



**ANNUAL REPORT  
AND CONSOLIDATED FINANCIAL STATEMENTS  
2012/13**

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**Principal Office of the Royal Horticultural Society**

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[www.rhs.org.uk](http://www.rhs.org.uk)

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## Annual General Meeting 2013

All members of the Society will have the opportunity to meet Members of Council (who are Trustees of the Royal Horticultural Society), the Director General and Leadership Team, and ask questions on past performance and future plans at the 2013 Annual General Meeting which will be held at RHS Garden Wisley, Surrey, at 2pm on Tuesday 25 June 2013. For further information about the meeting, go to [www.rhs.org.uk/AGM](http://www.rhs.org.uk/AGM) or contact The Secretary at the address shown below.

If you have any questions about anything contained in this Report or the accompanying Financial Statements, please address these in the first instance to The Secretary, Royal Horticultural Society, 80 Vincent Square, London SW1P 2PE, telephone 020 7821 3034, fax 020 7821 3020, email [agm@rhs.org.uk](mailto:agm@rhs.org.uk).

We also genuinely welcome your suggestions upon how the Report can be improved in future years, and invite you to join us at this year's AGM.

## President's Introduction: Review of 2012/13

This has been another year of success for the RHS as the popularity of gardening continues to grow and becomes more available to more people throughout the country.

As I look back over the last three years, I am happy to see how much more interest there is in gardening and how far the RHS has helped to promote all aspects of gardening. Our membership has now reached over 400,000 for the first time, a remarkable achievement given our number of members have stayed around 350,000 for several years. This is thanks to the much appreciated hard work of our staff and volunteers, but we still have a huge opportunity for further growth.

Throughout my time as President I have been encouraged to see co-operation between all organisations involved in gardening grow. Amongst many exciting results was the partnership between the Garden History Museum and the RHS to purchase the 1905 'Portrait of a Black Gardener' by Harold Gilman, a picture that will be exhibited by both of us. Then, in April 2012 the RHS launched the first National Gardening Week – designed as a platform for the whole industry to work together to promote gardening & horticulture, highlights included the "Horticulture a Career to be Proud of" Conference chaired by Alan Titchmarsh, an RHS Vice President. It was attended by journalists, gardeners, retailers, scientists, apprentices, career changers and students, and aimed to change perceptions about a career in horticulture. This led to our "Horticulture Matters" campaign that brought together a whole host of organisations to help raise the profile of our diverse industry. We sincerely hope it will encourage more people into Horticulture, where, despite such a varied range of careers, skills are being lost at an alarming rate and youngsters are generally not even considering Horticulture as a possible future occupation. The RHS Young School Gardener of the Year was launched in April to help this, and Lucas Hatch aged 11, won the award out of 16 finalists; he demonstrated passionate enthusiasm and incredible knowledge about gardening and inspired all those who met him.

Our aim 'to promote the science, art and practice of horticulture' remains the same today as it was 209 years ago when the RHS was formed. However, it was time for the RHS to update and improve the way the Society worked - the crucial role of the expert committees was considered deeply during a review which was completed on 31 December 2012. Some committees have been re-organised to bring in new members whilst keeping the irreplaceable knowledge of the long standing members, some were amalgamated, others have become more focused in size or remit, and new ones introduced, most importantly of all, the newly formed Horticulture Board. This oversaw the revision of the Award of Garden Merit list of over 7,000 plants that took place throughout 2012 and was launched in February 2013. This is the culmination of an amazing amount of work by all the plant committees, ably led by John Grimshaw.

In the past year, the great significance of science to the work of the Society has been emphasised. More has been done to let members and the public know about the work undertaken by the science team, including all the information that is available, particularly from the Advisory Team and the website. The John MacLeod Field Research Facility at Wisley was opened by Professor David Bellamy, at last giving the scientists a modern resource to carry out their field experiments. In future you will hear much more about the work that they will undertake as this becomes of increasing importance to us all.

Although the summer was one of the wettest on record, every RHS Show managed to open and stay open, which was a triumph as many other shows and outdoor events were cancelled. Apart from the RHS Chelsea Flower Show, where the sun shone all week, visitor numbers at the other shows were lower than we hoped as a result of the poor weather and the conflicting appeal from the magnificent once-in-a-lifetime events of the London Olympics, Paralympics and Queen's

Diamond Jubilee. In honour of this last occasion, the Queen's Diamond Jubilee award for the best floral exhibit in the Chelsea Flower Show Great Pavilion was awarded by Her Majesty to H.W Hyde & Sons for their fantastic display of lilies.

The Campaign for School Garden celebrated its 5th anniversary in 2012 and grew from strength to strength reaching over 3.5 million children in some 16,000 schools. Two regional pilot groups were set up in Scotland and in Yorkshire to work more closely with schools, communities, local Horticultural Societies, businesses, RHS Britain in Bloom and Beautiful Scotland to raise the presence of the Society in these areas.

All of our gardens are flourishing and came out well in a 'Which' survey of their readers' favourite gardens. Rosemoor in Devon came first, with Wisley in Surrey second, Harlow Carr in Yorkshire fourth and Hyde Hall, Essex, was a worthy 10th. To have all four RHS Gardens in the nation's top ten is a magnificent achievement.

Further investments were made to ensure the appeal of the gardens continues into the future. At Wisley, the new Rose Garden, mixed with herbaceous plants and designed by Robert Myers was opened in the summer. At Hyde Hall, work on a new playground tower began. At Rosemoor, an enchanting play boat 'The Green Ship' – inspired by Quentin Blake's book, using milled spruce timber from trees in The Copse has been a great attraction. Rosemoor also received the National Collection of Water Iris's donated from John and Galen Carter, of Rowden Gardens in Devon. Harlow Carr saw the Alpine House garden completed, and despite such poor weather, welcomed a record number of visitors.

The Great Garden Adventure, new for 2012 and sponsored by Witan Investment Trust, ran across all four RHS Gardens; its learning activities focused on different continents around the globe, with summer trails and exciting workshops attracting over 200,000 people during August.

"RHS Fellows" were established during my time as President and we are immensely grateful to this small group of core supporters who donate so generously each year to help fund many RHS initiatives. It was also a major milestone for the RHS when we sold the lease of the Lawrence Hall to Westminster School. This was a true win-win as the children of this fine school finally have a sports hall, we can run our 4 shows a year in both the Lawrence and Lindley Halls, and substantial seed funds have been established to have a material and positive impact on the future of the RHS; more on this can be found in the Director General's Introduction overleaf.

