

Notes to the Financial Statements

1. Accounting Policies

i) Basis of preparation

The financial statements of the Charity, which is a public benefit entity under FRS 102, are prepared under the historical cost convention with the exception of investments, which are included at market value. The financial statements have been prepared in accordance with the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities (Charities SORP (FRS 102)).

Across the RHS work is well under way to meet our commitment to invest £160 million into the future of horticulture over the 10 years to 2023.

After reviewing the Society's forecasts and projections, the Trustees have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. The Trustees believe the Society is a going-concern and have prepared the financial statements on that basis.

Group financial statements have been prepared in respect of the Society and its wholly owned subsidiaries. The Society's trading subsidiaries are RHS Enterprises Limited and RHS Special Events Limited. These subsidiaries are consolidated on a line by line basis and have the same accounting reference date as the Society. In addition, Horticultural Halls Limited, RHS Publications Limited and The Northern Horticultural Society Limited are dormant subsidiaries. The Society also jointly administers The Shropshire Horticultural Society (Wisley Trainee) Charitable Trust and its financial results are included in the group financial statements as is The Lindley Library Trust, a subsidiary Charity of the RHS.

The accounting policy in respect of payments received under Gift Aid has changed in 2016/17 as set out below.

ii) Payments received under Gift Aid

The Group has adopted a policy of paying all the subsidiaries' taxable profits to the Society under Gift Aid. These Gift Aid payments are recognised as distributions through equity rather than as an expense through the profit and loss, and therefore an operating profit exists for each subsidiary at the balance sheet date, on which a tax liability arises. This represents a change in accounting policy and has been accounted for as a prior period adjustment as shown in Note 27.

A Deed of Covenant was signed between each subsidiary and the Society on 31 January 2017. For each, this creates a legally binding obligation on the subsidiary to pay any profit before taxation to the Society as its parent.

iii) Fund accounting

Unrestricted funds comprise the Designated funds, the General fund, non-charitable trading funds, and the Pension Reserve. Designated funds are General funds designated for specific purposes by Council. The General fund is the accumulation of surpluses and deficits and is available for use at the discretion of Council in furtherance of the Society's general charitable objectives. The non-charitable trading funds represent the reserves of the trading subsidiaries. The Pension Reserve represents the deficit or surplus on the Royal Horticultural Society (1974) Pension Scheme on an FRS 102 basis (see Note 28).

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by the donors. Permanent endowment funds are capital funds where Council has no power to convert the capital into income. The Society's endowment funds are managed on a total return distribution basis. Income generated from the endowment funds are added to the capital endowment fund. 3.5% of the endowment fund balance at 30th September is released as restricted income in the following financial year.

The Society was granted permission by the Charity Commission on 28 November 2012 to adopt the use of a total return policy in relation to its permanent endowment funds. The Society adopted this policy from the financial year ended 31 January 2014 (see Note 21b).

iv) Incoming resources

Incoming resources represent the total income receivable during the year comprising membership subscriptions, income from shows, gardens, horticulture, scientific, communities and educational activities, income from trading subsidiaries, investment income, legacies, donations and sundry other income.

Donations and legacy income are recognised in the accounts when there is entitlement, probability of receipt and the amount is quantifiable. Donations income includes gift aid donations on membership subscriptions and garden entry tickets. Gift Aid is recognised on an accruals basis.

Members and marketing income is mainly made up of membership subscriptions which are credited to incoming resources over the period to which the membership relates. Life subscriptions are credited to income in equal instalments over a ten year period.

Shows income primarily includes ticket sales, trade stand sales, catering commission and other sundry show income such as show guide and car parking sales. Income in advance for shows and other activities is recognised at the time of the show or other activity.

RHS Gardens income includes garden entry ticket sales, rental income from the retail areas located at the gardens, catering sales and event income.

Communities and education income includes sponsorship of community projects, as well as exam and course fees for horticultural qualifications. Exam fee income is recognised at the time of the exam sitting.

Horticultural income is generated from membership subscriptions and insurance renewals from Affiliated Societies. All gardening clubs and horticultural societies with an annual membership subscription are eligible to join the RHS Affiliated Societies scheme.

Science and collections income is primarily funding received from outside bodies to carry out horticultural scientific studies.

Trading income is generated through retail areas at each RHS garden, mail order sales, the letting out of event space in London, publications such as The Garden magazine, commercial images and gala income from the RHS Chelsea Flower Show and the RHS Hampton Court Palace Flower Show.

Sponsorship income is generated through sponsorship of the RHS flower shows and the sale of show television rights.

Investment income is generated from dividends and interest received from RHS investments. The RHS invests its funds under discretionary mandates with third party investment managers. Funds anticipated to be spent within 5 years are invested in fixed income securities or cash, whilst funds which are not expected to be utilised within 5 years are invested on a real return investment mandate. Investment income is recognised on an accruals basis.

Other income is generated primarily from the rental income from properties let out on the open market in Wisley village.

No income has been reported net of expenditure.

v) Resources expended

All expenditure is accounted for on an accruals basis and has been allocated to the appropriate heading in the accounts. Where costs cannot be directly attributed to a particular heading they have been allocated to activities on a basis consistent with the use of the resource.

Expenditure on raising funds includes the costs incurred in generating voluntary income. Donations and legacies expenditure are the costs of those activities. Charitable activity expenditure represents the costs of shows, gardens, scientific, educational, editorial activities and membership services.

All resources expended are included in the Statement of Financial Activities on an accruals basis inclusive of any irrecoverable VAT.

vi) Allocation of support costs

Support costs relate to those functions that assist the work of the Charity but do not directly undertake charitable activities. Support costs include the Leadership Team, HR, Finance, Estates, Communications, IT and governance which support the RHS activities. Where support costs are directly attributable to the charitable purpose they have been directly allocated. Remaining support costs have been allocated between costs of raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in Note 5.

vii) Deferred income

Deferred income arises from members' subscriptions paid in advance, income for future shows and events, as well as income for the future hire of our exhibition halls and conference facilities.

viii) Depreciation and impairment

Fixed assets are stated at cost, deemed cost or donated valuation. Depreciation is calculated to write off the cost of fixed assets by equal instalments over their expected useful economic lives. The depreciation rates are as follows:

- Freehold and Leasehold Buildings 2%
- Motor vehicles 20%
- Plant & equipment, fixtures & fittings, infrastructure 5-33%

Where it has been identified that the recoverable amount of a fixed asset is below its net book value the asset is written down to its recoverable amount and the impairment loss is recognised on the Statement of Financial Activities. Equipment purchases below £2,000 are treated as revenue items. Fixed assets under construction are not depreciated until the asset has reached completion; upon completion the asset is transferred to the appropriate fixed asset class and depreciated at the appropriate rate. No depreciation is charged on investment properties.

ix) Investments

Investments are stated at fair value on the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals throughout the year. The funds are largely invested to generate an above inflationary return.

x) Operating leases

Operating lease rentals are charged to the Statement of Financial Activities on a straight line basis over the term of the lease.

xi) Funds transfers

Funds transfers primarily arise when endowment funds are transferred to restricted funds under the total return distribution basis. Funds transfers also arise from the expenditure of restricted funds on capital projects. The funds are transferred into general funds as the capital costs are expended. Fund transfers can also arise due to the reclassification of a restriction.

xii) Pension schemes

The Society contributed during the year to a defined benefit scheme, which was closed to new entitlements in January 2002. The pension scheme was closed to future service accruals on 31 May 2009. The pension scheme is administered by Trustees and the assets are held separately from those of the Society. Independent actuaries complete valuations at frequent intervals, usually triennially.

