

THE ROYAL NATIONAL COLLEGE FOR THE BLIND
(a Company limited by guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 July 2018

Charity Registered Number 1000388
Company Registered Number 02367626

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In our 2016/17 accounts I reported on the challenging climate in which RNC operates following changes to the funding of special educational needs provision and the introduction of the Children and Families Act in 2014. The Board recognised the need to act in response to the sustained impact of these changes and the increasing barriers placed in the way of young people with visual impairments who wish to access RNC for their post-16 education.

The foundation of the Board's strategy was the sale of our southern campus and I am delighted to confirm that as of 7 March 2019 Herefordshire Council are the owners of the site. This is an extremely positive move for RNC. Realising part of our property assets has enabled us to make substantial payments towards our bank loan and pension fund, and will also provide the working capital for our next steps. The Council intend to develop the site for Higher Education in the county. They also want to work in partnership with us, which means that RNC students will have increased opportunities to learn, work and socialise with students from Higher Education establishments. This combination of expert specialist support and access to a large mainstream cohort is the best of all possible worlds and will be excellent preparation for their future lives.

The Board and Executive have spent several months preparing a comprehensive strategic plan to achieve full turnaround and secure RNC's long term future. With the sale complete this plan has now been launched. The first two stages are an organisational restructure and our relocation to the northern campus. This will be a challenging period as we reduce both pay and non-pay costs, and every step is being taken to ensure that our current and future students are unaffected by these changes. Our budget forecast for the year ahead reflects the impact of these steps.

The remainder of the plan balances pragmatism and ambition and focuses on ensuring that more students are able to study at RNC, building our fundraising income, and increasing our partnership working, particularly in the education and visual impairment sectors. We will also be reviewing our Governance structures to ensure that the skills of the Board match the needs of the 'new' RNC and the environment in which we operate. Detailed action plans, subject to regular and robust scrutiny by the Board, underpin each strand.

We do not underestimate the hard work ahead, but we have confidence in the robustness of our plan. We are ready to make difficult choices, and continue to strive to ensure that every opportunity is taken to consider new ways of working and delivering our services. While the primary driver for the actions outlined above has been our financial situation, RNC has a long history of innovation, and of responding positively to changing landscapes in technology, education and society.

We have been working closely with our key stakeholders, particularly Barclays Bank, TPT Retirement Solutions and the Education and Skills Funding Agency, throughout this period. All three support the approach being taken and recognise the vital importance of RNC as a unique national resource. RNC will come through this period rebased, leaner, and stronger.

Our students are and will always be our priority, and the Board has a responsibility to secure the College for them. With the ongoing disintegration of mainstream education and services for people with visual impairments, the work of RNC remains vital. We are all deeply proud of all that has been achieved during the past year, particularly given the challenging circumstances. We have a uniquely skilled and dedicated workforce who prioritise the wellbeing and success of our students over everything else, and this is reflected in the outcomes they achieve.

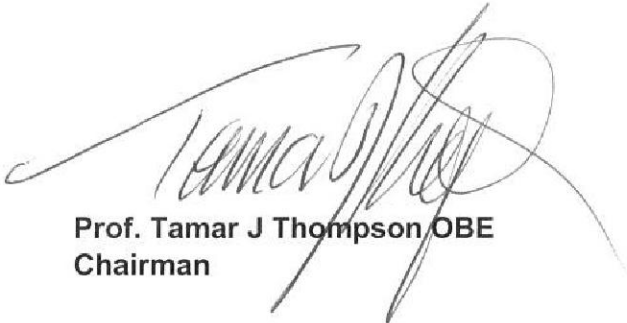
The Royal National College for the Blind
CHAIRMAN'S STATEMENT (*continued*)
for the year ended 31 July 2018

In our 2018 exit survey 100% of students said they felt ready to enter the workplace. Our 'A' level students achieved a 100% pass rate, as did the majority of students undertaking vocational qualifications. Students on non-accredited courses also excelled, with 100% of goals achieved at Novice, Intermediate and Elite level in Goalball. These are exceptional results which demonstrate both the hard work of our students and the commitment of our staff.

Students also took part in a wide range of activities, some as part of their studies (work experience week, running a market stall business, developing products for sale, theatre visits, foreign exchange trips) and some for personal development (Duke of Edinburgh award, organising the annual Dine in the Dark event, acting as ambassadors to support new students). They were represented on the Board, the Health and Safety Committee, the Equality, Diversity and Inclusion Committee and the Safeguarding Committee, and held managers to account at the Student Representative Committee.

The voice of our students rings through RNC and there is no better way to sign off by quoting one of them, Alicia:

'I feel very lucky to have been given the opportunity to attend the college, I feel that it has boosted my confidence in myself and made me feel normal for the first time in a long time....
...it's been life changing.'



Prof. Tamar J Thompson OBE
Chairman

Date: 5 April 2019

The Royal National College for the Blind
GOVERNORS' REPORT
for the year ended 31 July 2018

The Governors (who are also the Company directors and charity trustees as listed on page 8) present their annual report and audited financial statements for the year ended 31 July 2018, which comply with the Charities Act 2011, the Companies Act 2006, RNC's Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

Aims, objectives and activities

Aims

The aim of The Royal National College for the Blind ("RNC") is to provide and promote education and training for people who are blind or visually impaired and for such other people as the Governors may determine from time to time.

Charitable objectives

The objectives of RNC are covered by its Vision and Mission statement.

Vision: People with visual impairment have true equality.

Mission statement: Education, employment and empowerment for people with a visual impairment.

Activities

The principal activity of RNC is that of a residential specialist college of Further Education, promoting the independence and potential of people who are blind or partially sighted aged 16 and over.

RNC's major funders are the Education and Skills Funding Agency, the Department for Work and Pensions, the Welsh Government and Local Authorities. In addition, some students are also funded through private funding.

Other areas of activity include providing disabled student assessments, the operation of a Sports and Complementary Therapy Centre (thePoint4) and operating Conferencing facilities (Gardner Hall). These facilities are widely used by our students and the general public. RNC also has a range of support services to offer to organisations which require assistance in addressing the needs of the visually impaired.

Public benefit

In setting our objectives and planning our activities our Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education and relief of those in need by reason of disability.

During the academic year 2017/18, there were 86 students aged 16 to 25 enrolled at RNC (2016/17: 90 students). Additionally, 35 Specialist Employability Support customers (2016/17: 18 customers) commenced employment during the financial year.

Strategic report

Achievements and performance

Thanks to the efforts of both students and staff, this has once again been a year with many achievements to celebrate. A few of the many highlights are shown below:

89% of students undertook an external work placement, with over 40 employers supporting the scheme including Premier Inn and the Royal Shakespeare Theatre. Wherever possible placements are arranged in the student's home area in order to establish links for potential employment for when students return home. These experiences are particularly important at a time when three quarters of working age adults with visual impairments are out of work, and with nine out of ten of those with no sight being out of work.

100% of students who applied to university achieved results that enabled them to make a choice of placement offers. In order to ensure a successful transition, RNC staff provide students with support to attend university visits, make links with disability officers, and assist with applications for student finance and with mobility orientation around the university campus.

A Levels results continue to be strong with an overall pass rate of 100%. There was a 100% pass rate in the vocational areas of Business, Home Cooking Skills, IT, Media, Performing Arts and Support Work in Schools, with all other areas achieving at least an 83% pass rate.

Almost a third of students took part in an exchange trip via opportunities to travel to Madrid, Berlin and Lyon. The Lyon trip was Erasmus-funded, while the others were funded through our annual Dine in the Dark event. This event, organised and hosted by students who will benefit from the income, gives guests the chance to eat a three course meal while blindfolded, relying on their other senses and their trust in the students serving the meal. One student on the Lyon trip remained in France for a further week of work experience before travelling back independently.