Throughout my Presidency I have been overwhelmed by the way members, volunteers, committees, staff, executive, Council, sponsors and the horticultural trade work together to help everyone to garden. It has been a huge honour and pleasure to lead such a team; I thank them for their hard work and the magnificent contribution they make.

I welcome the new President, Nicholas Bacon



**Elizabeth Banks**  
**President**

## Director General's Introduction: Looking to the Future

As you have read in the President's Review, 2012/13 was a challenging year for the Society and the whole Horticultural industry with early drought followed by the second wettest year on record, plus the impact of the on-going recession, the Queen's Diamond Jubilee, the London 2012 Olympic and Paralympic Games.

In this context, we are reasonably pleased with our achievements in 2012 as they demonstrate the continued relevance of the work of the Society, particularly as we welcomed our 400,000<sup>th</sup> member and started work on our Key Investment Projects, carefully chosen to make a real difference to the RHS, its members and horticulture in this country. More on those projects later.

Chief amongst the highlights for 2013 is of course, the Centenary of the RHS Chelsea Flower Show that took place in May. Since 1913, the Society has staged what was originally known as the Great Spring Show in the beautiful grounds of the Royal Hospital, home of the Chelsea Pensioners. Today, the world's finest Flower Show is not only a landmark in the UK's cultural calendar, but a source of inspiration for plant and garden lovers – whether they are amongst the 161,000 visitors or the millions of online and BBC TV viewers and radio listeners.

We want to ensure however that this Centenary Show creates a lasting legacy, supporting the next generation of horticulturists. After our 2012 "Horticulture, A Career to be Proud of" Conference, we continued to expand the network of organisations involved from right across the spectrum of the horticultural world, including the Institute of Horticulture, GrowCareers, LANTRA, the Horticultural Trades Association (HTA), and Royal Botanic Gardens Kew and Edinburgh. The resulting "Horticulture Matters" report was presented to Parliament in April – it highlights the growing skills crisis in UK Horticulture that threatens our economy, environment and food security. It also threatens the health and happiness of our nation, derived from our love affair with gardens, allotments, parks and community gardens ... indeed any green space! . "Horticulture Matters" is therefore a key focus for us in 2013, because without skilled and professional Horticulturists, we would not have the Horticulture industry contributing £9 billion to our economy, we would not have control over at least part of our own food security and we wouldn't be renowned throughout the world as a nation of gardeners in our truly "green and pleasant land".

We will do all we can to raise the profile and appeal of Horticulture, and help close the green skills gap, but make no mistake, this is a crisis and now is the time for us all to act before it is too late and Horticultural skills are lost from Britain forever.

At the 2013 Chelsea Flower Show, we launched the RHS Chelsea Centenary Appeal to raise £1m to invest in the future of horticulture including an exciting new RHS Horticultural apprenticeship programme and an expansion of our Campaign for School Gardening into secondary schools.

But just as important and exciting are our Key Investment Projects that have been made possible by the sale of the lease of Lawrence Hall in London to Westminster School. Each one of these projects helps us achieve our strategic objectives. They will enable us to continue our research and conservation work in Science; to improve the reach and quality of our educational work; further develop the public access to our libraries and artworks; and share the best in gardening with as many people as possible.

Briefly, the projects already underway are as follows. Many will take up to five years or so to deliver, but we are keen to share the exciting news of what's coming:

- **RHS Wisley** – our flagship garden will have new event and exhibition space, more retail space devoted to our specialist British nurseries and horticultural books, a lecture theatre, a new restaurant and learning facilities.
- **RHS Hyde Hall** – acres of perennial flowering meadows, an edible garden and a Learning Centre are being planned for our Essex garden.
- **RHS Lindley Library and Hall** – the flexibility of these two beautiful spaces will be developed to enable more public displays of our incredible art collections, more events and exhibitions, more lectures and horticultural shows in the heart of London.
- **[www.rhs.org.uk](http://www.rhs.org.uk)** – our new website will be launched this year with easily navigable pages and a mind-boggling amount of information that will be educational, fun and inspirational too, all easily accessed by anyone, anywhere in the world.
- **Regional** – we have launched two pilot schemes in Scotland and Yorkshire as we firmly believe we must reach out and link up with other organisations around the country. These include RHS Britain in Bloom, our Partner Gardens, plant societies, allotment holders, affiliated societies and gardening clubs, local businesses who want to help, colleges who want to teach. We all have one vital thing in common – Horticulture!
- **Science** – we will be making major investments into a new Science building and our Science work, including the conservation and naming of plants; plant health, pests and diseases, and our work on the environment and climate change.
- **Urban Garden** – work will start on this in late 2013 as we look to secure a site for our first urban garden, designed to bring gardening and a love of plants to city dwellers.

We also aspire to secure a garden(s) within the next few years, and have therefore allocated additional reserve funds to enable this when the time and opportunity is right.

As you can see, we have an exciting year ahead of us. Everyone at the RHS, staff and much-valued volunteers alike, knows that we want to inspire as many as possible to enjoy the simple love of plants, to get growing and gardening, to visit beautiful gardens, and to spread the word about what wonderful and varied careers Horticulture can offer.

Quite simply, we want to be more open, more accessible and more relevant for everyone who has an interest in all things green. If we achieve all that, then 2013 will be a very special year indeed.



**Sue Biggs**  
**Director General**



## Activities in 2012/13: What the RHS does

The following is a summary of the Society's principal activities and shows how we provide benefit both to our members and the wider public.

### Gardens

We have four renowned Gardens; at RHS Harlow Carr in North Yorkshire, RHS Hyde Hall in Essex, RHS Rosemoor in Devon and our flagship garden, at RHS Wisley in Surrey. Through them, the Society helps gardeners across the UK by providing access to diverse plant collections, examples of innovative and attractive planting design and the highest horticultural standards and practices. The RHS Gardens also hold plant trials to judge the performance of plants. Those that are considered to perform particularly well receive the RHS Award of Garden Merit (AGM) to help gardeners identify plants that will thrive in most garden situations. Those that are particularly good for pollinating insects (so vital for a healthy, sustainable environment) are identified by the new and easily recognisable logo of RHS Perfect for Pollinators.

In 2012/13, we welcomed more than 1.4 million visitors to our Gardens. Whilst this was a 3.9% decline on the previous year, we believe this to be a relatively good performance in comparison to other gardens and outdoor visitor attractions, and given the poor weather in 2012, the on-going recession and the diversions of the wonderful Queen's Diamond Jubilee, Olympics and Paralympics.