The fund movements and liabilities for this Scheme have been recognised in the accounts according to the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and as detailed in Note 28.

The Society also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Society in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme by the Society in respect of the accounting period.

xiii) Stock

Stock is valued at the lower of cost and net realisable value. It substantially relates to products sold in the retail shops and plant centres at our gardens and shows. It does not include any work in progress.

xiv) Taxation

The Society is exempt from corporation tax on its charitable activities.

xv) Basis of consolidation

The consolidated financial statements include the financial statements of the Society and its subsidiary undertakings made up to 31 January 2017.

xvi) Foreign exchange

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date.

xvii) Financial Instruments

The Society 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 bank loans which are subsequently measured at amortised cost using the effective interest method.

xviii) Heritage Assets

Heritage assets acquired are not recognised in the balance sheet. The Council are of the opinion that, because valuation information cannot be obtained at a cost commensurate with the benefits to users of the financial statements, a valuation approach is not practicable and so the Society has adopted a non-recognition approach. The Council are also of the opinion that, because the acquisition of new items for the collection is infrequent, the amounts involved are not material, either year-by-year in respect of income, or collectively, in relation to the balance sheet. Expenditure which is required to preserve or prevent further deterioration of individual collection items is recognised in the Statement of Financial Activities when it is incurred. The policies for management and preservation of the collections are stated in Note 15.

xix) Judgements in applying accounting policies and key sources of estimation uncertainties

There are a number of actuarial assumptions used in the quantification of the group's pension commitments which are described in Note 28. There are a number of assumptions in the fair value of the investment properties. These are described in Note 13c. With the exception of the pension commitments and investment property fair value assumptions, there are no material judgements or estimates applied in the preparation of these accounts.

xx) Changes to accounting estimates

The useful economic life of the revalued properties in Wisley village was assessed in 2016. This was deemed to be 50 years from the initial revaluation date of 1st February 2014. The Shop and Plant Centre at Wisley were revalued at 1st February 2014, however the useful economic life of these properties is now deemed to be complete by 31st January 2019 when their demolition is due to take place. Accelerated depreciation has been charged on these properties so that they will be fully depreciated by that date.

2. Income

Legacy Income

At the date of signing these accounts the Society had not been notified of any material legacies which are not included within these accounts.

Investment Income

Investment income of £597k is made up of income from listed investments of £502k and interest from cash holdings of £95k.

3a. Analysis of Expenditure on Charitable Activities - Group

The total resources expended on charitable activities in the Group during the year comprise the following:

	Direct Cost £'000	Support Cost £'000	2017 Total £'000	2016 Restated Total £'000
Charitable expenditure				
Members and Marketing	10,844	524	11,368	9,442
Shows	16,535	478	17,013	16,103
RHS Gardens	18,581	3,472	22,053	19,148
Communities and Education	3,016	431	3,447	3,224
Horticulture	1,146	140	1,286	1,292
Science and Collections	3,671	815	4,486	4,213
Total Resources Expended	53,793	5,860	59,653	53,422

Total support costs across all activities were £7.5m (2016: £7.1m). These include costs associated with providing central management, IT, HR, finance and other central services to the Charity's staff, volunteers, gardens and other activities. Costs have been allocated on the basis of headcount (see Note 5a).

Expenditure increases are mainly due to additional spending on Key Investment Projects as part of the Strategic Investment Programme.

3b. Analysis of Expenditure on Charitable Activities - Society

The total resources expended on charitable activities in the Society during the year comprise the following:

	Direct Cost £'000	Support Cost £'000	2017 Total £'000	2016 Restated Total £'000
Charitable expenditure				
Members and Marketing	10,873	630	11,503	9,399
Shows	16,746	574	17,320	16,632
RHS Gardens	18,594	4,171	22,765	19,992
Communities and Education	3,019	517	3,536	3,329
Horticulture	1,146	168	1,314	1,330
Science and Collections	3,673	979	4,652	4,408
Total Resources Expended	54,051	7,039	61,090	55,090

4. Governance Costs

	2017 £'000	2016 Restated £'000
Audit Fees	50	43
Internal Audit	289	332
Secretariat	388	309
	727	684

Governance costs relate to the general running of the Society and include costs for internal and external audit, Secretariat, legal advice for Trustees, and costs associated with meeting constitutional and statutory requirements such as the cost of Trustee meetings and the preparation of the statutory accounts.

5a. Analysis of Governance and Total Support costs - Group

	Governance £'000	Donations & Legacies £'000	Trading £'000	Sponsorship £'000	Charitable Activities £'000	2017 Total £'000	2016 Restated Total £'000
Leadership Team	-	9	83	-	336	428	784
Finance & Estates	50	57	506	-	2,037	2,650	2,564
IT	-	60	533	-	2,145	2,738	2,286
Risk & Governance	677	-	-	-	-	677	640
Communications	-	2	15	-	62	79	64
HR	-	20	177	-	713	910	727
	727	148	1,314	-	5,293	7,482	7,065
Add back recharges for governance costs	(727)	16	139	-	572	-	-
	-	164	1,453	-	5,865	7,482	7,065

5b. Analysis of Governance and Total Support costs - Society

	Governance £'000	Donations & Legacies £'000	Trading £'000	Sponsorship £'000	Charitable Activities £'000	2017 Total £'000	2016 Restated Total £'000
Leadership Team	-	13	-	-	455	468	784
Finance & Estates	50	70	-	-	2,527	2,647	2,622
IT	-	67	-	-	2,391	2,458	2,286
Risk & Governance	677	-	-	-	-	677	640
Communications	-	2	-	-	76	78	64
HR	-	25	-	-	885	910	727
	727	177	-	-	6,334	7,238	7,123
Add back recharges for governance costs	(727)	20	-	-	707	-	-
	-	197	-	-	7,041	7,238	7,123

Support costs have been reviewed in order to reflect more fairly the nature of the underlying activities of the Society. Where those costs are specifically attributable to the charitable purpose they have been directly allocated.

Remaining governance and support costs have been apportioned on a headcount basis.

6. Net Movement of Funds

Net movement of funds is arrived at after charging / (crediting):

	2017 £'000	2016 Restated £'000
Depreciation (including trading companies)	2,835	2,700
Auditors' remuneration:		
- Audit current year	50	43
- Audit under/(over) provision prior year	5	(15)
- Other professional services	29	41
Internal Audit	289	332
Operating lease rentals - Land & Buildings	69	83
- Other Assets	120	100

7. Employee Remuneration

	Permanent Staff		Casual Staff		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Employee costs during the period:						
Salaries and wages	20,976	19,294	2,421	1,851	23,397	21,145
Social Security	2,051	1,836	159	113	2,210	1,949
Pensions	2,202	2,226	59	43	2,261	2,269
	<u>25,229</u>	<u>23,356</u>	<u>2,639</u>	<u>2,007</u>	<u>27,868</u>	<u>25,363</u>

Redundancy and termination payments in 2017 amounted to £2k (2016: £88k). These payments were as a result of a review of resources required. There are no outstanding redundancy and termination payment liabilities for 2017 (2016: £nil).

