ord Shares	
Quy Biosciences Limited (formerly Medcell Biosciences Limited)	Stem Cell Technology	England and Wales	2.92%	3,990,000

The College consolidated the results of the Animal Care Trust.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

11. TANGIBLE FIXED ASSETS

	Freehold Properties	Furniture and Equipment	Assets in the course of construction	Heritage Assets	Total
Consolidated	£000	£000	£000	£000	£000
COST					
At 1 August 2010	74,510	3,782	3,846	3,607	85,745
Additions	8,191	390	14,802	-	23,383
Transfers	2,480	-	(2,480)	-	-
Disposals	(62)	(549)	-	-	(611)
At 31 July 2011	85,119	3,623	16,168	3,607	108,517
DEPRECIATION					
At 1 August 2010	(23,895)	(1,464)	-	-	(25,359)
Charge in the year	(3,368)	(897)	-	-	(4,265)
Disposals	58	549	-	-	607
At 31 July 2011	(27,205)	(1,812)	-	-	(29,017)
Net Book Value at 31 July 2011	57,914	1,811	16,168	3,607	79,500
Net Book Value at 31 July 2010	50,615	2,318	3,846	3,607	60,386
College					
COST					
At 1 August 2010	70,278	3,741	3,846	3,607	81,472
Additions	8,854	366	14,802	-	24,022
Transfers	2,480	-	(2,480)	-	-
Disposals	(62)	(549)	-	-	(611)
At 31 July 2011	81,550	3,558	16,168	3,607	104,883
DEPRECIATION					
At 1 August 2010	(22,096)	(1,436)	-	-	(23,532)
Charge for the year	(3,131)	(875)	-	-	(4,006)
Disposals	58	549	-	-	607
At 31 July 2011	(25,169)	(1,764)	-	-	(26,933)
Net Book Value at 31 July 2011	56,357	1,794	16,168	3,607	77,926
Net Book Value at 31 July 2010	48,182	2,303	3,846	3,607	57,938

Included in the above are assets with a net book value of £31,403,000 (2010: £30,072,000) funded by capital grants (note 19).

Assets in the course of construction once capitalised and subsequently added to Freehold properties will be depreciated over specific life periods. Only at point of completion, will the assets in the course of construction be re-classified.

Heritage assets are held for their contribution to knowledge and culture. The assets recognised as such are principally works of art and illustrations of the racehorse Eclipse (the post-mortem examination of Eclipse in 1789 was in effect the beginning of the veterinary profession in the UK) and a collection of historic veterinary books and articles dating from the 18th Century. Works of art are stated at their insurance valuation. These assets are formally re-valued every 3 years. The most recent valuation was undertaken for the year ended 31 July 2011.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

	Year ended 31 July 2011		Year ended 31 July 2010	
	Consolidated £000	College £000	Consolidated £000	College £000
12. ENDOWMENT ASSET INVESTMENT				
Historical Cost at 1 August	11,972	7,355	10,988	9,947
Market Value Adjustment at 1 August	1,078	3,741	300	234
Market Value at 1 August	13,050	11,096	11,288	10,181
Additions	-	-	2,200	2,200
Market Value Adjustment	646	653	861	850
Cash Movement	(844)	(259)	(1,299)	(2,135)
Market Value at 1 August	12,852	11,490	13,050	11,096
Represented by:				
Fixed Interest Funds	2,391	2,320	2,281	2,281
UK Equities	4,544	4,544	4,239	4,161
Overseas Equities	2,002	2,002	1,772	1,772
Cash at Bank	3,915	2,624	4,758	2,882
Total endowment assets	12,852	11,490	13,050	11,096
13. STOCK				
Consumables	391	379	498	483
Farm Stocks	292	292	134	134
	683	671	632	617
14. DEBTORS				
AMOUNTS FALLING DUE WITHIN ONE YEAR:				
Trade Debtors	2,366	2,211	2,528	2,456
Research grant debtors	1,910	1,910	1,793	1,793
Subsidiary companies	-	649	-	421
Taxes receivable	821	110	3	-
Other debtors	64	64	369	369
Prepaid expenses and accrued income	1,511	2,086	627	592
Sub total	6,672	7,030	5,320	5,631
AMOUNTS FALLING DUE AFTER ONE YEAR:				
Subsidiaries	-	1,100	-	1,267
Prepaid expenses and accrued income	-	-	323	-
	6,672	8,130	5,643	6,898