Three former RNC students were called up to the England Blind Football Team for the IBSA Blind Football World Championships which took place in Spain in June 2018. A seventh RNC student made it in to the national squad for goalball. A new, fully inclusive, tandem club was established giving students at all levels of fitness the opportunity to participate.

Another successful year for the Duke of Edinburgh award scheme saw 16 students achieve their silver award. Students learnt new skills such as archery, playing a musical instrument, blind football, goalball, coarse fishing and achieving a first aid qualification. The students also completed volunteering activities such as being Student Ambassadors, sports coaching and fundraising, as well as filming and producing a video of their two-day expedition in the Malvern Hills.

Students were widely involved in their community, with activities ranging from testing protocols for assistance and suggesting improvements at Birmingham Airport to students running stalls in a local market and at the Shobdon Air and Food Festival. RNC hosted the NATSPEC games, which a number of students helped to plan and run. The Sports department continued to work with the National Star College, giving students excellent opportunities to embed equality, diversity and inclusion in a work-based learning environment and to work with clients with disabilities. Performing Arts students worked with Pentabus Theatre company alongside students from Hereford College of Arts, while the Bespoke team created products and ran an Easter sale at a local primary school. The first RNC Community Fun Day was a huge success and students provided a range of stalls and demonstrations in relation to tactile learning, blind football and blind taste testing.

A student-led eco-committee was established and led to RNC becoming Britain's first Further Education Eco-Campus. A new recycling system was introduced and 60% of all college waste is now recycled, which in turn has led to a 25% reduction in disposal costs. The committee also undertook an environmental survey, biodiversity surveys (for reptiles and amphibians) and other biodiversity work such as the creation of a meadow and the introduction of bee hives.

Risk management

The principal risks and uncertainties facing RNC are: the recruitment of an appropriate quality and quantity of staff; maintaining the current high standard of education and care within funding parameters; maintaining and/or increasing student numbers at a time when local authorities are under ever-increasing budgetary constraints; and maintaining financial viability under the current financing arrangements for high needs students.

The Board has examined the principal areas of RNC's operations and considered what major risks may arise in each of these areas. RNC keeps a detailed risk register, including strategies to mitigate each risk, which is reviewed and updated by Governors and the Senior Management Team every three months. In the opinion of the Governors, RNC has therefore established policies, resources and review systems, which under normal conditions should allow the risks identified by them to be mitigated to an acceptable level in its day to day operations.

Financial review

One of the principal risks of RNC is maintaining financial viability in light of continual changes to funding arrangements for high needs students. Monthly accounts and cash flows are monitored by the Senior Management Team and Governors to identify potential issues at the earliest opportunity. Since the year end part of the RNC estate was sold and the bank loan and the pension deficit significantly reduced, while working capital and cash flow have improved. Further details on the sale can be found in Note 25 to these accounts on page 35.

Total income of the Charitable Group for the 12 months amounted to £6,173,000 (2017: £6,709,000) of which donations and legacy income contributed £157,000 (2017: £442,000). Due to the continual challenges of obtaining placements and funding from Local Authorities, income from student services showed a 4.0% decrease in 2018.

The net movement in funds amounted to a decrease of £1,569,000 after an impairment to the value of fixed assets of £2,014,000 and a £1,103,000 actuarial gain on the pension scheme (2017: net decrease in funds of £985,000, including £1,079,000 actuarial loss on the pension scheme); unrestricted funds showing a net decrease of £1,472,000 before transfers from restricted funds (2017: net decrease £883,000). Net assets at the end of the year amounted to £9,260,000 (2017: £10,829,000), comprising unrestricted funds of £8,367,000 (2017: £4,879,000) and restricted funds of £893,000 (2017: £5,950,000).

Included within the above figures are those of the trading subsidiary, R N C Enterprises Limited. Detailed results of the subsidiary are shown in note 5 to these financial statements; turnover for the year was £841,000 (2017: £875,000), and the amount gift-aided to the charity during the year was £11,333 (2017: £108,513). A further amount of £35,507 was gift-aided to the charity after the year end, but has not been accrued in the accounts of the subsidiary at the year end as there is no legal obligation for the payment to be made.

Going concern

Since the year end, part of the RNC campus was sold to the local authority, further details of which can be found in the Chairman's statement on Page 1. This will ensure the financial viability of RNC for the immediate future. RNC still has a bank loan facility, albeit significantly reduced from 31 July 2018, with a final repayment date of 17th October 2020, and a significant deficit on its defined benefit pension scheme, but has a detailed recovery plan to address this which has the full support of its bankers, pension fund trustees and other funders. The Governors therefore believe that it is appropriate to prepare these financial statements on the basis that RNC is a going concern.

Pension liability

RNC operates a defined benefit funded pension plan in the UK. The scheme is closed to new entrants and benefits ceased to accrue with effect from 31 March 2012. A full actuarial valuation was carried out at 30 September 2016 and showed a deficit in the scheme of £10,492,000. Following the valuation, the pension trustee and the employer agreed that additional contributions would continue to be paid to the scheme by the employer at the rate of £273,493 per annum until 31 March 2018, increasing to £291,954 per annum for the period 1 April 2018 to 31 March 2038, with further increases at a rate of 6.75% per annum on 1 April each year, commencing 1 April 2019.

Since the year end, an additional £1,000,000 was paid into the pension fund in order to help reduce the deficit.

Reserves policy

The Governors have examined the requirement for free reserves which are those unrestricted funds not invested in tangible fixed assets, restricted funds or otherwise committed. The Governors consider that, given the nature of RNC's operations, this should be approximately £500,000, equivalent to one month's expenditure, which gives flexibility to cover temporary timing differences for fees and grants, adequate working capital for core costs, and will allow a quick response to emergencies.

The "free reserves" as at 31 July 2018 consist of unrestricted investments plus unrestricted net current assets/liabilities, less long term liabilities and provisions, which total minus £375,000 (2017: +£294,000). The sale of land and buildings since the balance sheet date will assist Governors with their aim of increasing free reserves to the desired level.

Land and buildings

The freehold land and buildings were bought by the Royal National College and Academy of Music for the Blind Trust in 1978, and transferred to RNC on incorporation in 1989.

Under the transition to FRS 102, the net book value of the freehold land and buildings as at the transition date has been used as the historical cost. An impairment review was carried out by the Governors in February 2019 based on the sale proceeds that were received from the sale of certain land and buildings in March 2019. A reduction in value of £2,014,000 has therefore been made to the carrying value of fixed assets.

Investment policy

The Trust Deed authorises the Governors to invest in such stocks, shares, investments and property in the UK as they see fit. The Governors' policy is to adopt a medium risk investment strategy based upon maintaining the real value of investments and achieving a reasonable income.

RNC currently owns a number of properties which are rented to third parties and therefore treated as Investment Properties. Note 10 to these accounts gives more information on the investments held at the year end.

Structure, Governance and Management

Governing document

RNC is a registered charity (No. 1000388) and a Company limited by guarantee (No. 02367626). RNC is governed by memorandum and articles of association adopted by special resolution of the Board of Governors dated 8 December 2009.

Trustee recruitment, induction and training

The Board has a sub-Group, the Search Committee, who manage the recruitment of Governors. They identify skills/ethnicity gaps and target recruitment to fill those gaps. There is an extensive induction process for new Governors and regular training events are organised aligned to priorities identified within the self assessment process.

Organisation

The Governors ratify the general direction and policy of RNC and monitor its performance, whilst the day to day leadership and management of the College and its subsidiary is delegated to the College Principal and the Charity Chief Executive.

Pay policy for key management personnel

The pay of key management personnel is set by the Governors having regard for levels of responsibility, corresponding positions in similar organisations and pay scales issued by the Association of Colleges.