### Retail

The RHS offers excellent shopping opportunities in all four of our Gardens and at all our Shows for members and visitors alike. Sales are generated through our plant centres, gift shops and bookshops, with RHS Garden Wisley offering the best selection of horticultural books in the UK to browse through. In addition, shoppers can use our online sales facilities or mail order service. We earn further income for our charitable purposes from licensing the use of images from our extensive library to third parties.

### Shows

The RHS is responsible for organising inspirational Flower Shows at Chelsea in central London, Hampton Court Palace in south west London and Tatton Park in Cheshire, as well as seasonal shows in RHS Gardens Wisley in Surrey and Hyde Hall in Essex, and at the Society's Horticultural Halls in London. Partnership Shows include the RHS Spring Show in Cardiff (in conjunction with Cardiff Council), the Malvern Spring and Autumn Gardening Shows (organised jointly with the Three Counties Agricultural Society) and BBC Gardeners World in Birmingham (in conjunction with the BBC Haymarket Exhibitions Limited). The RHS also collaborates with many groups and societies to deliver specialist shows at the Society's Gardens and Horticultural Halls in London.

### Collections

The RHS Herbarium at Wisley also holds an internationally important collection of dried and pressed plant specimens of cultivated ornamental plants. It is the largest herbarium dedicated to the conservation of ornamental plants in the UK.

The history and art of horticulture is centred in the RHS Lindley Library, which contains one of the finest collections of horticultural literature in the world, as well as a renowned collection of beautiful botanical paintings and outstanding photographs. The collections provide an unmatched reference for the influences and knowledge that underpin our perspective on horticulture, and are used by keen gardeners, scholars, garden writers, journalists, members and the public from the UK and overseas. The Library at Vincent Square in central London, and its branches in each of the RHS Gardens, are open most days of the week and access is free to everyone.

In the adjacent RHS Lindley Hall, flower and garden design Shows, art exhibitions and talks are held for the benefit of our members and the wider public.

In the RHS Gardens, the largest collections of cultivated plants in the world are there for all to discover and enjoy.

### **Media**

The RHS aims to share our knowledge with all gardeners. To that end, we publish widely, both online and in print. Our website ([www.rhs.org.uk](http://www.rhs.org.uk)) attracts 631,000 unique users a month.

In print, we also publish a monthly magazine, *The Garden*, as well as *The Plantsman*, *The Orchid Review*, *Hanburyana* and a host of horticultural books that help to keep our members and the public informed about the latest skills, design and practice of horticulture.

### **Science**

RHS Science is the recognised centre of excellence for independent horticultural science and advice; our scientists are committed to helping gardeners improve and develop their horticultural skills, as well as identifying and promoting solutions to major issues. The Society carries out scientific research into plants, their physiology, cultivation, identification, the pests and diseases affecting them and the role they play in our environment. We also provide evidence-based horticultural advice to our members and the wider public via our website, through lectures and seminars, and by leading the debate on issues influencing horticulture and gardening.

### **Education**

The Society aims to share practical knowledge and to inspire those of all ages and abilities with an interest in plants and gardening.

We are committed to providing a 'ladder of qualifications', from the RHS Level 1 Certificate (accessible to the amateur as well as the first step in vocational training for the professional horticulturist), through to the prestigious Master of Horticulture (RHS), a degree-level qualification. All RHS Qualifications are distinguished by our commitment to high standards. The RHS is an Awarding Organisation recognised by the Office of Qualifications and Examination Regulations (Ofqual), ensuring accessibility to RHS qualifications through colleges and other partners across the UK. We also offer practical training schemes through the School of Horticulture to over 30 trainees within our own Gardens, which offer an unmatched opportunity to learn with the best and to acquire diverse craft skills and a practical understanding of horticulture.

For the gardeners of the future, we run the Campaign for School Gardening to encourage as many children as possible to get growing, and to help every child to become involved in gardening. It's

fun, they're outdoors, they learn where their food comes from and how to cook it, and enjoy the simple beauty of plants, keeping healthy in the meantime. For adults, we organise a range of lectures, courses and workshops in our Gardens and around the country, aimed at inspiring and helping adults to share their knowledge or build their confidence to learn and do more. We are committed to developing a broad range of formal and informal learning opportunities for everyone, enriching their knowledge and quality of life.

The Society also offers a number of bursary funds to support plant research, expeditions, study tours and conference attendances around the world.

### **Community Gardening**

The Society is proud of its work that aims to spread gardening to as many communities and corners of the UK as possible. The RHS is the national organising body for the renowned Britain in Bloom and It's Your Neighbourhood community gardening movement, which promotes environmental and horticultural good practice in local communities, and enables the RHS to support gardeners throughout the UK at a local level. We also link to schools and other groups such as Affiliated Societies (including gardening clubs) to expand our reach, and increase the network of gardeners. In addition, we encourage gardening in prisons through our awarding of the Windlesham Trophy.

### **How we ensure access for all**

We aim to ensure that anyone with an interest in horticulture and gardening can benefit from our work. In common with many charities, we do sometimes need to make a charge for access to our services and work. Equally we try to ensure that as many people as possible benefit whatever their means. In particular, we provide free access to an extensive knowledge base through our website and libraries; offer free open days and facilitate educational visits at all our Gardens; award bursaries for horticultural study; make available the benefit of our trials programme to the public and horticultural industry through our Award of Garden Merit and Perfect for Pollinators schemes; and support community gardening initiatives through the Campaign for School Gardening, Britain in Bloom and the affiliation of local Horticultural Societies. We also ensure that there is extensive coverage of our Shows on free-to-air television, radio and various websites.

We are eternally grateful to all our generous donors and those who leave legacies to us for without their kind donations we could not undertake all the work we do. As a membership charity, we also rely on the welcome support of our over 400,000 members to deliver our charitable purpose. In return for this vital and much appreciated contribution, we provide our members with access to a range of services and activities such as free entry for themselves and a member of their family to our Gardens and over 140 recommended gardens (free entry for member only in recommended gardens); reduced admission prices to our Shows; an information-packed monthly magazine; and additional gardeners' advisory services. However, our membership programme is also a key means for us to engage with those interested in horticulture and gardening and for us all to share our knowledge and best practice. We place no restrictions on membership and endeavour to keep membership subscriptions at an affordable level.

The Trustees confirm that they have complied with the duty in section 4 of the Charities Act 2006 (now section 17 of the Charities Act 2011) to have regard to the Charity Commission's general guidance on public benefit, Charities and Public Benefit.