The total debt with The London Bioscience Innovation Centre Ltd comprises a current account deficit and loan of £2,774,000 (2010: £3,890,000), less a provision made of £2,046,000 (2010: £2,046,000). The loan is not expected to be repaid until 2024.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

	Year ended 31 July 2011		Year ended 31 July 2010	
	Consolidated £000	College £000	Consolidated £000	College £000
15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Unsecured loans	271	271	295	295
Trade creditors	2,168	890	1,499	1,498
Amounts owed to subsidiary undertakings	-	-	-	2,668
Research grants creditors	9,253	9,253	8,026	8,026
Social Security and other taxation payable	1,164	1,007	1,525	1,665
Other creditors	519	519	98	98
Accruals and deferred income	3,506	7,342	857	760
	16,881	19,282	12,300	15,010

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Analysis of unsecured loans:				
Due within 1 year	271	271	295	295
Due between 1 and 2 years	334	334	312	312
Due between 2 and 5 years	2,354	2,354	2,354	2,354
Due in 5 or more years	21,680	21,680	21,976	21,976
	24,639	24,639	24,937	24,937
Due within 1 year	(271)	(271)	(295)	(295)
Due after more than one year	24,368	24,368	24,642	24,642
Unsecured loans	24,368	24,368	24,642	24,642

Included in the loans are the following:	Amount £000	Term	Interest Rate %
Lender			
Royal Bank of Scotland	1,925	Jan 2026	5.64
Royal Bank of Scotland	1,963	Jan 2026	5.64
Royal Bank of Scotland	2,746	Mar 2024	5.24
Royal Bank of Scotland	18,000	Nov 2034	5.88
	24,639		

All loans are in the name of the College.

17. SHORT TERM DEPOSITS AND CASH

On consolidation, £1,361,815 (2010: £1,954,000) 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.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

18. ENDOWMENTS	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2011 Total £000	2010 Total £000
Consolidated						
Balances as at 1 August 2010						
Capital	1,822	3,679	5,501	7,330	12,831	10,443
Accumulated income	1,340	2,572	3,912	(3,693)	219	845
	3,162	6,251	9,413	3,637	13,050	11,288
New endowments	8	108	116	904	1,020	1,528
Investment income	106	165	271	57	328	320
Expenditure	(106)	(223)	(329)	(428)	(757)	(946)
	-	(58)	(58)	(371)	(429)	(626)
Increase/(Decrease) in market value of investments	168	380	548	98	646	860
Transfers to deferred capital grants	-	(345)	(345)	(1,090)	(1,435)	-
At 31 July 2011	3,338	6,336	9,674	3,178	12,852	13,050
Represented by:						
Capital	1,998	4,167	6,165	8,332	14,497	12,831
Accumulated income	1,340	2,169	3,509	(5,154)	(1,645)	219
	3,338	6,336	9,674	3,178	12,852	13,050
College						
Balances as at 1 August 2010						
Capital	1,914	3,480	5,394	1,961	7,355	6,274
Accumulated income	1,340	2,633	3,973	(232)	3,741	3,907
	3,254	6,113	9,367	1,729	11,096	10,181
New endowments	8	108	116	71	187	231
Investment income	106	164	270	44	314	312
Expenditure	(106)	(214)	(320)	(95)	(415)	(478)
	-	(50)	(50)	(51)	(101)	(166)
Increase/(decrease) in market value of investments	168	381	549	104	653	850
Transfers to deferred capital grants	-	(345)	(345)	-	(345)	-
At 31 July 2011	3,430	6,207	9,637	1,853	11,490	11,096
Represented by:						
Capital	2,090	3,969	6,059	2,136	8,195	7,355
Accumulated income	1,340	2,238	3,578	(283)	3,295	3,741
	3,430	6,207	9,637	1,853	11,490	11,096

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

18. ENDOWMENTS (continued)

The most significant funds by value:

Fund name	Purpose/restrictions	Balance at 1 August	Movement in	Balance at 31 July
		2010 £000	year £000	2011 £000
Accumulated Legacies	Unrestricted	2,645	(40)	2,605
Mellon	Equine research	2,643	(30)	2,613
Beaumont Animal Hospital	Enhancement of Beaumont Sainsbury Animal Hospital facilities	1,496	49	1,545
Bastable scholarship	Undergraduate student merit scholarships	1,052	34	1,086