The average number of regular full-time and regular part-time employees calculated on a full-time basis during the year was:

	2017 Number	2016 Number
Staff employed in funds generation:		
Trading activities	126	128
Fundraising activities	14	13
Staff employed in disbursement of Charitable expenditure:		
Members and Marketing	63	57
Shows	42	41
RHS Gardens	298	276
Communities and Education	37	36
Horticulture	13	13
Science and Collections	71	67
Support	119	111
	<u>783</u>	<u>742</u>

Key management personnel for the Group and for the Society are the same and have been determined to be the Leadership Team and the Trustees. See page 26 for a list of members of the Leadership Team and page 2 for a list of Trustees. The members of Council are the Trustees of the Society.

Remuneration in respect of the Leadership Team was as follows:

	2017	2016
	£'000	£'000
Emoluments	1,216	1,040
Pension contributions	123	102
	<u>1,339</u>	<u>1,142</u>

During the year, 11 Leadership Team members participated in the pension scheme.

The total number of employees whose remuneration and benefits in the year, excluding pension contributions paid directly by the Society, exceeded £60,000 was:

	2017	2016
	Number	Revised Number
£60,001 - £70,000	8	5
£70,001 - £80,000	6	5
£80,001 - £90,000	4	5
£90,001 - £100,000	3	3
£100,001 - £110,000	-	1
£110,001 - £120,000	-	3
£120,001 - £130,000	2	-
£140,001 - £150,000	1	-
£150,001 - £160,000	1	-
£170,001 - £180,000	-	1
£190,001 - £200,000	1	-
	<u>26</u>	<u>23</u>

The number of these employees for whom the Society made pension contributions was:

Defined contribution	26	22
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The Society contributed £259k (2016: £209k) to defined contribution pension schemes on behalf of employees whose annual remuneration exceeded £60,000.

No remuneration has been paid to any member of the Society's Council. Council members receive complimentary show tickets in accordance with their role for the RHS Chelsea Flower Show, the RHS Hampton Court Palace Flower Show, and the RHS Flower Show Tatton Park.

Council members were reimbursed a total of £16k (2016: £23k) for travel and subsistence expenses during the period. The number of Council members reimbursed for expenses was 12 (2016: 16).

The Leadership Team were reimbursed a total of £28k (2016: £49k) for expenses during the period.

	2017 £000	2016 £000
Travel & Subsistence	27	43
Entertaining	-	1
Accommodation	1	5
	<u>28</u>	<u>49</u>

8. Fixed Asset Investments

	UK Cash Instruments £'000	UK Property £'000	Unit Trusts £'000	Total £'000
Market Value at 1 February 2016	15,873	80	74,820	90,773
Less: Disposal proceeds	-	-	(14,994)	(14,994)
Add: acquisitions at cost	-	-	15,579	15,579
Add: net gain on revaluation at 31 January	-	5	5,281	5,286
Add: net movement in cash	84	-	-	84
Market value at 31 January 2017	15,957	85	80,686	96,728
Historical cost at 31 January 2017	15,956	30	71,578	87,564

Analysed as follows

	£000
UK Fixed Interest	24,011
Overseas Fixed Interest	8,352
UK Equities	4,121
Overseas Equities	23,716
Index Linked	3,618
Commodities	1,778
Bonds	8,974
Cash Instruments held within pooled investment vehicles*	4,982
	<u>79,552</u>
Cash Instruments held separately**	15,956
Diversifying Strategies	1,135
Market value at 31 January 2017	96,643
UK Property	85
Market value at 31 January 2017	<u>96,728</u>
Investments in UK at market value	63,472
Investments outside the UK at market value	33,171
Market Value of UK and Non-UK Investments	<u>96,643</u>

*Cash instruments held within pooled investment vehicles managed by third party investment managers

**Cash instruments managed by RHS

Restricted and unrestricted funds at market value of £91.7m are invested in a diversified portfolio of equity, fixed interest, other diversifying strategies and cash investments with a level of risk appropriate to the Society's charitable status.

Endowment funds amounting to £5.0m are invested in compliance with the Trustees Act 2000.

Historical cost of Fixed Asset Investments includes, for each pooled investment vehicle, income received which has been reinvested during the financial period of that investment vehicle. This totalled £486k.

Investments that represented more than 5% of the total portfolio were as follows:

	£'000
Cash Instruments	15,956
RLAM Cash Plus Fund	32,623
Troy Trojan Fund	15,732
Veritas Global Real Return Fund	17,197
TM Fulcrum Diversified Core Absolute Return Fund	15,135

Total gain on investment assets

	£'000
Net gain on revaluation of investments at 31 January 2017	5,286
Gain on revaluation of investment properties*	937
	<u>6,223</u>

*Investment properties are included in Note 13.

9. Taxation

The two trading subsidiaries donate all their allowable taxable profits under Gift Aid to the Society. These Gift Aid payments are recognised as distributions through equity rather than as an expense through the profit and loss, and therefore an operating profit exists for each subsidiary at the balance sheet date, on which a tax liability arises. Tax relief in full is recognised as income by the Society when the profits are donated under Gift Aid by the subsidiaries.

A Deed of Covenant was signed between each subsidiary and the Society on 31 January 2017. For each, this creates a legally binding obligation on the subsidiary to pay any profit before taxation to the Society, as its parent.

10. Commitments for future expenditure

Future capital commitments on signed contracts are £3,577k (2016: £741k), relating to the Key Investment Projects within the Strategic Investment Programme. Included in this number are commitments for Wisley Hilltop (£937k), Wisley Front of House (£624k), Rosemoor Events building (£508k), Wisley Barn (£489k), Hyde Hall Front of House (£182k), Hyde Hall Glasshouse (£124k) and RHS Garden Bridgewater (£121k).

11. Other incoming resources

Other incoming resources of £190k (2016: £51k) are primarily from rental income from investment properties in Wisley village.

12. Other expenditure

Other expenditure includes the tax calculated on subsidiary profits donated under Gift Aid to the Society less tax relief received; expenditure on the investment properties in Wisley village; and investment management fees.

13. Tangible Fixed Assets

a) Consolidated

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Investment properties £'000	Buildings on Wisley trust land £'000	Assets in construction £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
COST/MARKET VALUE								
At 1 February 2016	53,059	1,095	8,905	1,545	1,184	2,054	2,192	70,034
Additions	322	-	-	-	9,556	798	236	10,912
Disposals	(992)	-	-	-	-	(379)	(433)	(1,804)
Revaluations	-	-	937	-	-	-	-	937
Transfers	(585)	-	585	-	-	-	-	-
At 31 January 2017	51,804	1,095	10,427	1,545	10,740	2,473	1,995	80,079
DEPRECIATION								
At 1 February 2016	12,205	377	-	494	-	909	1,194	15,179
Charge for the year	2,090	22	-	31	-	460	232	2,835
Disposals	(625)	-	-	-	-	(379)	(433)	(1,437)
Transfers	-	-	-	-	-	-	-	-
At 31 January 2017	13,670	399	-	525	-	990	993	16,577
NET BOOK VALUE								
At 31 January 2017	38,134	696	10,427	1,020	10,740	1,483	1,002	63,502
At 1 February 2016	40,854	718	8,905	1,051	1,184	1,145	998	54,855

No assets are held under finance lease. All tangible assets are used for charitable purpose. Investment properties are held at market value.