Related parties

R N C Enterprises Limited (RNCE) is RNC's wholly-owned trading subsidiary and carries out non-Charitable trading activities for the RNC. The results of RNCE are consolidated within the overall RNC results. Further details of RNCE's activities are shown above in the Financial Review, and in Note 5 to these financial statements.

Employees

RNC is an equal opportunities employer, committed to the promotion of equality, diversity and a supportive environment for all members of our community. We are committed to safeguarding and all staff are subject to necessary Disclosure and Barring Service checks, which are reviewed on a three year cycle. RNC has safeguarding and equality and diversity Groups with staff representation which meet on a regular basis and ensure that policies and practices are up to date.

There is mandatory training on safeguarding, equality and diversity and data protection for all staff. Managers involved in staff recruitment all have to complete a "Safer Recruitment in Education" programme. There is also an extensive programme of other developmental training for staff.

RNC has a staff consultation Group made up of representatives from across RNC who meet on a regular basis and there is an open policy in the provision of information to employees.

Equal opportunities

It is the policy of RNC to provide equal employment opportunities to ensure that no employee receives less favourable treatment than others on the grounds of gender, marital status, disability, race, colour and ethnic or national origins. Staff development programmes have been run with the aim of promoting equal opportunities amongst staff, Governors and students.

Fundraising

RNC employs a small fundraising team (3.2 FTE staff) who concentrate mainly on grant applications to Trusts and Foundations. No professional fundraisers or commercial participators are used, and there is no direct fundraising from the general public. A detailed fundraising report is presented to Governors at all board meetings, which sets out the current strategy, fundraising income received year to date against budget, income pledged but not yet received, and any other issues of which Governors should be aware. RNC therefore has no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

The Royal National College for the Blind
GOVERNORS' REPORT (*continued*)
for the year ended 31 July 2018

Reference and administrative details

Charity name:	The Royal National College for the Blind (also known as "RNC")
Charity number:	1000388
Company number:	02367626
Principal and registered office:	Gardner Hall, Venns Lane, Hereford, HR1 1DT

Our advisers

Independent auditor	Crowe U.K. LLP, Carrick House, Lypiatt Road, Cheltenham, GL50 2QJ
Bankers	Barclays Bank plc, 1 - 3 Broad Street, Hereford, HR4 9BH
Solicitors	Eversheds LLP, 115 Colmore Row, Birmingham, B3 3AL

Key management personnel

Charity Chief Executive	L Proctor
College Principal	M Fisher
Director of Finance and Resources and Company Secretary	P O'Keefe

Governors, Directors and Trustees

The Governors of The Royal National College for the Blind are also the trustees and Company directors. The Governors and elected directors who served during the year and since the year end were as follows:

Prof. TJ Thompson OBE (Chairman)	
Mr J Brew	
Mr J Clarke-Morris	
Mr S Davies *	(appointed 31 October 2017)
Mrs K Diamond	(appointed 31 October 2017)
Mr P Flynn ***	
Mr S Hairsnape	(appointed 31 October 2017)
Mrs A Hooper	(resigned 13 October 2017)
Ms T Lancaster ***	(resigned 13 October 2017)
Mr E Lloyd	(appointed 31 October 2017)
Mr R McLellan ***	(resigned 30 April 2018)
Mr C Mill ***	
Mrs S Penny	(appointed 13 July 2018)
Mr J Ryan	
Mr P Smith *	
The Hon. J White **	

* Mr P Smith and Mr S Davies serve as Staff Governors but are not elected directors.

** The Hon. J White is an elected director but does not serve as a College Governor.

*** Also a director of R N C Enterprises Limited

Governors are elected by the Board for a renewable term of three years by rotation. New Governors are given a full induction to the College and its activities.

There are three sub-committees of the Board of Governors that meet at various times during the year; the Audit and Assurance Committee, the Finance and Development Committee and the Education and Training Committee.

The Royal National College for the Blind
GOVERNORS' REPORT (continued)
for the year ended 31 July 2018

Charity Governance Code

As RNC is a not for profit organisation which aims to follow charity sector best practice, the Governors have reviewed the updated version of the Charity Governance Code (the "Code") published in July 2017. While RNC is not currently compliant with the Code, the Governors consider that RNC's Governance framework does align with many aspects of the Code. An in-depth review of the Code was carried out at the Governors' meeting held on 20th December 2018, with a conclusion that further consideration is to be given to adopting the Code.

Statement of Governors' responsibilities

The Governors (who are also directors of The Royal National College for the Blind for the purposes of Company law) are responsible for preparing the Governors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Governors to prepare financial statements for each financial year. Under Company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charitable Company and the Group and of the incoming resources and application of resources, including the income and expenditure, of the Charitable Group for that period. In preparing these financial statements, the Governors are required to:

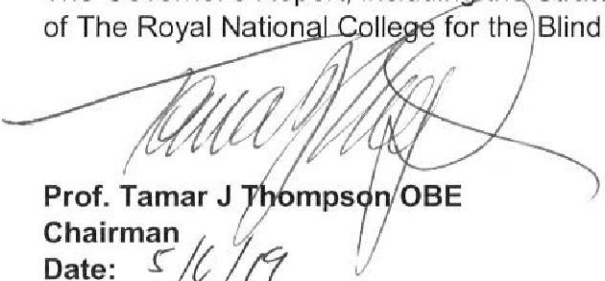
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures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

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

Disclosure of Information to Auditor

In so far as each of the directors of RNC at the date of approval of this report is aware, there is no relevant audit information (information needed by RNC's auditor in connection with preparing the audit report) of which RNC's auditor is unaware. Each director has taken all of the steps that he/she should have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that RNC's auditor is aware of that information.

The Governor's Report, including the Strategic Report, was approved by the Board of Governors of The Royal National College for the Blind on *5 April 2019* and is signed on its behalf by:


Prof. Tamar J Thompson OBE
Chairman
Date: *5/6/19*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL NATIONAL COLLEGE FOR THE BLIND

Opinion

We have audited the financial statements of The Royal National College for the Blind for the year ended 31 July 2018 which comprise the Consolidated Statement of Financial Activities, Consolidated and College Balance Sheets, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'the Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Charitable Company's affairs as at 31 July 2018 and of the Group's incoming resources and application of resources 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 requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Governors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Governors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Governors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL NATIONAL COLLEGE FOR THE BLIND (*continued*)

misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

- the information given in the Governors' report, which includes the Directors' report and the Strategic report prepared for the purposes of Company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report included within the Governors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Charitable Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report included within the Governors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent Company has not kept adequate accounting records; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Governors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Governors

As explained more fully in the statement of Governors' responsibilities set out on page 9, the Governors (who are also the directors of the Charitable Company for the purposes of Company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Governors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Governors are responsible for assessing the Group's or the Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Governors either intend to liquidate the Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE ROYAL NATIONAL COLLEGE FOR THE BLIND (*continued*)**

Use of this report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them 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 Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Guy Biggin

Senior Statutory Auditor

For and on behalf of

Crowe U.K. LLP

Statutory Auditor

Carrick House

Lypiatt Road

Cheltenham

Gloucestershire

GL50 2QJ

Date:

16/4/19

The Royal National College for the Blind

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES *(incorporating income and expenditure account)*

for the year ended 31 July 2018

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2018 £'000	Total 2017 £'000
Income from:					
Donations and legacies	2	99	58	157	442
Charitable activities	2	4,700	58	4,758	4,954
Other trading activities	5	861	-	861	895
Investments	2	386	-	386	418
Other income		11	-	11	-
TOTAL INCOME		6,057	116	6,173	6,709
Expenditure on:					
Raising funds	4	809	1	810	797
Charitable activities	4	5,817	212	6,029	5,819
Impairment of tangible fixed assets	9	2,014	-	2,014	-
TOTAL EXPENDITURE	4	8,640	213	8,853	6,616
Net gains on investments		8	-	8	1
NET (EXPENDITURE) / INCOME		(2,575)	(97)	(2,672)	94
Transfers between funds		4,960	(4,960)	-	-
Other recognised gains / (losses)					
Actuarial gains / (losses) on defined benefit pension scheme	21	1,103	-	1,103	(1,079)
NET MOVEMENT IN FUNDS		3,488	(5,057)	(1,569)	(985)
Reconciliation of funds:					
Total funds brought forward		4,879	5,950	10,829	11,814
Total funds carried forward	15	8,367	893	9,260	10,829

The notes on pages 16 to 35 form part of these financial statements.