19. DEFERRED CAPITAL GRANT

	Funding Council £000	Other Donors £000	2011 Total £000	2010 Total £000
Consolidated				
At 1 August				
Buildings	17,591	11,150	28,741	24,681
Equipment	780	551	1,331	2,030
Total	18,371	11,701	30,072	26,711
Cash receivable				
Buildings	1,792	1,560	3,352	5,529
Equipment	-	137	137	(79)
Total	1,792	1,697	3,489	5,450
Released to income and expenditure account				
Buildings	(920)	(794)	(1,714)	(1,469)
Equipment	(192)	(252)	(444)	(620)
Total	(1,112)	(1,046)	(2,158)	(2,089)
At 31 July				
Buildings	18,463	11,916	30,379	28,741
Equipment	588	436	1,024	1,331
Total	19,051	12,352	31,403	30,072

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

19. DEFERRED CAPITAL GRANT (continued)

	Funding Council £000	Other Donors £000	2011 Total £000	2010 Total £000
College				
At 1 August				
Buildings	17,591	10,382	27,973	23,843
Equipment	780	552	1,332	2,030
Total	18,371	10,934	29,305	25,873
Cash receivable				
Buildings	1,792	1,560	3,352	5,529
Equipment	-	137	137	(79)
Total	1,792	1,697	3,489	5,450
Released to income and expenditure account				
Buildings	(920)	(725)	(1,645)	(1,399)
Equipment	(192)	(252)	(444)	(619)
Total	(1,112)	(977)	(2,089)	(2,018)
At 31 July				
Buildings	18,463	11,217	29,680	27,973
Equipment	588	437	1,025	1,332
Total	19,051	11,654	30,705	29,305

20. RESERVES

	Year ended 31 July 2011		Year ended 31 July 2010	
	Consolidated £000	College £000	Consolidated £000	College £000
Income and expenditure reserve				
At 1 August	19,905	18,613	21,091	20,254
Surplus/(Deficit) retained for the year	779	847	(1,186)	(1,641)
At 31 July	20,684	19,460	19,905	18,613

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2011

21. RECONCILIATION OF SURPLUS/(DEFICIT) BEFORE TAX AND PROFIT ON DISPOSAL OF ASSETS TO NET CASH FLOW FROM OPERATIONS

		Year ended 31 July 2011	Year ended 31 July 2010
	Note	Consolidated £000	Consolidated £000
Surplus/(Deficit) after depreciation of tangible fixed assets at valuation and before tax		350	(1,812)
Depreciation	11	4,265	4,227
Deferred capital grants released income	19	(2,158)	(2,089)
Investment income	5	(499)	(406)
Interest payable	7	1,433	898
(Increase) in stocks	13	(51)	(23)
(Increase) / Decrease in debtors		(1,100)	(1,270)
Increase/(Decrease) in creditors	15	4,581	56
Net cash inflow/(outflow) from operating activities		6,821	(419)

22. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

Income from endowments	5	328	320
Other interest received	5	171	86
Interest paid	7	(1,433)	(898)
		(934)	(492)

23. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

		Year ended 31 July 2011		Year ended 31 July 2010	
	Note	Consolidated £000	College £000	Consolidated £000	College £000
Payments made to acquire fixed assets	12	(23,322)	(23,961)	(9,931)	(9,930)
Payment for endowment assets		-	-	(2,200)	(2,200)
Total fixed and endowment assets acquired		(23,322)	(23,961)	(12,131)	(12,130)
Deferred capital grants received		2,054	3,144	5,450	5,450
New endowments received	18	1,020	187	1,528	231
Net cash (outflow) for capital expenditure and financial investment		(20,248)	(20,630)	(5,153)	(6,449)

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

24. FINANCING

	Year ended 31 July 2011		Year ended 31 July 2010	
	Consolidated £000	College £000	Consolidated £000	College £000
New loans	-	-	18,000	18,000
Repayments of amounts borrowed	(295)	(295)	(276)	(276)
	(295)	(295)	17,724	17,724

25. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2010 £000	Cash Flows £000	Non-Cash Changes £000	At 31 July 2011 £000
Cash at bank and in hand:				
Endowments	4,758	(843)	-	3,915
Other	4,972	256	(27)	5,201
Bank overdraft	-	-	-	-
	9,730	(587)	(27)	9,116
Short-term investments	15,208	(14,042)	-	1,166
Debts due within one year	(295)	295	(271)	(271)
Debts due after one year	(24,642)	-	274	(24,368)
	1	(14,334)	(24)	(14,357)