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b) Society

COST/MARKET VALUE	Freehold land and buildings £'000	Leasehold land and buildings £'000	Investment properties £'000	Buildings on Wisley trust land £'000	Assets in construction £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
At 1 February 2016	53,059	1,095	8,905	1,545	1,184	1,940	1,916	69,644
Additions	322	-	-	-	9,556	798	236	10,912
Disposals	(992)	-	-	-	-	(379)	(340)	(1,711)
Revaluations	-	-	937	-	-	-	-	937
Transfers	(585)	-	585	-	-	-	-	-
At 31 January 2017	51,804	1,095	10,427	1,545	10,740	2,359	1,812	79,782
DEPRECIATION								
At 1 February 2016	12,205	377	-	494	-	739	938	14,753
Charge for the year	2,090	22	-	31	-	460	201	2,804
Disposals	(625)	-	-	-	-	(379)	(340)	(1,344)
Transfers	-	-	-	-	-	-	-	-
At 31 January 2017	13,670	399	-	525	-	820	799	16,213
NET BOOK VALUE								
At 31 January 2017	38,134	696	10,427	1,020	10,740	1,539	1,013	63,569
At 1 February 2016	40,854	718	8,905	1,051	1,184	1,201	978	54,891

No assets are held under finance leases. All tangible assets were held for charitable purposes.
Investment properties are held at market value.

The Trustees are aware that there is a material difference between the carrying value of some freehold land and buildings in these accounts and the market value of the freehold land and buildings belonging to the Society, but do not believe that there is value, commensurate with the associated cost, in ascertaining that market value at this time.

c) Gains on investment properties

	2017
	£'000
Market valuation at 1 February 2016	8,905
Transfers	585
Revaluation gain	937
Market valuation at 31 January 2017	<u>10,427</u>

Market valuations are based on the fair value of the properties at the balance sheet date, which is deemed to be the open market values at November 2016 for RHS-owned residential properties within Wisley village. There has not been a significant change in value between the date of the valuation and the balance sheet date.

Market valuations were provided by an independent property and construction consultancy in November 2015. This company is regulated by the Royal Institute of Chartered Surveyors. The Annual UK House Price Index, from the Land Registry website, has been applied to revalue investment properties to November 2016.

There have been no directly comparable property sales within Wisley village. In order to provide market valuations, consideration has been given to the most relevant property transactions within the local area. The revaluation gain reflects the average house price rise in Surrey between the original valuation in November 2015 and November 2016.

The state of repair and condition of the properties has been taken into account, but they do not include building surveys or inspection of areas which were covered, unexposed or inaccessible. The valuations assume areas not seen are in good repair and condition unless otherwise indicated.

Transfers relate to freehold buildings reclassified as investment properties in the period. The transfers are for RHS owned properties in Wisley village that are either vacant and are being prepared to rent out on the open market, or are for properties that are currently on the open rental market.

14. Investment in Trading and Other Companies

The Society's total investment in 2017 and 2016 of £110,101 consists of £100,000 in RHS Enterprises Limited (01211648); £100 in RHS Special Events Limited (03119017); £10,000 in Horticultural Halls Limited (02074555) and £1 in RHS Publications Limited (04438083). The Society has 100% ownership in all four companies.

Horticultural Halls Limited and RHS Publications Limited are both dormant companies. The Profit and Loss Account and Balance Sheet for the two trading subsidiaries, RHS Enterprises Limited and RHS Special Events Limited are shown below.

	RHS Enterprises £'000	RHS Special Events £'000	Total £'000
Profit & Loss Account			
Turnover	22,018	4,734	26,752
Cost of Sales	(8,426)	(1,025)	(9,451)
Gross profit	13,592	3,709	17,301
Administration expenses (net of interest receivable)	(6,992)	(225)	(7,217)
Other operating income	670	-	670
Net profit	7,270	3,484	10,754
Taxation	(1,454)	(697)	(2,151)
Profit/(loss) for the year	5,816	2,787	8,603

The figures above include the transfer of trading items between the Society and its subsidiaries which have been eliminated in the Consolidated Statement of Financial Activities (SoFA) to show income of £27.3m and net profit of £12.1m. These results form part of the Trading and Sponsorship activities in the SoFA.

	RHS Enterprises £'000	RHS Special Events £'000	Total £'000
Balance Sheet			
Fixed Assets	54	-	54
Current Assets	5,420	4,116	9,536
Current Liabilities	(1,526)	(3,643)	(5,169)
Long Term Liabilities	(10)	-	(10)
Amounts owing to the Society	(3,781)	(484)	(4,265)
Net (Liabilities)/Assets	157	(11)	146
Share Capital	100	-	100
Reserves	57	(11)	46
Equity Shareholders' funds	157	(11)	146

15. RHS Heritage Assets

The RHS holds two categories of Heritage Assets, the Lindley Library Collection and the RHS Herbarium. These assets are not valued on a regular basis as the Trustees do not believe that the value of ascertaining their market value would be commensurate with the associated cost.

The RHS Lindley Library Collection

The RHS Lindley Library Trust of which the members of Council of the RHS are Trustees holds an extensive collection of Heritage Assets that are held and maintained principally for their contribution to the knowledge of horticulture. They relate to the history of the Society, and its many activities – such as its scientific work and flower shows. Its collections also encompass the wider history of horticulture in this country, covering 500 years of the history of gardening and garden plants. They document the art, science and practice of horticulture including growing fruit and vegetables, social history of gardening, plant exploration, domestic produce and allied activities such as beekeeping and commercial horticulture.

The collections are in three main areas:

- **Printed works:** The Library contains over 80,000 books, dating from 1514 to the present day. Its special strengths are rare early gardening works and hand coloured illustrated works on garden plants, especially from the 19th Century. It has extensive holdings of ephemeral material including the largest collection of nursery catalogues in this country, plus garden guides, posters, postcards - all connected to gardens and gardening.
- **Archives, manuscripts and artefacts:** The Library holds the archives of the Society, which provide an unrivalled record of the development of the RHS since its foundation in 1804, as well as five hundred years of the history of gardening and flower shows. It also contains the archives of important horticultural personalities and commercial firms; the archive collection is a unique resource for historians.
- **Art and Images.** The collection includes over 23,000 botanical art works depicting garden plants, a special collection of 7,000 orchid paintings, 200,000 photographs from the late 19th Century onwards (including rare auto chromes and cartes de visite).

Acquisitions to the collections are made by purchase or donation according to the Collections Policy. Disposals generally occur when an item is a duplicate of another item in the collection (some duplicates are kept for operational purposes) or an item does not accord with the Collections Policy. Any monies acquired from disposal of items e.g. via book sales, are used to purchase other items for the collections or to fund library projects.

Public Access

The Library is part of the charitable delivery of the RHS. Its collections are accessible to researchers and the wider public through its 5 libraries, its enquiry service, through a detailed online catalogue, exhibitions, publications and an on-going programme of digitisation. Over 50,000 visitors use the libraries each year.

Herbarium

The Royal Horticultural Herbarium at Wisley is the largest Herbarium dedicated to the study and research of ornamental plants in the UK and has an international role as a major repository of standard specimens of cultivated garden plants.

Composition and Remit:

- The current Herbarium is estimated to exceed 83,000 specimens, mostly collected post-1980 but many earlier specimens. Gathering of specimens began around 1960.
- The majority of specimens are of ornamental plants. Collections come principally from the following sources:
 - i RHS gardens, especially Wisley
 - ii RHS Trials
 - iii RHS Shows, primarily the plants that are given awards
 - iv Plant Heritage collections
 - v Plants sent for identification to the Botanists by members
- It incorporates a number of major collections including the British Pteridological Society (BPS) herbarium of fern cultivars, the Alpine Garden Society and the Heather Society herbaria and the Frederick Hanbury herbarium of European plants collected mainly in the 19th Century.
- Around 1000 new specimens are collected and pressed each year.
- Wild collected plants are not a focus of the Herbarium, but are represented by a number of collections:
 - i Hanbury Herbarium
 - ii Botanical expeditions searching for garden-worthy plants, such as George Forrest, Ludlow & Sherriff, and some more recent Society funded expeditions.
 - iii Donated historical collections.
 - iv Native and naturalised plants, invasive species and garden weeds.
- Crop plants, including fruit and vegetables, are not represented to any extent in the Herbarium.