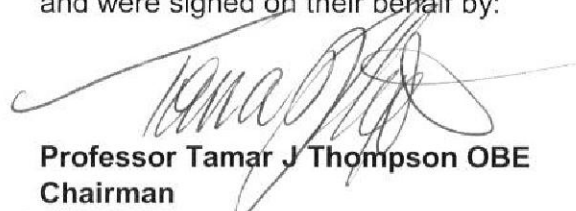
The Royal National College for the Blind (a Company limited by guarantee no. 02367626)
CONSOLIDATED AND COLLEGE BALANCE SHEETS
as at 31 July 2018

		Consolidated		College	
	Notes	2018 £'000	2017 £'000	2018 £'000	2017 £'000
FIXED ASSETS					
Tangible assets	9	14,546	16,655	14,540	16,651
Investments	10	5,383	5,838	5,383	5,838
<i>Total fixed assets</i>		<u>19,929</u>	<u>22,493</u>	<u>19,923</u>	<u>22,489</u>
CURRENT ASSETS					
Investments	10	455	490	455	490
Stock	11	4	4	1	1
Debtors	12	255	490	192	462
Cash at bank and in hand		35	56	17	19
<i>Total current assets</i>		<u>749</u>	<u>1,040</u>	<u>665</u>	<u>972</u>
LIABILITIES					
Creditors: amounts falling due within one year	13	(1,564)	(1,754)	(1,512)	(1,684)
<i>Net current liabilities</i>		<u>(815)</u>	<u>(714)</u>	<u>(847)</u>	<u>(712)</u>
<i>Total assets less current liabilities</i>		<u>19,114</u>	<u>21,779</u>	<u>19,076</u>	<u>21,777</u>
Creditors: amounts falling due after more than one year	14	(4,679)	(4,590)	(4,679)	(4,590)
<i>Net assets excluding pension scheme liability</i>		<u>14,435</u>	<u>17,189</u>	<u>14,397</u>	<u>17,187</u>
Defined benefit pension scheme liability	21	(5,175)	(6,360)	(5,175)	(6,360)
TOTAL NET ASSETS		<u>9,260</u>	<u>10,829</u>	<u>9,222</u>	<u>10,827</u>
THE FUNDS OF THE GROUP					
Restricted income funds	16	893	5,950	893	5,950
<i>Unrestricted funds</i>					
General	17	13,542	10,282	13,504	10,280
Revaluation reserve	17	-	957	-	957
Defined benefit pension scheme liability	21	(5,175)	(6,360)	(5,175)	(6,360)
<i>Total unrestricted funds</i>		<u>8,367</u>	<u>4,879</u>	<u>8,329</u>	<u>4,877</u>
TOTAL GROUP FUNDS	15	<u>9,260</u>	<u>10,829</u>	<u>9,222</u>	<u>10,827</u>

The notes on pages 16 to 35 form part of these financial statements.

The College only net expenditure for the year totalled £2,708,000 (2017: net income of £94,000).

The financial statements were approved and authorised for issue by the Governors on 5 April 2019 and were signed on their behalf by:


Professor Tamar J Thompson OBE
Chairman

Date: 5/4/19

The Royal National College for the Blind
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 July 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities:					
Net cash (used in) / provided by operating activities	23(a)		(470)		51
Cash flows from investing activities:					
Rents from investment properties		386		418	
Proceeds from sale of tangible fixed assets		11		1	
Proceeds from sale of investments		498		-	
Purchase of tangible fixed assets		(238)		(29)	
Net cash provided by investing activities			657		390
Cash flows from financing activities					
Repayment of borrowing		(192)		(288)	
Cash inflow from new finance lease		140		15	
Repayment of finance lease		(30)		(18)	
Interest paid		(156)		(155)	
Net cash used in financing activities			(238)		(446)
Change in cash and cash equivalents in the year			(51)		(5)
Cash and cash equivalents at the beginning of the year			(586)		(581)
Cash and cash equivalents at the end of the year	23(b)		(637)		(586)

The notes on pages 16 to 35 form part of these financial statements.

1 STATEMENT OF ACCOUNTING POLICIES

The Royal National College for the Blind ("RNC") is a Charitable Company limited by guarantee and was incorporated on 3 April 1989 (Company no: 02367626). The Royal National College for the Blind is registered as a charity with the Charity Commission England and Wales (charity no. 1000388). Its registered and principal office is Gardner Hall, Venns Lane, Hereford, HR1 1DT. This is also the registered office of the 100% wholly-owned subsidiary, R N C Enterprises Limited.

Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Companies Act 2006 and Charities Act 2011.

The Royal National College for the Blind meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

Going concern

Since the year end, part of the college campus was sold to the local authority, further details of which can be found in the Chairman's statement on Page 1 and in note 25 on Page 35.

The Board and Executive have spent several months preparing a comprehensive strategic plan to achieve full turnaround and secure RNC's long term future. With the sale complete this plan has now been launched.

The strategic plan has the full support of our key stakeholders, particularly Barclays Bank, TPT Retirement Solutions and the Education and Skills Funding Agency. The Governors are therefore satisfied that it remains appropriate to prepare the financial statements on the going concern basis.

Income

Income is included in the Statement of Financial Activities when the Group has entitlement to the funds, any performance conditions have been met, it is probable the income will be received and the amount can be measured reliably.

Student services and grants

Student services and grants are accounted for in the period in which the service is provided. Student services consist of income from student fees and any sundry receipts.

Donations and covenanted subscriptions

Donations received for the general purposes of RNC are credited to unrestricted funds but shown separately from direct RNC income. Donations subject to specific wishes of the donors are carried to the relevant restricted fund. Donations are accounted for when received.

1 STATEMENT OF ACCOUNTING POLICIES *(continued)*

Legacies

Legacies received for the general purposes of RNC are credited to unrestricted funds, but shown separately from direct RNC income. Legacies subject to specific wishes of the donors are carried to the relevant restricted fund. Where the college has been notified of entitlement to a legacy and the amount receivable is reasonably probable but has not been received, the amount is included in the financial statements.

Income from trading

Income from trading activities is included in the financial statements in the period in which the relevant goods and services have been provided, and is stated net of Value Added Tax.

Investment and similar income

Investment and similar income is accounted for when receivable.

Taxation

As a charity, RNC is generally exempt from corporation tax on income it receives which is properly applied for its Charitable purpose.

Expenditure

RNC expenditure is accounted for on an accruals basis. Where expenditure is apportioned across cost categories, it is apportioned at the best estimate of the Governors based on the level of activity during the year. Costs are allocated to the appropriate cost categories in the Statement of Financial Activities.

Support costs are those costs directly incurred in administering and supporting RNC operations as an educational establishment. Governance costs comprise the costs of running the charity, including external audit and all the costs of complying with constitutional and statutory requirements, such as the cost of the Board and Committee meetings and of preparing statutory accounts.

Expenditure of trading and the costs of raising funds are accounted for in the period in which the expenditure is incurred.

Redundancy payments

Redundancy payments are accounted for when notice of a potential redundancy is given and the amount payable is known.

Investments

Investment properties are stated in the Balance Sheet at potential freehold market value. A formal professional valuation is carried out at least every five years, and prepared on an informal basis in the intervening period. Gains or losses are taken to the Statement of Financial Activities. No depreciation is provided on investment properties.