## Objectives, Achievements and Developments

The RHS was founded in 1804, and our core objective is to be the world's leading gardening charity by inspiring passion and excellence in the science, art and practice of horticulture. We are now embarking on a long-term investment plan that will change the face of the RHS and help secure the future of horticulture. In everything we do, we will aim to use our Guiding Principles, which are to: **Inspire. Involve. Inform. Improve.**

### Our Strategic Objectives for 2012/13

Our key achievements against our Strategic Objectives are summarised on the following pages.

**1. To be known, loved and trusted as the charity for all gardeners** – we believe in the simple pleasure of gardening and all the benefits it brings, because gardening matters.

- The RHS Experience exhibition, setting out to explain the work of the Society, was staged at Cardiff, Malvern Spring, Chelsea, BBC Gardeners' World Live, Hampton Court Palace and Tatton Park Flower Shows. .
- 1.4 million visitors were welcomed to our gardens. This was 3.9% cent fewer than in 2011/12.
- The RHS website attracted an average of 631,000 unique visitors every month (an increase of 30% on the previous year), the number of friends on the Society's Facebook page doubled to 22,000 and the Society now has 29,000 followers on Twitter.
- The advisory service answered 79,791 enquiries from gardeners.
- Organised by the RHS, the first annual National Gardening Week was run between 16-22 April 2012. This event was supported at all RHS gardens and by 150 gardens and nurseries across the UK.

**2. To safeguard and advance the science, art and practice of horticulture for the benefit of future generations and the environment** – who will protect all of the nation's individual gardens and plants if we don't?

- In April 2012 the Society hosted the "Horticulture: A Career to be Proud of" Conference, hosted by Alan Titchmarsh and drawing together speakers from across the sector of all ages and backgrounds, to raise the profile of gardening as a viable and rewarding career.
- The Field Research Facility opened at RHS Garden Wisley in May 2012. This new facility will enable the RHS to carry out enhanced scientific research into pests and diseases of concern to RHS members and indeed all gardeners.
- The RHS Bursaries scheme provided financial support for a wide range of horticultural projects including overseas expeditions, study tours, conference attendance, and work placements at botanic and historic gardens around the world. A total of 135 applications were received 74% of which received a bursary amounting to a combined total of £83,993 being awarded enabling professional and student horticulturists, and other related professionals, to broaden their skills, knowledge, and experience.

**3. To transform communities through gardening** – through our work, we want to make the UK a better, greener and more beautiful place.

- The Society's Campaign for School Gardening welcomed over 16,000 schools in 2012. There are now over 3.5 million children involved with the Campaign and visits to RHS Gardens by schools have also increased to 40,500.
- RHS Britain in Bloom had one of its most successful years to date. 1,686 communities were involved and 1,680 more local groups took on the It's Your Neighbourhood challenge. Over 300,000 volunteers across the country invested some 4.4 million hours last year.
- Working with the National Garden Scheme, the RHS established the Elspeth Thompson Bursary to support community projects. An annual bursary fund is available to provide financial assistance to amateur gardeners within community groups, to enable them to create a garden or horticultural based project for the benefit of the community, or to enable them to acquire horticultural knowledge and skills and to develop and share their love of gardening for the benefit of their community group.

**4. To create world-leading horticulture that inspires people to garden** – we want to delight our visitors with the wonder of gardening and inspire people to grow.

- The Society's successful and acclaimed Flower Shows continued to attract thousands of gardeners. Tickets to RHS Chelsea Flower Show sold out a record 30 days in advance, and the Show welcomed some 161,000 visitors – more than ever before. The poor weather and distraction of the Olympics had a negative impact on attendance to the RHS Hampton Court Palace Flower Show (which welcomed 123,855 visitors) and the RHS Show Tatton Park Flower (which welcomed 69,127 visitors).
- We ran another successful Grow Your Own campaign with over 23,645 gardeners registering their interest. Of these, 89% were non-RHS members. To date, over 372,000 people have downloaded the RHS Grow Your Own iPhone 'App'.
- We began the planning of the RHS Hyde Hall Key Investment Project to address two main issues which are to increase the diversity of the plant collection that is suited to the climate and topography of Hyde Hall, and to improve the educational facilities through delivering a Learning Centre at the garden.

**5. To nurture and grow our membership throughout the UK** – we want to be open, relevant and indispensable to all gardeners so that increasing numbers want to join us.

- At the end of the financial year, we had 400,795 members, a record high, a new landmark for the Society and a net increase of 17,749 members on the previous year. Pleasingly, this growth was built on improvements in both the recruitment of new members and the retention of existing members.
- The number of Fellows, the top tier of membership and another important source of support for the Society, reached 88.

**6. To provide a voice for all gardeners** – our aim is to be the trusted voice of authority for the many and the few.

- We held a number of meetings with affiliated societies and their specialist panels and plant committees with the aim of improving the service we give to those gardeners with specialist interests.

- The Trials team worked closely with the gardening trade to explore ways for the Award of Garden Merit (AGM) to appear more frequently at point of sales. We continue to work closely with organisations such as the Horticultural Trades Association (HTA) to help ensure that the AGM and Perfect for Pollinators logos are used to maximum benefit and also that a united front can be given to government, for example, when needed for the benefit of gardeners.

**7. To share and build expert knowledge** – anything anyone ever wanted to know about horticulture from beginners to experts.

- Our Advisory Service handled a record 79,791 gardening enquiries, ranging from pest and disease identification to the best ways of growing specific plants.
- Work is well underway to redevelop the Society's website. The newly designed site will significantly improve ease of navigation through the more than 1,200 pages of content and provide additional functionality including premium content for registered users and members.
- There are now over 5,600 plants included in RHS Plant Selector which attracted 2.46 million visits over the course of the year (17% of the total web traffic to the RHS Website).

**8. To delight our customers with exceptional service and products** – we will put our customers at the heart of everything we do, improving their experience at every point throughout our organisation.

- The Company of Cooks have been reappointed as our catering partner at RHS Garden Wisley. Together, we have created the Taste of Wisley where fresh seasonal produce grown in the garden is used in the preparation of the food, and our catering offer becomes part of our visitors' experience of the garden.
- This year, we began the process on investing in new interpretation across all four of our gardens. This project is designed to enhance visitors' enjoyment of the gardens by improving orientation signage, and introducing discreet interpretation panels designed to increase understanding of how and why our curators have developed the planting in the gardens.

**9. To be a great place to work where everyone makes a difference** – we want the RHS to be an enjoyable place to work where everyone knows they make a difference, and plays their part in creating an exciting future together.