All new acquisitions and disposals are compared against the Accession Policy (May 2008).

The Herbarium is continuing to capture digital images of its specimens.

Nomenclatural Standards Collection:

These are specimens or images that are used to authoritatively fix the identity of a cultivated plant and are the equivalent of type specimens in botanical herbaria.

- The Herbarium at Wisley was one of the foremost proponents of the Standard Specimen programme, now an integral part of the International Code of Nomenclature for Cultivated Plants (2009).
- There are 10,050 standard specimens in the Herbarium to date (2,750 Herbarium specimens, 7,300 images).
- The Herbarium continues to add to its collection of standard cultivated garden plants from RHS Trials, RHS Shows and contributions directly from nurseries and breeders.

- The RHS Herbarium is a member of the Global Plants Initiative (GPI), among over 300 herbaria worldwide. The RHS has contributed images of all its nomenclatural standards and type specimens to the GPI which can be viewed online on the JSTOR website.

Image Collection:

- The current Herbarium is complemented by an extensive image collection, consisting of:
 - i Around 3,300 watercolour paintings of plants that received an award either in trial or at a show mainly between 1920 and 1955.
 - ii Around 50,000 colour transparencies of plants, mainly from the gardens, shows and trials between 1970 and 2010 (image acquisition is predominantly digital nowadays and dealt with separately to the Herbarium).

Access

The collections are occasionally sent on loan to other recognised herbaria or other institutions. However, the most frequent users of the collection are amateur gardeners and loans cannot be made to them. A programme has begun to digitise the Herbarium collections and make them available online. Loans are also more likely to be conducted by scanning the specimens in the future.

16. Stocks

	2017	2016
	£'000	£'000
Finished goods for resale	1,662	1,730
Other	74	63
	<hr/>	<hr/>
	<u>1,736</u>	<u>1,793</u>

Stock recognised in expenditure during the year was £7.0m (2016: £6.8m)

17. Debtors due within one year

	Consolidated		Society	
	2017	2016 Restated	2017	2016 Restated
	£'000	£'000	£'000	£'000
Trade debtors	2,254	2,684	1,450	1,741
Amounts due from subsidiaries undertakings	-	-	4,103	5,130
Other debtors	1,787	1,149	1,929	762
Taxation recoverable	188	506	188	506
Prepayments	2,247	2,402	2,049	2,195
	<u>6,476</u>	<u>6,741</u>	<u>9,719</u>	<u>10,334</u>

18. Creditors amounts falling due within one year

	Consolidated		Society	
	2017	2016 Restated	2017	2016 Restated
	£'000	£'000	£'000	£'000
Income in advance: members deferred subscriptions	13,020	12,227	13,020	12,228
Income in advance: other	10,982	9,423	6,870	5,358
Income in advance total	24,002	21,650	19,890	17,586
Trade creditors	1,240	1,372	1,054	1,054
Taxation and social security	430	1,404	81	972
Other creditors	1,267	2,104	1,080	6,049
Accruals	4,784	4,194	4,527	3,853
	<u>31,723</u>	<u>30,724</u>	<u>26,632</u>	<u>29,514</u>

All the income in advance at the start of the year was utilised during the year, except life membership. The balance at the start of the year for these life memberships was £1,470k, £216k was utilised during 2016/17 and deferred income for new life memberships was £381k, resulting in a balance of £1,635k at 31 January 2017.

19. Creditors amounts falling due after one year

	Consolidated		Society	
	2017	2016 Restated	2017	2016 Restated
	£'000	£'000	£'000	£'000
Income in advance: members' deferred subscriptions	1,420	1,254	1,420	1,254
Income in advance: other	11	14	11	14
	<u>1,431</u>	<u>1,268</u>	<u>1,431</u>	<u>1,268</u>

20a. Comparative results by type of fund 2015/16 - Group

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2016 Restated Total £'000
INCOME AND ENDOWMENTS FROM:				
Donations & Legacies	5,444	1,420	-	6,864
Grants	-	-	-	-
CHARITABLE ACTIVITIES:				
Members and Marketing	18,313	-	-	18,313
Shows	18,196	-	-	18,196
RHS Gardens	5,996	2	-	5,998
Communities and Education	456	2	-	458
Horticulture	317	-	-	317
Science and Collections	102	-	-	102
OTHER TRADING ACTIVITIES				
Trading Income	23,282	-	-	23,282
Sponsorship Income	2,027	-	-	2,027
INVESTMENTS	818	-	24	842
OTHER	51	-	-	51
Total	75,002	1,424	24	76,450
Expenditure on:				
RAISING FUNDS				
Donations & Legacies	1,306	-	-	1,306
Trading Costs	16,025	-	-	16,025
Sponsorship	356	-	-	356
CHARITABLE ACTIVITIES				
Members and Marketing	9,442	-	-	9,442
Shows	16,103	-	-	16,103
RHS Gardens	18,586	562	-	19,148
Communities and Education	3,036	188	-	3,224
Horticulture	1,183	109	-	1,292
Science and Collections	4,153	60	-	4,213
OTHER	(29)	-	-	(29)
Total	70,161	919	-	71,080
NET INCOME BEFORE GAINS ON INVESTMENTS	4,841	505	24	5,370
Gains on investment assets	784	-	36	820
NET INCOME	5,625	505	60	6,190
Transfers between funds	(16)	89	(73)	-
Other recognised gains/(losses):				
Actuarial gains on defined benefit pension scheme	1,526	-	-	1,526
NET MOVEMENT IN FUNDS	7,135	594	(13)	7,716
Reconciliation of funds:				
TOTAL FUNDS BROUGHT FORWARD	111,398	5,010	4,555	120,963
TOTAL FUNDS CARRIED FORWARD	118,533	5,604	4,542	128,679

20b. Comparative results by type of fund 2015/16 - Society

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2016 Restated Total £'000
INCOME AND ENDOWMENTS FROM:				
Donations & Legacies	14,974	1,420	-	16,394
Grants	-	-	-	-
CHARITABLE ACTIVITIES:				
Members and Marketing	18,071	-	-	18,071
Shows	18,240	-	-	18,240
RHS Gardens	7,075	2	-	7,077
Communities and Education	456	2	-	458
Horticulture	315	-	-	315
Science and Collections	102	-	-	102
INVESTMENTS	818	-	24	842
OTHER	453	-	-	453
Total	60,504	1,424	24	61,952
Expenditure on:				
RAISING FUNDS				
Donations & Legacies	1,369	-	-	1,369
CHARITABLE ACTIVITIES				
Members and Marketing	9,399	-	-	9,399
Shows	16,632	-	-	16,632
RHS Gardens	19,430	562	-	19,992
Communities and Education	3,141	188	-	3,329
Horticulture	1,221	109	-	1,330
Science and Collections	4,348	60	-	4,408
OTHER	-	-	-	-
Total	55,540	919	-	56,459
NET INCOME BEFORE GAINS ON INVESTMENTS	4,964	505	24	5,493
Gains on investment assets	784	-	36	820
NET INCOME	5,748	505	60	6,313
Transfers between funds	(16)	89	(73)	-
Other recognised gains/(losses):				
Actuarial gains on defined benefit pension scheme	1,526	-	-	1,526
NET MOVEMENT IN FUNDS	7,258	594	(13)	7,839
Reconciliation of funds:				
TOTAL FUNDS BROUGHT FORWARD	107,146	5,010	4,555	116,711
TOTAL FUNDS CARRIED FORWARD	114,404	5,604	4,542	124,550