Where the sale of an investment property has been agreed at the Balance Sheet date, but not yet completed, the investment is included as a current asset.

1 STATEMENT OF ACCOUNTING POLICIES *(continued)*

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the Statement of Financial Activities in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the Statement of Financial Activities on a straight line basis over the term of the lease.

Tangible fixed assets and depreciation

RNC took advantage of the transition to FRS 102 and all freehold land and buildings are recognised at their deemed cost which was their net book value at the date of transition. The historic cost basis will apply going forward. Other fixed assets are stated at historical cost.

Depreciation is calculated so as to write off the cost of assets over their estimated useful lives as follows:

Freehold land	No depreciation
Freehold buildings	2% straight line
Building improvements	5% straight line
Fixtures, fittings and equipment	25% straight line
Leased assets	20% straight line

Equipment costing more than £1,000 is capitalised and carried in the Balance Sheet at historical cost.

Cash

Cash is represented by cash in hand and deposits with financial institutions.

Stocks

Stocks comprise goods for resale by RNC and its trading subsidiary. They are included in the financial statements at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Debtors

Short term debtors are initially measured at their settlement amount.

Creditors

Short term creditors are initially measured at their settlement amount.

1 STATEMENT OF ACCOUNTING POLICIES *(continued)*

Financial instruments

RNC only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of the bank loan and the finance lease obligations which are subsequently measured at amortised cost using the effective interest method.

Unrestricted funds

Unrestricted funds can be used at the discretion of the Governors in accordance with RNC's and the Group's objects.

Restricted funds

Restricted funds are those funds whose income is for a specific purpose as stipulated by the donor, the details of which are set out in the notes to the financial statements.

Pension schemes

RNC contributes to the Teachers' Pension Defined Benefits Scheme at rates based either on instructions from the Department for Education or actuarial advice. The scheme is a multi-employer scheme and it is not possible to identify the assets and liabilities of the scheme which are attributable to RNC. The scheme is therefore accounted for as a Defined Contribution scheme. The amount charged to the Consolidated Statement of Financial Activities in respect of pension costs and other post retirement benefits is the contributions payable in the year.

RNC also contributed to a Defined Benefit pension scheme for non-teaching staff up until its closure to future accruals on 31st March 2012. The assets of the scheme are held separately from those of RNC, and are administered by TPT Retirement Solutions ("TPTRS"). Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained every three years and are updated at each Balance Sheet date. The resulting defined asset or liability is presented separately after other net assets on the face of the Balance Sheet.

The amounts charged to expenditure are the notional interest charges and the other costs charged by the trustee for running the scheme. Actuarial gains and losses are recognised within "Other recognised losses".

Since 1st April 2012 RNC has contributed to a Defined Contribution Scheme for non-teaching staff, administered by TPTRS. The amount charged to the Consolidated Statement of Financial Activities is the contributions payable by RNC in the year.

All pension fund costs are charged against unrestricted funds in line with the associated staff costs.

1 STATEMENT OF ACCOUNTING POLICIES *(continued)*

Consolidation

RNC has a 100% wholly owned trading subsidiary, R N C Enterprises Limited, a Company registered in England and Wales. The results of the subsidiary are included in the consolidated accounts on a line by line basis, with all intra-Group transactions fully eliminated on consolidation. A summary of the results of R N C Enterprises Limited is shown in note 5 to the consolidated financial statements.

RNC has taken advantage of Section 408 of the Companies Act 2006 by not providing a separate Statement of Financial Activities for the Charity.

RNC has taken advantage of the exemptions in FRS 102 from the requirements to present a charity only Statement of Cash Flows and certain disclosures about the Charity's financial instruments.

Critical judgements and key sources of estimation uncertainty

Preparation of the financial statements requires management to consider making any significant judgements and estimates where necessary. Significant judgements and estimations have been made on the following items:

Useful economic lives of tangible fixed assets

The annual depreciation charges for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the tangible fixed assets and note 1 for the useful lives for each class of assets.

Impairment of debtors

The Group makes an estimate of the recoverable value of student fees and other debtors. When assessing impairment of these debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 12 for the carrying amount of the debtors.

Defined benefit pension fund

The present value of the TPTRS defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 21, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 30 September 2016 has been used by the actuary in valuing the pensions liability at 31 July 2018. Any difference between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Impairment of fixed assets

The proceeds received from the sale of certain land and buildings since the year end was below the carrying value at the balance sheet date. The carrying value of fixed assets has therefore been reduced to reflect the proceeds from the sale. See note 9 for the carrying amount of the tangible fixed assets.

2 INCOME

	2018 £'000	2017 £'000
Donations and legacies		
Donations	33	23
Trusts and Foundations	103	112
Legacies	21	307
Income from donations and legacies	157	442

	2018 £'000	2017 £'000
Charitable activities		
Student fees from:		
Education & Skills Funding Agency	826	790
Welsh Government	174	355
Local Authorities	2,492	2,388
Private sources	137	154
Department for Work & Pensions	923	1,044
Other income	166	185
Income from student services	4,718	4,916

Grants

Education & Skills Funding Agency	32	30
Football Association	8	8
Income from charitable activities	4,758	4,954

	2018 £'000	2017 £'000
Investment and other income		
Rental income	386	418
Income from investments	386	418

3 NET (EXPENDITURE) / INCOME

	2018 £'000	2017 £'000
Net (expenditure) / income for the year is stated after charging:		
Auditor's remuneration		
- audit fees	15	15
- accountancy and tax services	2	2
Operating lease rentals	36	30
Depreciation		
- owned assets	300	297
- leased assets	33	22
Interest payable		
- finance lease interest	4	4
- loan interest	143	139
- bank overdraft interest	9	12

4 ANALYSIS OF TOTAL EXPENDITURE

Expenditure on Charitable activities:	Staff costs £'000	Expenses £'000	Deprec'n £'000	Total 2018 £'000	Total 2017 £'000
Education and training	2,649	511	-	3,160	3,067
Welfare	117	409	-	526	556
Premises	248	397	249	894	791
Marketing	134	25	-	159	152
Support costs	710	471	80	1,261	1,221
Governance costs (see below)	12	17	-	29	32
	<u>3,870</u>	<u>1,830</u>	<u>329</u>	<u>6,029</u>	<u>5,819</u>
Expenditure on raising funds:					
Fundraising	60	69	-	129	143
Trading activities	394	283	4	681	654
	<u>454</u>	<u>352</u>	<u>4</u>	<u>810</u>	<u>797</u>
Impairment of fixed assets	<u>-</u>	<u>-</u>	<u>2,014</u>	<u>2,014</u>	<u>-</u>
	<u>4,324</u>	<u>2,182</u>	<u>2,347</u>	<u>8,853</u>	<u>6,616</u>
Governance costs comprise:				2018 £'000	2017 £'000
Staff costs				12	16
Audit costs				15	12
Reimbursed expenditure				-	1
Meeting expenses				2	3
				<u>29</u>	<u>32</u>

5 INVESTMENT IN SUBSIDIARY COMPANY

The wholly owned trading subsidiary, R N C Enterprises Limited, is incorporated in the United Kingdom (Company number 01747998) and pays all of its profits to the parent charity under the gift aid scheme. R N C Enterprises Limited operates all commercial trading activities of RNC, including the sports and conferencing facilities. The summary financial performance of the subsidiary alone is:

	2018 £'000	2017 £'000
Turnover	841	875
Cost of sales	(167)	(152)
Gross profit	674	723
Administrative expenses	(627)	(614)
Operating profit	47	109
Amount gift aided to the charity	(11)	(109)
Retained surplus for the year	36	-
Retained surplus brought forward	2	2
Net assets	<u>38</u>	<u>2</u>

5 INVESTMENT IN SUBSIDIARY COMPANY continued

	2018 £'000	2017 £'000
Total assets at balance sheet date	135	99
Total liabilities at balance sheet date	(97)	(97)

In addition to income of £841,000 (2017: £875,000) shown above, miscellaneous trading income of £20,000 (2017: £20,000) is included within the results of the College.