- Greater employee engagement in the working of the Society has been promoted by setting up 'speakeasy' sessions where staff can discuss issues or queries directly with the Leadership Team, and the establishment of an employee suggestion scheme.
- Long service to the Society is being recognised by awards for people who have been with the Society between 5 and 30 years.
- The Society launched a new Rewards Policy in 2012, which includes new pay progression frameworks in retail, catering, curatorial and visitor services teams.

**10. To have efficient business practices that deliver maximum income for our charitable purpose** – we want to move fast and keep things simple, strip out bureaucracy, wage war on waste and have an effective, stable infrastructure.

- The Society appointed Blackbaud as our partner to develop a new Customer Relationship Management (CRM) system. This will provide a comprehensive understanding of our members' and other customers' interactions with us, thereby enabling us to provide them with a more targeted and personal service.
- Internal Audit reviews led to improved procedural efficiencies and cost savings.

## **The Year Ahead**

Developing the Key Investment Projects remains a key focus for the Society, in order to change perceptions of the RHS and deliver improved results and more benefits for our members, the public and horticulture. In this way, we will increase our income to fund our charitable projects and deliver maximum public benefit.

There are, of course, many challenges ahead this year, with an on-going recession, challenging retail conditions and erratic environmental and weather patterns that could adversely affect our predominantly outdoor world.

We firmly believe, however, that our Objectives and Key Investment Projects will deliver more benefits to an increasingly broad range of people of different ages, backgrounds and skills levels right across the country. Most importantly of all, we see a strong future ahead for Horticulture, the Royal Horticultural Society, our members, staff and supporters.

## Financial Review by the Treasurer

My final report as Treasurer is like a curate's egg. Organisations relying on the outside environment to attract visitors had a challenging season. Weather, the combination of the hugely successful Diamond Jubilee and the Olympics had a competitive effect which has been felt by many similar visitor organisations. These extraordinary factors, coupled with the sluggish economy, created difficult trading conditions particularly at our Shows and Gardens.

Better news came from the success from the sale of a lease of Lawrence Hall for £18 million. This capital injection has initiated the 7 Key Investment Projects which, over the next 5 years or so, will energise parts of the Society which for many years have had only limited capital funds with which to develop.

Our membership has grown to 400,795, a great achievement reflecting the efforts of the Society to promote itself in terms of the horticultural excellence which it is renowned for and the many and varied charitable aspects of its activities which it delivers.

The exceptional sale of the Lawrence Hall is reflected by the surplus of £20.9 million, although the underlying and historically more normal operating surplus of £3.6 million is a considerable reduction from last year's comparable surplus of £7.5 million. The reasons for this are mentioned above but also reflect the increased expenditure to support the Key Investment Projects, the Society's IT infrastructure, and the development of a new Customer Relationship Management system.

### Income

The Society generated a total £81.3m of income including the net proceeds from the Lawrence Hall Lease sale (£17.3m), and of £64.0m excluding this. This compares to £65.8m in 2011/12.

Income from trading operations, at £20.0m, was £1.3m (6.2%) below 2011/12 levels; the two major reductions in income arose from reduced letting sales (£1.3m) of Lawrence Hall, as it was no longer available for hire from May 2012, and reduced Retail sales of £800k impacted in turn by the difficult trading conditions and reduced paying visitor volumes, down on 2011/12 by 18%. These reductions in income were partially offset by a £390k increase in media sales, where the revamped and award winning Garden magazine attracted a very positive response from advertisers. Income from the Society's Galas increased by £280k, and the new initiative of partnering with travel and tour operators has generated commissions of £91k in 2012/13.

Income from the Membership, Arts and Media elements of the Society remains the major source of funds and, at £18.1m, represents 28% of the total 'normal' operating income. Membership recruitment continued to increase; we closed the year with 400,795 members, the Society's highest ever. Effective promotional campaigns, third party partnership agreements, improved year-on-year membership retention and increased Gift Aid conversion led to Membership, Arts and Media income increasing in the year by 7%.

The RHS Gardens income of £4.7m was £300k below 2011/12. Garden visitor volumes were down on last year by 3.9%, and paying visitors were reduced by 18%. However, a full year of Gift Aid on Garden admissions and improved gift aid conversion enabled the Society to mitigate the impact of reduced payers. Catering customers within the Gardens suffered as a result of reduced visitors, but increased average transaction values, and consistent year-on-year visitor to customer conversion rates resulted in the Catering income percentage reduction being less than the visitor reduction. Overall, Garden income fell by 5.9%. In 2012/13, improvements have been completed to the catering facilities at our Gardens in Hyde Hall and Rosemoor, and work is currently underway



to improve the facilities at the RHS Garden Wisley. These improvements are expected to bring increased customer satisfaction, conversion and income in future years.

RHS Shows income fell by £664k (4.2%) from 2011/12 levels. Hampton Court and Tatton Park Flower Shows were most severely affected by the multitude of distractions for potential visitors and the continued poor weather. Visitor volumes fell, compared to 2011/12, by 12.5% at Hampton Court Flower Show, and 15.5% at Tatton Park Flower Show. It is noteworthy that, in a year when many outdoor events were cancelled due to poor weather conditions, the Society did manage to deliver all of its Shows. In 2013/14, the Society has extended its 'early bird' ticket offer to improve its pre-Show sales and reduce its reliance on walk-up visitors; it is also improving the content of each Show, and is increasing its emphasis on local marketing to improve visitor volumes in 2013.

Legacies income by its nature is volatile and explains the £1m reduction from last year. The Society had however been notified that it would be the beneficiary of two significant residuary legacies during the year. However, due to the uncertainty of the value and timing of these receipts, they have not been included as income in 2012/13.

Legacies are so important to the ability of the Society to pursue its charitable aims. These legacies if unrestricted in their purposes by their legators are only used for capital or horticultural and revenue projects. They are not used for the operational or administrative side of the organisation.

## **Expenditure and Net Income**

Total expenditure in the year was £60.4 m (2011/12: £58.3m), an increase of £2.1m.

The Key Investment Projects investment programme started in earnest during 2012/13 and accounts for £970k of the expenditure increase from the previous year. Investment has been made into the expansion of the Society's regional reach, with two new pilot regional offices opening in Scotland and in Yorkshire. The Society's website has undergone a total redesign that will ease the navigation of the site and improve the access of information for all; and we have also made substantial improvements to the Society's IT infrastructure and started the development of a new Customer Relationship Management system during the year.

Trading costs reduced to £15.4m (2011/12: £16.1m); the decline in Garden visitor volumes impacted adversely on retail sales and the associated costs of sales fell as a result.