21a. Funds

	Restated Balance 01.02.16 £'000	Incoming Resources £'000	Resources Expended £'000	Transfers £'000	Gains/ (losses) £'000	Balance 31.01.17 £'000
ENDOWMENT FUNDS						
Coke Trusts	2,085	11	-	(68)	456	2,484
Blaxall Valentine Scholarship	558	3	-	(15)	122	668
Guernsey Wilson Fund	290	1	-	(10)	64	345
Other Bursary Funds	241	1	-	(3)	53	292
Hyde Hall Endowment Fund	350	-	-	(350)	-	-
Wisley Endowment Fund	207	1	-	-	45	253
Eric Young Scholarship	215	1	-	-	47	263
Knowles Bequest	266	1	-	-	58	325
Shropshire Hort Society	168	1	-	5	37	211
Other Endowed Funds	162	1	-	-	34	197
Total Endowed Funds	4,542	21	-	(441)	916	5,038
RESTRICTED FUNDS						
Northern Horticultural Society	996	-	-	(996)	-	-
Garden Development Funds	1,883	1,146	(948)	12	-	2,093
Education & Training Funds	2,213	764	(609)	(685)	-	1,683
Bursary Funds	9	1	(83)	84	-	11
SIP Restricted Funds	109	411	-	685	-	1,205
Other Restricted Funds	394	55	(128)	(5)	-	316
Total Restricted Funds	5,604	2,377	(1,768)	(905)	-	5,308
UNRESTRICTED FUNDS						
Designated Funds						
Fixed Asset Fund	53,509	-	-	9,056	937	63,502
Reserve Policy Fund	7,500	-	-	-	-	7,500
Wisley Development Fund	240	-	(273)	33	-	-
Strategic Investment Programme Fund						
KIP: Existing Gardens	37,700	-	-	1,300	-	39,000
KIP: 5 th Garden, Bridgewater	9,000	-	-	-	-	9,000
KIP: Community Outreach	1,000	-	-	-	-	1,000
Total Designated Funds	108,949	-	(273)	10,389	937	120,002
General and Trading Funds	14,633	79,846	(74,139)	(9,043)	4,370	15,667
Pension Reserve	(5,049)	217	(183)	-	(3,015)	(8,030)
Total Unrestricted Funds	118,533	80,063	(74,595)	1,346	2,292	127,639
TOTAL FUNDS	128,679	82,461	(76,363)	-	3,208	137,985
Society only, General and Trading Fund						
	10,504	70,299	(60,347)	(9,043)	4,371	15,784

ENDOWMENT FUNDS

The Coke Trust provides bursaries for horticultural students and training.

The Blaxall Valentine Scholarship established a scholarship for the collection of plants.

The Guernsey Wilson Fund was established to further the horticultural work of the Society.

The Hyde Hall Endowment Fund was established on the transfer of the garden into the Society's care. This relates to fixed assets and not a fund and, as such, was reclassified to designated funds in 2016/17 to correct the classification on initial recognition.

The Wisley Endowment Fund was established under the terms of the Hanbury Trust. It is vested in the Society only so long as the Society uses Wisley garden as an experimental garden.

The Eric Young Scholarship provides funds for an orchid student to train at Wisley.

Knowles Bequest for study of horticulture in N England.

The Shropshire Horticultural Society Scholarship provides funds for a student to train at Wisley.

RESTRICTED FUNDS

The Northern Horticultural Society Funds represent the assets acquired by the Society on the merger with the Northern Horticultural Society. This relates to fixed assets and not a fund and, as such, was reclassified to designated funds in 2016/17 to correct the classification on initial recognition.

Garden Development Funds are held for development projects within RHS Gardens.

Education & Training Funds are held for horticultural education and training.

Field Research Facility is for the development of the centre.

Bursary funds represent the income from the endowed bursary funds less the expenditure.

SIP Restricted funds provide funding for the Strategic Investment Programme.

Other Restricted funds provide funding for awards, medals and other horticultural purposes.

UNRESTRICTED FUNDS

Designated Funds

The Fixed Asset Fund represents the net book value of the Society's tangible fixed assets.

The Reserve Policy Fund represents the risk-assessed reserve required in the event of a significant disruption to the Society's activities.

The Wisley Development Fund has been established to improve the infrastructure and enable refurbishment of Society owned properties in Wisley Village.

Strategic Investment Programme (SIP) Funds represents the funding support which has been specifically designated to date for the on-going SIP which have been divided into 'Key Investment Projects' (KIP). It is envisaged that this investment programme, which began in 2014, will take a minimum of ten years to complete.

KIP: Existing Gardens Fund represents the funding support which has been specifically designated to capital projects at the existing RHS Gardens. Projects include:

- (i) The building of a new Centre for Horticulture, Science & Learning at Wisley. This will provide the facilities to deliver and engage gardeners with four key strategic science themes, namely a global knowledge bank on gardening and garden plants; plant health in gardens; gardening in a changing world; and plant science for all people, plants and the planet.

- (ii) A new visitor hub and welcome space at Wisley. The improved visitor entrance will include an exhibition space. Plant sales will be at the fore to engage better with visitors and encourage more people to purchase and grow plants. A dedicated space for specialist UK nurseries will promote plants and offer expertise through a series of events. The Wisley shop will stock our unrivalled range of garden sundries, horticultural books and gifts, alongside a new café and restaurant facilities, and a prominent plant centre.
- (iii) A new Learning Centre and new horticultural spectacle at Hyde Hall. The Learning Centre will include a living teaching garden and will benefit the 144 schools and 10,000 students across Essex by providing them with a resource to learn about gardening and horticulture. The UK's largest perennial meadow will be created to help inspire and encourage smaller perennial meadows around the country in people's own gardens and community spaces.
- (iv) At Harlow Carr, the Harrogate Arms will be restored and reunited with the historical bath house around which the garden was founded. The streamside garden will be extended and exhibition space created within the Harrogate Arms alongside the addition of a dedicated events building.

KIP: 5th Garden, Bridgewater Fund represents the investment set aside to develop an additional Society Garden near Salford. This will provide tens of thousands more people with the benefits of having an RHS Garden within their vicinity. The garden centre will have a range of horticultural features and significant biodiversity of plants. It will have a calendar of events, including shows, with a focus on learning both for adults and children, benefitting local schools and communities, and boosting the local economy by attracting visitors.

KIP: Community Outreach Fund represents the funding support for grassroots community gardening. The RHS runs Europe's biggest community gardening campaign, RHS Britain in Bloom. Around 300,000 people from a variety of ages, cultures and backgrounds are involved in transforming public spaces that benefit an estimated 2 million people. This fund is to help support grassroots community gardening in an even more direct and meaningful way. Our teams give hands-on support, build local partnerships and create volunteering opportunities to support community gardening. The funds will help extend these schemes into more regions around the UK.

The Designated Pension Fund represents the actuarially-assessed reserve to fund the deficit on the Royal Horticultural Society (1974) Pension Scheme.

General and Trading Funds

The General and Trading Funds will be used to support the general working capital requirements of the Society. The proposed expansion of the scope of the Strategic Investment Programme will require further funds to be designated in their support in due course. Transfers between General Trading Funds and Designated Funds will be made accordingly.