6 CORPORATION TAXATION

RNC is exempt from corporation tax on its Charitable activities.

7 STAFF NUMBERS

The average monthly headcount of full time and part time staff was 167 (2017: 168).

	2018 Number	2017 Number
Education and training	99	101
Student welfare	10	10
Premises	8	7
Support	22	21
Marketing	6	6
Fundraising	5	5
R N C Enterprises Limited	17	18
	167	168

8 ANALYSIS OF STAFF COSTS, GOVERNOR REMUNERATION AND EXPENSES, AND THE COST OF KEY MANAGEMENT PERSONNEL

	2018 £'000	2017 £'000
Salaries and wages	3,543	3,519
Social security costs	284	283
Pension contributions - teaching	160	161
- non-teaching	52	49
Defined benefit pension scheme deficit contributions	269	215
Redundancy and settlement costs	16	-
Total staff costs	4,324	4,227

Pension contributions were made to the Teachers' Pension Scheme for teaching staff and to a fund independently administered by TPTRS for non-teaching staff.

As per the Memorandum and Articles of Association of the College there is a requirement to appoint staff governors. During the year, two Staff Governor received remuneration and benefits whilst serving as a Governor. Mr P Smith received emoluments of £10,784 and Mr S Davies received emoluments of £21,443 (2017: 1 staff Governor received £10,625) with employer pension contributions of £643 (2017: £nil). No other Governors nor persons connected with them received any remuneration from the College or any connected organisation in either financial year.

During the year, no Governors were reimbursed any costs (2017: 3 Governors reimbursed a total of £964) in respect of travel and subsistence associated with meetings throughout the year.

The number of higher paid employees whose emoluments exceeded £60,000 were:

	2018 No.	2017 No.
£60,000 - £69,999	<u>2</u>	<u>1</u>

Pension contributions for higher paid employees amounted to £3,600 (2017: £1,800).

The key management personnel of the Group, who were remunerated, comprise the Charity Chief Executive, the College Principal, and the Director of Finance and Resources. The total employee benefits of the key management personnel, including pension contributions and employer national insurance contributions, were £205,425 (2017: £201,768).

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Fixtures, fittings & equipment £'000	Leased assets £'000	Group Total £'000
Consolidated				
Cost				
At 1 August 2017	16,812	1,452	404	18,668
Additions	11	87	140	238
Disposals	-	(179)	-	(179)
Transfer	-	392	(392)	-
At 31 July 2018	<u>16,823</u>	<u>1,752</u>	<u>152</u>	<u>18,727</u>
Depreciation				
At 1 August 2017	248	1,373	392	2,013
Charge for the year	249	51	33	333
Impairment	2,014	-	-	2,014
Disposals	-	(179)	-	(179)
Transfer	-	392	(392)	-
At 31 July 2018	<u>2,511</u>	<u>1,637</u>	<u>33</u>	<u>4,181</u>
Net book values				
At 31 July 2018	<u>14,312</u>	<u>115</u>	<u>119</u>	<u>14,546</u>
At 31 July 2017	<u>16,564</u>	<u>79</u>	<u>12</u>	<u>16,655</u>

The net book value of tangible fixed assets owned by R N C Enterprises Limited is £6,301 (2017: £4,174). The net book value of freehold land and buildings includes an amount of £5,026,372 (2017: £5,026,372) in respect of land.

The transfer of £392,000 between leased assets and equipment represents the cost of assets originally acquired under finance leases where the lease has now expired and the assets purchased.

Under the transition to FRS 102, the net book value of the freehold land and buildings as at the transition date was used as the historical cost. An impairment review was carried out by the Governors in February 2019 based on the sale proceeds received from the sale of certain land and buildings in March 2019. A reduction in value of £2,014,000 has consequently been made to the carrying value of fixed assets.

10 INVESTMENT ASSETS

	Investment Properties £'000
Consolidated Fixed Assets	
Balance at 1 August 2017	5,838
Transferred to Current Assets	(455)
Balance at 31 July 2018	5,383

All of the investment properties are located within the county of Herefordshire. Such investments are primarily held to provide a return where monies are not required immediately for Charitable activities.

College	£'000
Balance at 31 July 2018 as above	5,383
Investment in subsidiary Company (see note 5) amounts to £15	-
	5,383

No investments were held by R N C Enterprises Limited.

Investments representing more than 5% of total investments:	£'000
Main College Building at College Road, Hereford	2,869
Dowdell Hall, Venns Lane, Hereford	738
Queens Building, College Road, Hereford	506
Residential property at 54 Venns Lane, Hereford	415
Residential property at 49 Venns Lane, Hereford	405

The residential properties were valued on 15th June 2016 at open market value by Colliers International Valuation UK LLP. The specialist College buildings that currently form part of investment properties were valued at fair value on 6th October 2016 by GJS Dillon, Commercial Property Consultants.

Two properties, valued at £455,000, were vacant and awaiting sale as at 31 July 2018 and have therefore been included as Current Assets. The subsequent agreed sale price was very slightly below the valuation. The Governors are therefore of the opinion that there has been no diminution in value of the remaining investment properties.

11 STOCKS

	Consolidated		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Goods for resale	4	4	1	1
	4	4	1	1

12 DEBTORS

	Consolidated		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Due within one year:				
Student fees	73	67	73	67
Amount due from subsidiary	-	-	-	27
Prepayments	27	31	25	24
Other debtors	155	392	94	344
	<u>255</u>	<u>490</u>	<u>192</u>	<u>462</u>

13 CREDITORS: amounts falling due within one year

	Consolidated		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Bank overdraft	672	642	672	642
Bank loan	96	288	96	288
Finance lease payments	32	11	32	11
Trade creditors	169	167	166	164
Taxation and social security	203	184	189	177
Pension contributions	31	134	31	134
Other creditors	54	91	54	91
Amount due to subsidiary	-	-	45	-
Accruals and deferred income	307	237	227	177
	<u>1,564</u>	<u>1,754</u>	<u>1,512</u>	<u>1,684</u>

Barclays Bank have security over all of RNC's properties.

14 CREDITORS: amounts falling due after more than one year

	Consolidated		College	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Secured bank loan (falling due in less than 5 years)	4,586	4,586	4,586	4,586
Finance lease payments	93	4	93	4
	<u>4,679</u>	<u>4,590</u>	<u>4,679</u>	<u>4,590</u>

The loan balance is repayable in full on 17th October 2020. Interest is charged at 2.5% over LIBOR. Barclays Bank have security over all of RNC's properties. For the financial year to 31 July 2018 RNC breached one of its bank covenants, however as part of their ongoing support Barclays Bank agreed to waive the testing of the covenant for this financial year.