During 2012/13, the Society added resources to support an increase in its sponsorship income receipts. This, combined with the sponsorship fulfilment costs associated with the RHS Hampton Court Flower Show's World of Gardens exhibits, has meant that sponsorship costs increased by £356k from 2011/12.

The membership growth has brought with it increased membership fulfilment costs, and this accounts for the £347k increase in Membership, Arts and Media costs since 2011/12; this is amply compensated by the associated £1.2m increase in income generated.

The Society has also been making improvements to the RHS Gardens, including increased property maintenance and recruitment of additional horticultural and support staff.

The increased level of fixed asset investments (augmented by the proceeds of the sale of the leasehold of Lawrence Hall), coupled with the returns on existing investments, has led to a net revaluation gain of £1.2m. However, the continuing decline in long-term corporate bond yields (used to derive the FRS17 spot valuation of the Society's Defined Benefits Pension Scheme liabilities), and the actuarial expectation of a rising Retail Price Index, has meant that an actuarial

loss of £2.6m has been recognised in the financial statements in respect of the Defined Benefit Pension Scheme.

The overall net movement in funds is £19.6m (2011/12: £5.8m), and includes the net surplus of £17.3m generated from the leasehold sale of the Lawrence Hall.

### **Fixed Asset Investments**

The Society held Fixed Asset Investments valued at £58.3m (2011/12: £31.7m) and these are set out in note 6. The Investments Committee oversees the Society's investments and is responsible for the review and maintenance of the Society's investment performance. Two new investments, of £18m and £7m, form the majority of the £26.6m net increase in investment value during the year, with the remainder of the increase generated from investment returns; further details of these are given below.

The Society's investments are held in diversified funds across five investment managers to diversify the investment risk. The £18m gross income received for the leasehold sale of Lawrence Hall has been invested in two low risk portfolios with Royal London Asset Management (RLAM) with the aim of protecting the capital value of the receipt; £12.6m was invested in the RLAM Cash Plus Fund, and £5.4m into the RLAM Sterling Credit Fund. By the financial year-end, the collective value of these funds had risen from £18m to £18.16m since their transfer in September 2012.

In December 2012, £7m of cash was transferred into the COIF Charities Deposit Fund. This sum is an estimate of the initial costs required to establish a fifth RHS Garden and a designated fund has been established for this purpose.

During 2012, Council agreed to the Investment Committee's recommendation to change the investment approach for the Society's endowment funds from an income generation approach to a total return strategy; it is intended that this will generate a total return on the Endowed Fund investments in excess of retail price inflation and with less capital volatility. This approach will be applied from 1 February 2013. Accordingly that part of the Endowed Fund previously invested in the Newton Income Global Growth and Income Fund For Charities was transferred into the Newton Real Return Fund in December 2012, and that part previously in the Trojan Income Fund was transferred into the Trojan Fund (a total return fund) in March 2013.

### **Reserves**

In line with the Charity Commission guidance that a charity should maintain adequate reserves to ensure its ability to deliver its charitable objectives, the Society holds unrestricted reserves for a number of purposes which are set out in note 16 to the financial statements. These reserves, which are reviewed annually by Council, are summarised as follows:

- Fixed Asset Funds totalling £35.9m (including the Bicentenary Glasshouse Fund) representing the amount invested in the net book value of unrestricted completed fixed assets.
- Reserve Policy Fund of £7.5m. Having reviewed the risks to the Society and the challenges to and calls upon its finances, Council has decided to maintain the fund at this level, which represents 2.2 months of the Society's charitable expenditure. This is considered appropriate in relation to the Society's commitments.
- Key Investment Project Fund of £16.4m representing the remaining funding support for the on-going 'Key Investment Project' capital and revenue projects enabled by the lease sale of the Lawrence Hall in London. It is envisaged that this investment programme will take a minimum of five years to complete. The capitalisation of this major capital programme will lead to annual transfers between this fund and the Fixed Asset Fund.

- Wisley Development Fund of £500k is a fund established to improve the infrastructure and enable refurbishment of Society-owned buildings and properties at the RHS Garden Wisley and in Wisley Village.
- 5<sup>th</sup> Garden Fund of £7m to enable the Society to acquire and develop an additional Garden.

The balance on unrestricted reserves, after the above designations, is held in General and Trading Funds of £16.6m to provide working capital for the Society and its trading subsidiaries and to fund assets under construction.

### **Pensions**

The consolidated and Society balance sheets include the pension deficit on the 1974 Defined Benefit Pension Scheme of £6.9m as at 31 January 2013 (2011/12: £4.4m). The deficit is disclosed for FRS17 purposes valuing the Scheme's liabilities and assets at market rates as at the financial year end.

On the closure of the defined benefit scheme in May 2009, the Scheme Actuary confirmed the underlying deficit at £1.6m. This was also the FRS17 valuation as at 31 January 2011. A subsequent provisional triennial valuation as at 6 April 2011 valued the scheme as fully funded with a £364k surplus. The latest annual report produced by the Scheme Actuary showed that on 6 April 2012 the funding of the scheme was not progressing as anticipated. The funding level was estimated to be 91% with a deficit of £1.76m. There is a divergence of actuarial valuation criteria between the triennial valuation of 6 April 2012 and FRS17 valuation of 31 January 2013; the FRS 17 valuation of £6.9m deficit is shown in these financial statements. Whilst the closure of the scheme helps to minimise the Charity's exposure, we shall continue to be subject to future variations and will continue to evaluate further options to reduce the liability as required.

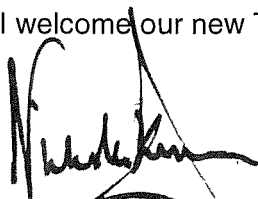
### **Capital Expenditure and Disposals**

In 2012/13 Capital expenditure amounted to £1.6m (2011/12: £2.1m). This related to the building of the Field Research Facility at RHS Garden Wisley (£660k), electrical wiring installation at the Laboratory Building (£219k) and improvements to the Glasshouse Café (£58k) at Wisley, RHS Harlow Carr Garden car park development (£103k), RHS Garden Hyde Hall catering facility upgrades (£75k), car park resurfacing at RHS Garden Rosemoor (£58k), and a misting fire prevention system installation at RHS Lindley Library (£58k). The balance represents smaller projects and necessary items of investment in plant, equipment and infrastructure.

During 2012/13; assets with a net book value of £446k were disposed of. The majority of this, £389k, relates to the net book value of the Lawrence Hall.