26. CAPITAL COMMITMENTS

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

	Year ended 31 July 2011		Year ended 31 July 2010	
	Consolidated £000	College £000	Consolidated £000	College £000
Commitments contracted for	3,492	3,492	21,931	21,931
	3,492	3,492	21,931	21,931

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

27. AMOUNTS DISBURSED AS AGENT

	Year ended 31 July 2011		Year ended 31 July 2010	
	£000	£000	£000	£000
Hardship funds				
Income				
Fund balance at 1 August 2010	(10)		(10)	
Funding Council grants	37		44	
Interest earned	-		-	
Total Income		27		34
Expenditure				
Disbursed to students	(37)		(44)	
Funding running costs	-		-	
Total expenditure		(37)		(44)
Fund balance at 31 July 2011		(10)		(10)

Funding Council Grants are available solely to assist students; the College acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

28. DISCLOSURE OF RELATED PARTY TRANSACTIONS

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. A related party relationship exists between the College and Immexis. The College has 23% shareholding in Immexis. The company is dormant and therefore there were no financial transactions during the year; there are no outstanding amounts due between the parties.

The College has a 2.92% shareholding in Quy Biosciences Limited.

29. SUBSIDIARY UNDERTAKINGS AND TAX STATUS

London BioScience Innovation Centre Limited (company number 04013123) is a wholly owned subsidiary company registered in England and Wales. Its main business is to facilitate Biotechnology start up companies. VAT is reclaimable as part of the College VAT group. VAT is reclaimed on a quarterly basis, October, January, April and July. The company has agreed to remit any taxable profits to the College under the Gift Aid scheme.

RVC Developments Limited (company number 07114564) is a wholly owned subsidiary company registered in England and Wales. Its main business is the provision of construction services. VAT was reclaimable on a quarterly basis until August 2011. Thereafter, VAT is reclaimable on a monthly basis. RVC Developments Limited is not part of the RVC VAT group. The company has agreed to remit any taxable profits to the College under the Gift Aid scheme.

The Royal Veterinary College Animal Care Trust (charity 281571), for which the College is the sole Trustee, operates to support the College's activities. The charity is not registered for VAT.

Royal Veterinary College (Hong Kong) Limited (Company Number 1337151) is a wholly owned subsidiary company registered in Hong Kong. Its main business is to facilitate educational activities. The company is subject to applicable taxes in accordance with Hong Kong law.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

30. PENSION SCHEMES

The two pension schemes for the College's staff are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements for the University of London (SAUL).

The total pensions cost for the College and its subsidiaries were:

	2011	2010
	£000	£000
USS contribution paid	2,639	2,553
SAUL contribution paid	909	934
Other pension payment	1	1
<hr/>		
Total Consolidated Pension Costs (Note 6)	3,549	3,488
<hr/>		
USS premature retirement payments included in restructuring costs in note 6	163	-

USS

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

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carried out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – Rated down 1 year
Female members' mortality	PA92 MC YoB tables – No age rating

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2011

30. PENSION SCHEMES (continued)

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

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

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

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

On the FRS17 basis, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

30. PENSION SCHEMES (continued)

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

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

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimizing the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

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

At 31 March 2011, USS had over 142,000 active members and the institution had 340 active members participating in the scheme.

The total pension cost for the institution was £2,639,000 (2010: £2,553,000). The contribution rate payable by the institution was 16% of pensionable salaries.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

30. PENSION SCHEMES (continued)

SAUL

The institution participates in the Superannuation Arrangements of the University of London (SAUL), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, SAUL Trustee Company.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Five of the directors are appointed by the University of London; two are appointed by Unite; two are appointed by Unison; and three are independent co-opted Directors appointed by the Board with the approval of the SAUL Negotiating Committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for SAUL under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carried out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.25% from the market-implied inflation on account of the historically high level of inflation implied by government bonds.

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 5.55% per annum, salary increases would be 4.85% per annum (plus an additional allowance for increases in salaries due to promotion) and pensions would increase by 3.35% per annum.

Standard mortality tables were used as follows:

All members' mortality: PA92 (Actual YoB) MC + 1 Year

Use of these mortality tables reasonably reflects the actual SAUL experience but also provides an element of conservatism to allow for further improvements in mortality rates.