Transfers

Transfers between endowment and restricted funds reflect the adjustments required for the total return accounting policy (see Note 21b). Transfers between unrestricted and designated funds represent capital expenditure where asset purchases/developments are held and depreciated in designated funds. Within restricted funds, funds previously categorised as Education and Training funds have been re-categorised as SIP restricted funds. These are funds originally raised from the Chelsea Appeal which included fundraising for the Hyde Hall Learning Centre.

21b. Endowment Funds

	Endowment £'000	Unapplied Total Return £'000	Total £'000
At beginning of reporting period:			
Trust for Investment / permanent endowment	2,636	-	2,636
Fixed Asset Endowments	350	-	350
Unapplied total return (Income)	-	1,556	1,556
Total	2,986	1,556	4,542
Movements in reporting period:			
Reclassification of endowment funds	-	(350)	(350)
Investment return: dividends and interest	-	21	21
Investment return: realised and unrealised gains and (losses)	-	916	916
Total	-	587	587
Unapplied total return allocated to income in the reporting period	-	(91)	(91)
Net movements in reporting period	-	496	496
At end of the reporting period:			
Trust for Investment / permanent endowment	2,986	-	2,986
Unapplied total return	-	2,052	2,052
Total	2,986	2,052	5,038

22. Analysis of net assets between funds

	Endowment Funds £'000	Restricted Funds £'000	Designated Funds £'000	General & Trading Funds £'000	Pension Reserve £'000	Total Funds £'000
Tangible Fixed Assets	-	-	63,502	-	-	63,502
Investments	5,038	5,308	56,500	29,882	-	96,728
Current Assets	-	-	-	18,939	-	18,939
Current Liabilities	-	-	-	(31,723)	-	(31,723)
Long Term Liabilities	-	-	-	(1,431)	-	(1,431)
Pension Scheme Liability	-	-	-	-	(8,030)	(8,030)
Total Net Assets	5,038	5,308	120,002	15,667	(8,030)	137,985

23. Net cash inflow from operating activities

	2017 £'000	2016 Restated £'000
Increase in Society funds	6,098	5,370
Pension Fund movement, excluding actuarial gains/losses	(34)	(16)
Investment income receivable	(604)	(880)
Depreciation charge	2,835	2,695
Fixed asset disposals	368	-
Decrease/(Increase) in stocks	57	(446)
Decrease/(Increase) in debtors	265	(1,629)
Increase in creditors	1,162	2,379
Net Cash inflow from operating activities	<u>10,147</u>	<u>7,473</u>

24. Reconciliation of net cash flow to movement in net cash funds

	£'000	£'000
Decrease in cash in the year	(831)	
Cash inflow to cash investments	<u>397</u>	
Movement in net cash funds		(434)
Net cash funds at 1 February 2016		32,099
Net cash funds at 31 January 2017		<u>31,665</u>

25. Analysis of changes in net cash funds

	Balance 01.02.16 £'000	Cash Flows £'000	Balance 31.01.17 £'000
Cash at bank and in hand	11,558	(831)	10,727
Cash included within investments (Note 8)	20,541	397	20,938
	<u>32,099</u>	<u>(434)</u>	<u>31,665</u>

26. Operating leases

As at 31 January 2017 the Society and its subsidiaries future minimum operating lease payments are as follows:

	Consolidated		Society	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
<u>Land and Buildings:</u>				
Not later than one year	84	59	84	59
Later than one year and not later than five years	311	-	311	-
<u>Other:</u>				
Not later than one year	115	96	93	71
Later than one year and not later than five years	260	295	210	223
	770	450	698	353

27. Prior period adjustments

Due to a change in guidance on the treatment of Gift Aid payments by the ICAEW and Charity Commission, the timing of Gift Aid payments from the subsidiaries can only be recognised as a liability once they are formally approved and authorised. A deed of covenant was signed on 31st January 2017 which created a binding agreement at this date for the subsidiaries to distribute their taxable profits to the Society.

As there was no formal obligation in place prior to this date, a prior year adjustment has been made in the subsidiary and consolidated accounts.

The prior year adjustment accounts for the tax provision on the taxable profits of the subsidiaries. Tax relief has been recognised by the Group on the Gift Aid payments made in the prior year. This adjustment has been shown as a movement in reserves.

The impact of the prior year adjustment is that the consolidated net movement in funds for the year ended 31 January 2016 has been increased by £29k, from £7,687k to £7,716k, with opening reserves for the group as at 1 February 2016 being adjusted from £128,650k to £128,679k.

28. Pension scheme

The Royal Horticultural Society (1974) Pension Scheme (the Scheme) was closed to future service accruals on 31 May 2009. A full actuarial valuation of the Scheme was carried out as at 5 April 2014, which has been updated to 31 January 2017 by a qualified independent actuary. To ensure that the Scheme's Statutory Funding Objective is met (ie there are sufficient assets to cover the Scheme's technical provisions), an agreement was reached in October 2014 between the Trustees of the Scheme and the Society that additional contributions will be paid to the Scheme of £18,083 per month for a period of 10 years beginning 5 April 2014. During the year, contributions of £216,996 were paid by the Society. A triennial valuation will be conducted in 2017/18, the outcome of which will determine whether the Society will need to amend its future contributions to the Scheme in respect of any deficit.

1) Employee benefit obligations – amounts recognised in the balance sheet:

	2017 £'000	2016 £'000
Present value of funded obligations	(32,742)	(26,294)
Fair value of plan assets	24,712	21,245
	(8,030)	(5,049)
Present value of unfunded obligations	-	-
Unrecognised past service cost	-	-
Deficit	(8,030)	(5,049)
Net Liability	(8,030)	(5,049)

As required under FRS 102, the Scheme's assets for this accounting period are based on bid price. The prior year Scheme's assets were calculated on the same basis.

The pension plan assets do not include ordinary shares issued by the sponsoring employer nor do they include property occupied by the sponsoring employer.

2) The amounts recognised in the SoFA are as follows:

	2017 £'000	2016 £'000
Net interest	183	201
Total expense	183	201
Actual return on plan assets	3,862	(261)

3) Changes in the present value of the defined benefit obligations are as follows:

	2017 £'000	2016 £'000
Opening defined benefit obligation	26,294	28,537
Interest cost	962	875
Actuarial loss/(gain)	6,098	(2,461)
Benefits paid	(612)	(657)
Closing defined benefit obligation	32,742	26,294

Active members of the Scheme ceased to accrue benefits in respect of pensionable service from 31 May 2009, although benefits earned prior to this date remain linked to pensionable salary on future withdrawal or retirement.

4) Changes in the fair value of plan assets are as follows:

	2017	2016
	£'000	£'000
Opening fair value of plan assets	21,245	21,946
Interest income	779	674
Return on assets	3,083	(935)
Contributions by employer	217	217
Member contributions	-	-
Benefits paid	(612)	(657)
Closing fair value of plan assets	24,712	21,245

5) The assets in the Scheme are as follows:

	2017	2016
	£'000	£'000
Equity	12,446	11,712
Bonds	11,430	7,457
Cash	836	2,076
Fair value of Scheme assets	24,712	21,245

6) Movement in deficit during the year:

	2017	2016
	£'000	£'000
Deficit in Scheme at beginning of the year	(5,049)	(6,591)
Movement in year:		
Contributions paid by the employer	217	217
Other financial expenditure	(183)	(201)
Actuarial (loss)/gain	(3,015)	1,526
Deficit in Scheme at end of the year	(8,030)	(5,049)

In the period to 31 January 2017 employer contributions of £217k (2016: £217k) were paid into the Scheme. The cost of life insurance was paid in addition.

7) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

a) Financial assumptions

	2017	2016
Discount rate	2.8% pa	3.7% pa
Future salary increases	3.8% pa	3.3% pa
Pension escalation in payment (Retail prices index – maximum 5%)	3.8% pa	3.1% pa
Inflation assumption	3.5% pa	3.3% pa

b) Demographic assumptions

(i) Assumed life expectancy in years, on retirement at age 65

	As at 31.01.17	As at 31.01.16
Retiring today		
Males	22.5	22.4
Females	24.6	24.5
Retiring in 20 years		
Males	24.7	24.6
Females	26.9	26.8

(ii) Pre retirement mortality rates

The following mortality rates represent the probability of a person of an exact age, as shown below, dying within one year.

Age	Males	Females
30	0.0003	0.0002
40	0.0005	0.0003
50	0.0010	0.0009
60	0.0033	0.0024

8) Amounts for the current and previous four periods are as follows:

	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	32,742	26,294	28,537	25,590	26,048
Plan assets	24,712	21,245	21,946	19,634	19,142
(Deficit)	(8,030)	(5,049)	(6,591)	(5,956)	(6,906)

29. Related Party Transactions

The Society maintains a Register of Interests of all Council members and senior staff. Also, the Society's financial regulations require an individual to declare an interest and withdraw from any commercial discussions should a conflict of interest potentially arise.

Council members are not remunerated for fulfilment of their roles. They received complimentary show tickets for personal use for the RHS Chelsea Flower Show, the RHS Hampton Court Palace Flower Show, and the RHS Flower Show Tatton Park (President and Treasurer received 8 show tickets and Council members received 4 show tickets).

Commercial relationships with companies or other organisations that might be regarded as related parties have been reviewed. The Society requires members of Council, non-Council members of the Commercial Board, and key management personnel to declare any material interests that they may have in the activities of the Society and its trading companies. Council and the Audit and Risk Committee consider and approve contracts between Trustees and the Society and its trading companies. The total cost of these transactions to the RHS in the year is £6,936. The RHS also received commission totalling £296,554, and £67,799 catalogue insertion fees from a related party. Details are as follows:

Mark Fane - Crocus.co.uk Ltd (of which Mark Fane is a Director) has a contract with RHS Enterprises Limited under which Crocus.co.uk Ltd supply mail order plants under the RHS brands. Crocus.co.uk Ltd. has paid £296,554 in commission to RHS Enterprises Limited on sales of £1.5 million in the year ended 31 January 2017. Crocus.co.uk also paid £67,799 for catalogues to be inserted into The Garden magazine. In addition, Crocus.co.uk Ltd was paid £929 for plants and £710 for images of plants for marketing. As at the 31st January 2017 the balance owed to Crocus.co.uk was nil.

George Anderson – was paid £760 for a Gardener's Question Time panellist fee. As at 31st January 2017 the balance owed to George Anderson was nil.

James Alexander-Sinclair – was paid £2,250 for mentoring at the RHS Hampton Court Palace Flower Show 2016 and £190 for work on the BBC Radio Front Gardens project at the same show. As at 31st January 2017 the balance owed to James Alexander-Sinclair was nil.

Neil Lucas – Knoll Gardens Ltd (of which Neil Lucas is a Director) was paid £169 for the supply of plants to RHS Harlow Carr, £340 for the supply of plants to RHS Wisley and £1,214 for the supply of plants to RHS Hyde Hall. As at 31st January 2017 the balance owed to Knoll Gardens Ltd was nil.

Jon Wheatley – was paid £375 for writing an article for The Garden magazine. As at 31st January 2017 the balance owed to Jon Wheatley was nil.

Donations from Trustees and individuals who are classed as related parties to Trustees, in their individual capacity as either Donors or Fellows, amount to £26,400 in the year.

A total of 12 Council members were paid expenses totalling £15,534 (2016: £22,752) for travel and subsistence for Council and Committee meetings, and judging at the RHS Flower Shows.

Key management personnel were paid expenses totalling £28,495 (2016: £49,170) for travel and subsistence and accommodation expenses.

All payments are shown net of VAT.

The Royal Horticultural (1974) Pension Scheme is a related party to the RHS, being the former Defined Benefit Pension Scheme, which is closed to future accrual (see Note 28).

There are no further related party transactions requiring disclosure.

Donors and Supporters

The RHS relies on the generous gifts, donations and bequests given by members and supporters.

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Mr John Reginald Ager
Mr Stanley Frederick Aston
Miss Ingeborg Bratman
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Mr Frank Thomas Squires
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Donations – Fellows

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We would like to thank all donors that have supported the RHS, including those that wish to remain anonymous.

If you would like to support the work of the RHS, please contact Ruth Evans
(ruthevens@rhs.org.uk), the Director of Education, Funding & Communities, at 80 Vincent
Square, London SW1P 2PE or telephone 020 7821 3081

Governance Boards and Committees

Audit and Risk Committee (reporting to Council)

Dame Mary Keegan (Chairman from 13 July 2016)
Sir Nicholas Bacon
Mr Alastair Muirhead
Mr Matthew Lindsey-Clark (elected 11 October 2016)
Mr Neil Lucas
Mr Mark Porter
Mr Philip Rego
Mr John Ward

Commercial Board (reporting to Council)

Mr Alastair Muirhead (Chairman)
Sir Nicholas Bacon
Mr Christopher Blundell
Mr David Domoney
Mr Dennis Espley
Mr Mark Fane
Mr Matthew Lindsey-Clark
Mrs Avril Martindale
Mr Mark Porter
Mrs Katherine Thomas (elected 13 July 2016)
Ms Johanna Waterous
Mrs Ruth Wilmott
Mrs Margaret Young

Council Key Investment Projects Working Group

Sir Nicholas Bacon (Chairman)
Mr Mark Fane
Dame Mary Keegan
Mr Alastair Muirhead
Mrs Lorna Parker

Horticulture Board (reporting to Council)

Sir Nicholas Bacon (Chairman)
Mr Alastair Muirhead
Mr James Alexander-Sinclair
Ms Rosie Atkins (re-elected 14 July 2016)
Mr Graham Badman (elected 27 June 2016)
Mr Nick Dunn
Mr Dennis Espley
Prof. Peter Gregory
Dr Christopher Grey-Wilson
Mr David Haselgrove
Dr Clare Hermans
Mr Jan Pennings
Dr David Rae
Mr Greg Redwood
Lady Xa Tollemache (re-elected 14 July 2016)
Mr Jon Wheatley

Investments Committee (reporting to Commercial Board)

Mr Mark Fane (Chairman)
Sir Nicholas Bacon
Mr Alastair Muirhead
Ms Liz Airey
Mr Rupert Caldecot
Mr Anthony Townsend (elected 13 July 2016)

Nominations, Appointments and Governance Committee (reporting to Council)

Ms Lorna Parker (Chairman)
Sir Nicholas Bacon
Mr Alastair Muirhead
Mr Michael Balston
Mr Dennis Espley
Ms Kate Lampard
Mr Neil Lucas
Dr David Rae
Mrs Juliet Roberts (elected 1 March 2016)

Remuneration Committee (reporting to Council)

Mr Alastair Muirhead (Chairman)
Sir Nicholas Bacon
Mr Dennis Espley
Mrs Lorna Parker
Mrs Katherine Thomas

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