My last year as Treasurer has reflected the general woes of the economic climate compounded by some difficult weather. But there are often difficult external factors which affect the operations of an organisation such as ours. However, we have to be vigilant and effective to make sure that the unpredictables are minimised in their negative effects. I am happy that the Finance Team and the necessary controls are in place to deliver the positive results that we need for the Charity to perform its objectives.

I welcome our new Treasurer, Alastair Muirhead.



**Sir Nicholas Bacon**  
**Treasurer**

## Structure, Governance and Management

The Society is a registered charity incorporated and governed by a Royal Charter and by Bye-Laws approved by the membership. A copy of the Charter and Bye-laws can be found in the 'About us' section of the website ([www.rhs.org.uk](http://www.rhs.org.uk)) or obtained on request from The Secretary at the address shown at page 4.

A summary of the Society's structure, governance and management arrangements in 2012/13 is provided below. These were reviewed during the year and a new, stream-lined structure – which emphasises the 'H' for 'Horticulture' in RHS – has been in place since December.

### Council and Trustees

The governing body of the RHS is Council. This comprises the President, Treasurer and up to fifteen ordinary members, all of whom are elected by the RHS membership, and up to two co-opted members. The members of Council are the Trustees of the Society. The President is the Chairman of Council. The current members of Council are shown on page 2.

### Election and Appointment to Council

The President and Treasurer are elected annually by the members of the Society at the Annual General Meeting (AGM). The other fifteen elected members of Council usually serve for five years with at least three retiring each year and their successors being elected at the AGM.

Co-opted members are appointed by Council to serve for up to one year to the date of the AGM with the opportunity of re-appointment for one further year. Co-option provides an opportunity to recruit additional members to Council who offer particular skills, knowledge and experience.

If a vacancy arises during the year, Council has the power to appoint a new member. An appointed member will serve until the date of the next AGM, after which the post will be filled by election.

All members of Council must be members of the RHS and eligible under charity law to serve as a trustee. No ordinary member of Council may serve for longer than 10 years unless made eligible to stand for election for one further term of up to five years in accordance with the Society's Bye-laws.

A Nominations, Appointments and Governance Committee comprising both serving members of Council and other members of the Society is responsible for identifying candidates for election to Council after having regard to the role description, the person specification and the skills, knowledge and experience of existing members. The Committee also makes recommendations on the candidates that should receive Council's support at elections.

The rules for the election of President, Treasurer and ordinary members of Council can be found in the 'About us' section of our website. Copies of the role description and person specification for each of these positions can also be found within the same section.

### **Council Members' Induction and Training**

Most members of Council have already served on one or more RHS committees before their election. However, on election, members receive a comprehensive information pack covering the Society's plans and activities. The Society also operates an induction and ongoing training programme for all members of Council aimed at increasing their knowledge of the RHS and the duties and responsibilities of trustees.

### **Council is responsible for:**

- The future direction of the Society
- The investment and disposal of Society assets
- The strategic management of the performance of the Society.

It is the guardian of the Society's role as a "Learned Society".

Although Council takes all major strategic decisions and those reserved to it by law, it delegates some decision-making powers to boards and committees. These bodies may comprise of both members of Council and other members of the RHS and take decisions within the overall strategy and budgets agreed by Council. Council retains responsibility for the decisions taken by these boards and committees. The Society's governance and decision-making boards and committees and their responsibilities are:

**Audit and Risk Committee** – reports to Council and ensures that all aspects of the Society's financial and risk management policies, procedures and controls are effective and appropriate. The Committee also has responsibility for monitoring the approval of contracts involving the payment of a trustee or a connected party for the supply of goods and services to the RHS or its trading companies.

**Commercial Board** – responsible to Council for the proper management of all aspects of the Society's financial affairs and resources. The Board replaces and extends the activities of the former Business Committee, Shows Committee and Fundraising Subcommittee and oversees the activities of the Society's trading companies.

**Horticulture Board** – responsible to Council for all activities relating to the encouragement and improvement of the science, art and practice of horticulture in all its branches within the Society. In this respect, it is the guardian of the Society's role as Learned Society. The Board is responsible for offering horticultural, educational and scientific advice to Council on any major initiatives or developments being considered by the Society.

**Investments Committee** – reports to the Commercial Board and is responsible for reviewing and maintaining the Society's investment portfolio (including bursary funds).

**Nominations, Appointments and Governance Committee** – reports to Council and is responsible for identifying and recommending the candidates who should receive Council's support for election as members of Council. The Committee is also responsible for the approval of all appointments to advisory, governance and decision-taking boards and committees of the Society as well as representatives of the Society on outside bodies. It also monitors and makes recommendations to Council about any changes to the governance arrangements of the Society.

**Pensions and Remuneration Sub-Committee** – reports to Council and is responsible for approving the terms and conditions and levels of pay of the Leadership Team and also takes an overview of the policies for pay and conditions of the Society's staff. The Committee is also responsible for representing the Society as the 'employer' in the funding and support of The Royal Horticultural Society (1974) Pension Scheme and in the provision of alternative pension arrangements for employees if appropriate.

### **Advisory Groups and Forums**

Council and the Leadership Team of the Society also appoint advisory groups and forums to provide specialist advice to the Society and the wider gardening public. Some 400 members of the Society have served on these committees during the past year in a voluntary capacity, generously giving their time and expert knowledge.

The terms of reference for all boards, committees and advisory group can be obtained from The Secretary at the address shown at page 4. Further information about the governance and management arrangements of the Society can also be found on our website.

### **RHS Trading Companies**

Our active trading companies are:

RHS Enterprises Limited (RHSE)  
RHS Special Events Limited (RHSSE)

Both companies Gift Aid their profits to the Society, thereby assisting the funding of our non-commercial, charitable activities.

Each trading company has its own Board of Directors. The Directors' Report and Annual Accounts for each of the RHS trading companies are available on request from The Secretary of the RHS.

### **Management of the Society**

The day-to-day running of the Society is delegated to the Director General and her Leadership Team. However, Council retains ultimate responsibility for the actions of staff. A copy of the scheme of delegations to the Leadership Team can be found in the 'About us' section of our website or on request from The Secretary. Each Leadership Team member has a division under their control and is responsible for the Society's operational activities and delivery of the Strategic Objectives agreed by Council. The Leadership Team at the date of this report were:

Sue Biggs	Director General
James Rudoni	Director of Gardens
Will Havercroft	Head of Retail
Stephen Bennett	Director of Shows
Jim Gardiner	Director of Horticulture
Dan Wolfe	Director of Members, Art & Media
Ruth Evans	Director of Education, Funding & Community
James Hiley	Director of Finance
Jan Nix	Company Secretary and Director of IT & Internal Audit
Kerry Smith	Head of Human Resources

### **Staff and Volunteers**

As at the 31 January 2013, the Society employed 575 full-time and 164 part-time staff (31 January 2012: 552 and 188 respectively). Additional seasonal staff were employed during peak periods.