At the valuation date of 31 March 2008, the value of the assets of the scheme was £1,266 million and the value of the scheme's technical provisions was £1,265 million indicating a surplus of £1 million. The assets therefore were sufficient to cover 100% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's secondary funding basis, using a valuation rate of interest in respect of past service liabilities of 4.75% per annum, the funding level was approximately 83%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 80% of the amount necessary to secure all the SAUL benefits with an insurance company.

NOTES TO THE ACCOUNTS (continued)
for the year ended 31 July 2011

30. PENSION SCHEMES (continued)

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest is 6.3% pre-retirement and 4.3% post retirement.

Since 31 March 2008 global investment markets have continued to fluctuate and as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Customer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by adjusting the assumption for pension increases to 3.0% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 100% to 95% (a deficit of circa £75 million). This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

On the FRS17 basis the actuary estimated that the funding level at 31 March 2011 was 94%. An estimate of the funding level measured on a buy-out basis at that date was approximately 68%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation (31 March 2008) are set out below:

<i>Assumption</i>	<i>Change in assumption</i>	<i>Impact on scheme liabilities</i>
Pre-retirement investment return	Increase/decrease by 0.25%	Decrease/Increase by £26m
Rate of pension increases	Increase/decrease by 0.25%	Increase/decrease by £63m
Rate of salary growth	Increase/decrease by 0.25%	Increase/decrease by £17m
Rate of mortality	Life expectancy increased by one year	Increase by £34m

SAUL is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in SAUL, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The trustee believes that the strength of covenant of the employers, together with

NOTES TO THE ACCOUNTS (continued)

for the year ended 31 July 2011

the inflow of new entrants enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee wishes to return to a position of full funding and drives its decision-making on the basis of the Secondary Funding Objective.

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

At 31 March 2011, SAUL had over 31,000 active members and the institution had 332 active members participating in the scheme.

The total pension cost for the institution was £909,000 (2010: £934,000). The contribution rate payable by the institution was 13% of pensionable salaries.

The Royal Veterinary College
UNAUDITED CONSOLIDATED FINANCIAL SUMMARIES

	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
INCOME & EXPENDITURE ACCOUNT					
INCOME					
Funding body grants	27,839	29,635	29,420	26,614	23,551
Tuition fees and education contracts	8,969	8,257	6,570	5,623	4,903
Research grants and contracts	12,394	8,820	9,998	8,495	8,708
Other income	18,897	18,714	16,357	15,094	13,455
Endowment and investment income	499	406	296	2,524	847
TOTAL INCOME	68,598	65,832	62,641	58,350	51,464
EXPENDITURE					
Staff costs	38,394	38,243	35,335	31,971	27,927
Other operating expenses	24,156	24,276	22,043	22,163	18,486
Depreciation	4,265	4,227	3,930	3,308	3,018
Interest and other finance costs	1,433	898	476	492	505
TOTAL EXPENDITURE	68,248	67,644	61,784	57,934	49,936
Surplus/(Deficit) after depreciation of tangible assets at valuation and after tax	350	(1,812)	857	416	1,528
Profit on Disposal of Assets	-	-	-	-	1,966
Surplus/(Deficit) before transfer to specific endowments	350	(1,812)	857	416	3,494
Transfer from/(to) specific endowments	429	626	154	(1,291)	(693)
SURPLUS/(DEFICIT) RETAINED WITHIN GENERAL RESERVES	779	(1,186)	1,011	(875)	2,801
BALANCE SHEET					
Fixed asset and investments	79,614	60,464	54,749	51,707	43,884
Endowment assets investments	12,852	13,050	11,288	11,924	14,409
Cash at bank and in hand and short term deposits	6,367	20,180	7,222	9,780	9,851
Net non cash current liabilities	(9,526)	(6,025)	(7,229)	(7,712)	(7,075)
Long term loans, creditors and provisions	(24,368)	(24,642)	(6,940)	(7,962)	(7,471)
TOTAL NET ASSETS	64,939	63,027	59,090	57,737	53,598
Deferred capital grants	31,403	30,072	26,711	27,692	21,841
Endowment funds	12,852	13,050	11,288	11,924	14,409
Retained earnings	20,684	19,905	21,091	18,121	17,348
TOTAL FUNDS	64,939	63,027	59,090	57,737	53,598