15 ALLOCATION OF THE GROUP NET ASSETS

The net assets are held for various funds as follows:	Tangible fixed assets £'000	Investm'ts £'000	Net current assets/ (liabilities) £'000	Long term liabilities & prov'ns £'000	2018 Total £'000
Restricted funds (note 16)	661	-	232	-	893
Unrestricted funds:					
- General (note 17)	13,879	5,383	(1,079)	(4,679)	13,504
- Pension reserve (note 21)	-	-	-	(5,175)	(5,175)
Total RNC	14,540	5,383	(847)	(9,854)	9,222
Total Subsidiary (note 17)	6	-	32	-	38
Total Group	14,546	5,383	(815)	(9,854)	9,260

At 31 July 2017 the net assets were held as follows:	Tangible fixed assets £'000	Investm'ts £'000	Net current assets/ (liabilities) £'000	Long term liabilities & prov'ns £'000	2017 Total £'000
Restricted funds (note 16)	5,708	-	242	-	5,950
Unrestricted funds:					
- General (note 17)	10,943	5,838	(954)	(4,590)	11,237
- Pension reserve (note 21)	-	-	-	(6,360)	(6,360)
Total RNC	16,651	5,838	(712)	(10,950)	10,827
Total Subsidiary (note 17)	4	-	(2)	-	2
Total Group	16,655	5,838	(714)	(10,950)	10,829

16 RESTRICTED FUNDS

	Balance 1.8.17 £'000	Income £'000	Expenditure £'000	Transfers £'000	Balance 31.7.18 £'000
LSC Grants for Property Developm't	4,579	-	(93)	(4,486)	-
Football Foundation Grant	484	-	(10)	-	474
Advantage West Midlands Grant	484	-	(10)	(474)	-
Overseas Scholarship Fund	191	-	-	-	191
Sport England Grant	145	-	(3)	-	142
Students from Malvern area	27	-	-	-	27
IT Equipment	14	43	(13)	-	44
European Student Exchanges	11	20	(31)	-	-
Spa Refurbishment	8	-	-	-	8
Minibus	-	5	-	-	5
Building Maintenance	-	32	(32)	-	-
Football Academy	-	8	(8)	-	-
Miscellaneous Small funds	7	8	(13)	-	2
	5,950	116	(213)	(4,960)	893

16 RESTRICTED FUNDS (continued)

Prior year comparative	Balance 1.8.16 £'000	Income £'000	Expenditure £'000	Balance 31.7.17 £'000
LSC Grants for Property Development	4,672	-	(93)	4,579
Football Foundation Grant	494	-	(10)	484
Advantage West Midlands Grant	494	-	(10)	484
Overseas Scholarship Fund	191	-	-	191
Sport England Grant	149	-	(4)	145
Students from Malvern area	27	-	-	27
IT Equipment	21	-	(7)	14
European Student Exchanges	-	16	(5)	11
Spa Refurbishment	-	10	(2)	8
Building Maintenance	-	30	(30)	-
Football Academy	-	7	(7)	-
Miscellaneous Small funds	4	11	(8)	7
	6,052	74	(176)	5,950

Once the restriction has been fulfilled in line with SORP (FRS 102), restricted assets are transferred to unrestricted funds, as shown above. Where a grant or donation has been given and the asset is required to be held for a number of years the fund has remained restricted and the appropriate depreciation has been charged against the fund.

LSC Grants for Property Development

The Learning & Skills Council awarded several grants towards the building of a new Residential Building, a Sports and Complementary Therapy Centre, the refurbishment of Gardner Hall, a new Facilities Building, and the updating and improvement of miscellaneous equipment.

Football Foundation

The Football Foundation awarded a grant of £1million in total towards a new Sports Centre.

Advantage West Midlands

Advantage West Midlands awarded a grant of £1million in total towards a new Sports Centre.

Overseas Scholarship Fund

The Overseas Scholarship Fund is represented by cash at bank, and is only to be used for issuing scholarships to learners and teachers from abroad.

Sport England

Sport England awarded a grant of £200,000 in total towards a new Sports Centre.

Students from Malvern area

A donation was received from the KJ Tandy Will Trust to assist with the education and training of ten students from the Malvern area.

IT Equipment

Donations were received through fundraising following an appeal for support towards the cost of specialist computer equipment and assistive technology software.

European Student Exchanges

European funding was received from ERASMUS to participate in a French student exchange visit during the year.

16 RESTRICTED FUNDS *(continued)*

Spa Refurbishment

Sponsorship and donations were received in respect of a 24 hour spinathon event, with 50% of the monies pledged towards refurbishment of the spa areas in thePoint4 sports centre.

Minibus

A grant was received from PF Charitable Trust towards a new minibus.

Building Maintenance

A grant was received from the ESFA towards ongoing maintenance and upkeep of RNC buildings.

Football Academy

A grant was received from the Football Association towards the running costs of the RNC Football Academy.

Miscellaneous Small Funds

Includes four separate small restricted funds for archery equipment, performing arts, the RNC cricket team and student exchange visits.

17 UNRESTRICTED FUNDS

a) GENERAL	Balance 1.8.17 £'000	Income £'000	Expenditure £'000	Transfers £'000	Balance 31.7.18 £'000
RNC (excluding pension fund valuation)	10,280	5,224	(6,960)	4,960	13,504
Trading Company	2	841	(805)	-	38
	<u>10,282</u>	<u>6,065</u>	<u>(7,765)</u>	<u>4,960</u>	<u>13,542</u>
Prior year comparative	Balance 1.8.16 £'000	Income £'000	Expenditure £'000	Transfers £'000	Balance 31.7.17 £'000
RNC (excluding pension fund valuation)	10,196	5,760	(5,676)	-	10,280
Trading Company	2	875	(875)	-	2
	<u>10,198</u>	<u>6,635</u>	<u>(6,551)</u>	<u>-</u>	<u>10,282</u>
b) REVALUATION RESERVE	Balance 1.8.17 £'000	Income £'000	Expenditure £'000	Transfers £'000	Balance 31.7.18 £'000
Revaluation Reserve	957	-	(957)	-	-
Prior year comparative	Balance 1.8.16 £'000	Income £'000	Expenditure £'000	Transfers £'000	Balance 31.7.17 £'000
Revaluation Reserve	957	-	-	-	957

18 OTHER FINANCIAL COMMITMENTS

Commitments in respect of operating lease rentals are as follows:

	Equipment 2018 £'000	Equipment 2017 £'000
Commitment payable:		
Within one year	36	36
Within two to five years	47	81
	<u>83</u>	<u>117</u>

19 FUTURE RENTAL INCOME

Future guaranteed income receivable from the rental of investment properties is as follows:

	2018 £'000	2017 £'000
Rent receivable:		
Within one year	133	179
Within two to five years	-	700
After more than five years	-	136
	<u>133</u>	<u>1,015</u>

20 RELATED PARTY DISCLOSURES

During the year RNC recharged expenses of £622,388 (2017: £608,532) to R N C Enterprises Limited and paid £1,610 (2017: £2,505) for products and services. The amount due from R N C Enterprises Limited at the year end was £nil (2017: £27,498) and the amount due to R N C Enterprises Limited at the year end was £44,785 (2017: £nil).

During the year RNC paid £2,532 (2017: £4,836) in respect of legal services to Harrison Clark Rickerby, a firm of solicitors in which Mr J Brew, a trustee of RNC, is a partner. There was no balance outstanding at the year end.

21 PENSION OBLIGATIONS

a) Defined Benefit Scheme - TPT Retirement Solutions

RNC operates a defined benefit scheme in the UK. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. Benefits ceased to accrue within the scheme with effect from 31 March 2012. A full actuarial valuation was carried out at 30 September 2016 and has been updated to 31 July 2018 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The most recent actuarial valuation showed a deficit of £10,492,000. RNC has agreed with the trustees that it will aim to eliminate the deficit over a period of 20 years from 1 April 2018 by the payment of annual contributions of £291,954 increasing by 6.75% per annum on each 1 April, with the first increase being applied on 1 April 2019. In addition, from 1 April 2018, RNC will pay £74,258 per annum to cover scheme expenses (including the Pension Protection Fund levy).

21 PENSION OBLIGATIONS *(continued)*

Present values of defined benefit obligation, fair value of assets and defined benefit asset / (liability)

	31 July 2018	31 July 2017	31 July 2016
	£000	£000	£000
Fair value of plan assets	15,033	14,369	13,776
Present value of defined benefit obligation	20,208	20,729	19,169
Deficit in plan	(5,175)	(6,360)	(5,393)
Defined benefit liability to be recognised	<u>(5,175)</u>	<u>(6,360)</u>	<u>(5,393)</u>

Reconciliation of opening and closing balances of the defined benefit obligation

	2018	2017
	£'000	£'000
Defined benefit obligation at start of period	20,729	19,169
Expenses	97	73
Interest expense	533	473
Actuarial (gains) / losses	(607)	1,560
Benefits paid & expenses	<u>(544)</u>	<u>(546)</u>
Defined benefit obligation at end of period	<u>20,208</u>	<u>20,729</u>

Reconciliation of opening and closing balances of the fair value of plan assets

	2018	2017
	£'000	£'000
Fair value of plan assets at start of period	14,369	13,776
Interest income	371	342
Actuarial gains	496	481
Contributions by the College	341	316
Benefits paid & expenses	<u>(544)</u>	<u>(546)</u>
Fair value of plan assets at end of period	<u>15,033</u>	<u>14,369</u>

The actual return on the plan assets over the year ended 31 July 2018 was £867,000.

Defined benefit costs recognised in profit and loss account

	2018	2017
	£'000	£'000
Expenses	97	73
Net interest cost	<u>162</u>	<u>131</u>
Defined benefit costs recognised in profit and loss account	<u>259</u>	<u>204</u>

21 PENSION OBLIGATIONS *(continued)*

Defined benefit costs recognised in Statement of Financial Activities

	2018 £'000	2017 £'000
Gain on plan assets (excluding amounts included in net interest cost)	496	481
Experience losses arising on the plan liabilities	(97)	(339)
Gain / (loss) due to changes in the demographic and financial assumptions underlying the present value of the plan liabilities	704	(1,221)
Total amount recognised in Statement of Financial Activities	1,103	(1,079)

Assets	31 July 2018 £000	31 July 2017 £000	31 July 2016 £000
Equity Type	4,471	6,246	5,517
Bonds	9,766	7,105	7,348
Property	766	886	865
Cash	30	132	46
Total assets	15,033	14,369	13,776

None of the fair values of the assets shown above include any direct investments in RNC's own financial instruments or any property occupied by, or other assets used by, RNC.

Assumptions	2018 % p.a.	2017 % p.a.	2016 % p.a.
Discount rate	2.65	2.60	2.50
Inflation (RPI)	3.20	3.20	2.70
Inflation (CPI)	2.20	2.20	1.70
Salary Growth	2.45	2.70	2.20
Allowance for revaluation of deferred pensions of RPI or 5% pa if less	3.20	3.20	2.70
Allowance for pension in payment increases of RPI or 5.5% pa if less	3.15	3.15	2.70
Allowance for pension in payment increases of CPI or 2.5% pa if less	1.70	1.70	1.50
Allowance for commutation of pension for cash at retirement	75% of maximum using notional commutation factors	75% of maximum using notional commutation factors	90% of maximum using notional commutation factors

21 PENSION OBLIGATIONS *(continued)*

The mortality assumptions adopted at 31 July 2018 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2018	22.2
Female retiring in 2018	23.9
Male retiring in 2038	23.5
Female retiring in 2038	25.1

The best estimate of contributions to be paid by RNC to the scheme for the year commencing 1 August 2018 is £373,000.

b) Defined Contribution Scheme - TPT Retirement Solutions (TPTRS)

During the year RNC contributed to a Defined Contribution Scheme for non-teaching staff. It is operated by TPTRS and the assets/(liabilities) in the scheme are held separately from those of RNC. During the year RNC has paid contributions of £51,807 (2017: £49,324) to the scheme.

c) Defined Benefit Scheme - Teachers' Pension Scheme

RNC participates in the Teachers' Pension Scheme ("the TPS") for its teaching staff. The pension charge for the year includes contributions payable to the TPS of £159,583 (2017: £160,324) and at the year end £20,178 (2017: £20,187) was accrued in respect of contributions to this scheme.

The TPS is an unfunded multi-employer defined benefits pension scheme governed by The Teachers' Pensions Regulations 2010 (as amended) and The Teachers' Pension Scheme Regulations 2014 (as amended). Members contribute on a 'pay as you go' basis with contributions from members and the employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The employer contribution rate is set by the Secretary of State following scheme valuations undertaken by the Government Actuary's Department. The most recent actuarial valuation of the TPS was prepared as at 31 March 2012 and the valuation report, which was published in June 2014, confirmed an employer contribution rate for the TPS of 16.4% from 1 September 2015. Employers are also currently required to pay a scheme administration levy of 0.08% giving a total employer contribution rate of 16.48%.

This employer rate will be payable until the completion and outcome of the next actuarial valuation which is being prepared as at 31 March 2016. Her Majesty's Treasury published draft Directions for the TPS on 6 September 2018 to allow the Department for Education to finalise this valuation. Early indications from the valuation are that the amount employers will be required to pay towards the scheme may increase substantially from September 2019.

There are also indications that the protections in the new cost cap mechanism required by the Public Service Pensions Act 2013 mean public sector workers will get improved pension benefits for employment over the period April 2019 to March 2023.

22 FINANCIAL INSTRUMENTS

	Consolidated	
	2018	2017
	£'000	£'000
Financial assets measured at settlement value (a)	263	485
Financial liabilities measured at settlement value (b)	(1,188)	(1,241)
Financial liabilities measured at amortised cost (c)	(4,807)	(4,889)

(a) Financial assets measured at settlement value comprise cash at bank and in hand, student fees and other debtors.

(b) Financial liabilities measured at settlement value comprise bank overdraft, trade creditors, pension contributions, other creditors and accruals.

(c) Financial liabilities measured at amortised cost comprise bank loans, other loans and finance lease payments.

23 (a) RECONCILIATION OF NET INCOME / (EXPENDITURE) TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2018	2017
	£'000	£'000
Net (expenditure) / income for the year as per the Statement of Financial Activities	(2,672)	94
<i>Adjustments for:</i>		
Gain on sale of assets	(11)	(1)
Gain on sale of investments	(8)	-
Interest paid	156	155
Depreciation charges	333	319
Impairment of fixed assets	2,014	-
Rents from investments	(386)	(418)
Pension adjustment	(82)	(112)
Decrease/(increase) in debtors	235	(100)
(Decrease)/increase in creditors	(49)	114
Net cash (used in) / provided by operating activities	(470)	51

23 (b) ANALYSIS OF CASH AND CASH EQUIVALENTS

	2018	2017
	£'000	£'000
Cash in Hand	35	56
Overdraft facility repayable on demand	(672)	(642)
Total cash and cash equivalents	(637)	(586)

24 PRIOR YEAR ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017 £'000
Income from:			
Donations and legacies	422	20	442
Charitable activities	4,900	54	4,954
Other trading activities	895	-	895
Investments	418	-	418
TOTAL INCOME	6,635	74	6,709
Expenditure on:			
Raising funds	792	5	797
Charitable activities	5,648	171	5,819
TOTAL EXPENDITURE	6,440	176	6,616
Net gains on investments	1	-	1
NET INCOME / (EXPENDITURE)	196	(102)	94
Other recognised losses			
Actuarial losses on defined benefit pension scheme	(1,079)	-	(1,079)
NET MOVEMENT IN FUNDS	(883)	(102)	(985)
Total funds brought forward	5,762	6,052	11,814
Total funds carried forward	4,879	5,950	10,829

25 POST BALANCE SHEET EVENT

On 7th March 2019, RNC sold part of its land and buildings to Herefordshire Council. The sale indicated an impairment of fixed assets at the balance sheet date of £2,014,000. Of the total sales proceeds, £1,500,000 was used to repay part of the outstanding bank loan with Barclays plc and £1,000,000 was paid against the pension deficit, with the remainder being retained by RNC to eliminate its overdraft and provide working capital for the future.