The Society also received help from nearly 1,000 volunteers (2011/12: 1,000) during the year, primarily in the Society's Gardens, at its Shows and in the Membership Department. This includes 400 expert supporters of the Society who serve on its boards, committees and advisory groups.

### **Reimbursement of expenses**

Members of Council do not receive any payment in connection with their position, other than the reimbursement of reasonable travel and subsistence costs. Members of RHS committees receive no payment for their work for the Society other than those expenses paid in accordance with a scheme approved by Council.

### **Subsidiary and related charities and other related parties**

The Lindley Library Trust (registration number 222879-1) is a subsidiary charity of the RHS. The members of the Council of the RHS are also the trustees of the Lindley Library Trust.

The RHS jointly administers The Shropshire Horticultural Society (Wisley Trainee) Charitable Trust (registration number 701677) with the Shropshire Horticultural Society, with each charity entitled to appoint three of the six trustees.

The Northern Horticultural Society (NHS) merged with the RHS in 2001. To protect the name, The Northern Horticultural Society Limited (company number 06799077) was formed. It is not intended that this Company will trade. Any donations that continue to fall due to the NHS will in future be payable direct to the RHS.

The Royal Horticultural Society (1974) Pension Scheme is a related party to the RHS (see Note 23 to the Financial Statements).

### **Risk Management**

The Society has in place a risk management policy which documents the Society's underlying approach to risk management, the roles and responsibilities of Council and the executive, the key requirements for reporting and how the effectiveness of the approach will be measured. The Society also maintains a risk management register that addresses the major governance, operational, financial, reputational and regulatory risks that might impact on the Society's objectives and its ability to meet them. The register is subject to regular review in order to take account of emerging new risks and areas where changes in the likelihood of a risk occurring or its impact have been identified.

Progress against risk action plans during the year was monitored by the Audit and Risk Committee and Council and was considered to be satisfactory.

While Council is of the opinion that it has undertaken all reasonable steps to ensure that the major risks to which the Society is exposed are identified and reviewed and that there are systems in place to mitigate them, it is aware that such processes are designed to manage rather than eliminate all major risks and that it can only provide reasonable, but not absolute, assurance.

Council is committed to ensuring that best practice for risk identification and its management is applied across the Society.

### **Health and Safety**

The Society maintains rigorous procedures for ensuring the health and safety of its visitors, staff and volunteers based on proportionate principles of risk management. The Council members keep health and safety under regular review.

### **Equal Opportunities**

The RHS is committed to providing equal opportunities for all employees and to avoiding unlawful discrimination in employment. The Society regularly reviews practices and policies to ensure that they effectively assist in putting this commitment in to practice.

### **Employee Involvement**

The decision-making processes incorporate regular feedback from the Employee Consultation Group, as a representative group for all employees across all RHS Sites. The ECG meets quarterly with the Director General, Head of Human Resources and Senior Managers.

### **Society Auditors**

On 28 March 2013, the Society's external auditor, PKF (UK) LLP merged their business into BDO LLP and accordingly have signed their auditor's report in the name of the merged firm. As a result of the recent tender process, BDO LLP will not be seek reappointment at the Annual General Meeting and a resolution to appoint Grant Thornton as auditors of the Society will be put to the members at that meeting.



## Statement of Trustees' Responsibilities

The trustees are responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Charity law requires the trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and parent charity and of the incoming resources and application of resources of the group for the year. In preparing those financial statements the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Charities Act 2011 and regulations made thereunder. They are also responsible for safeguarding the assets of the group and parent charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

### Disclosure of information to auditors

Council members who held office at the date of approval of this Annual Report confirm that, so far as they were each aware, there is no relevant information of which the Charity's auditors are unaware; and each Council member has taken all the steps that he/she should have taken as a trustee to make himself/herself aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.



**Elizabeth Banks**  
President of the RHS and Chair of Council

## Independent Auditor's Report to the Trustees of Royal Horticultural Society

We have audited the financial statements of the Royal Horticultural Society for the year ended 31 January 2013 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Society Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 144 of the Charities Act 2011 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's Website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 January 2013 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 Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- proper and sufficient accounting records have not been kept; or
- the parent charitable company's financial statements are not in agreement with the accounting records or returns; or
- we have not received all the information and explanations we require for our audit.

**BDO LLP**

### BDO LLP

Statutory Auditor

London

United Kingdom

Date: 18 June 2013

BDO LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**Consolidated Statement of Financial Activities for the Year Ended 31 January 2013**

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total 2013 £'000	Restated Total 2012 £'000
<b>INCOMING RESOURCES</b>	<i>1 iii)</i>					
<b>INCOMING RESOURCES FROM GENERATED FUNDS:</b>						
<b>Voluntary Income</b>						
Legacies & donations	2	2,230	719	-	2,949	4,072
<b>Activities for generating funds</b>						
Trading income	11	20,059	-	-	20,059	21,382
Sponsorship Income	11	1,551	-	-	1,551	1,400
<b>Investment Income</b>		599	162	-	761	674
<b>INCOMING RESOURCES FROM CHARITABLE ACTIVITIES</b>						
Membership, Arts and Media		18,141	-	-	18,141	16,942
Community and Education		627	-	-	627	625
Shows & Special Events		14,934	-	-	14,934	15,598
RHS Gardens		4,711	-	-	4,711	5,010
Horticulture		5	-	-	5	48
Science		32	-	-	32	29
<b>OTHER INCOMING RESOURCES</b>	2	17,540	-	-	17,540	58
<b>Total Incoming Resources</b>		<u>80,429</u>	<u>881</u>	<u>-</u>	<u>81,310</u>	<u>65,838</u>
<b>RESOURCES EXPENDED</b>	<i>1 iv) 3</i>					
<b>COSTS OF GENERATING FUNDS</b>						
<b>Costs of generating voluntary income</b>						
Legacies & donations		685	7	-	692	841
<b>Fundraising trading: cost of goods sold and other costs</b>						
Trading costs	11	15,438	-	-	15,438	16,106
Sponsorship	11	569	-	-	569	213
<b>INVESTMENT MANAGEMENT COSTS</b>		58	-	-	58	53
<b>CHARITABLE EXPENDITURE</b>						
Membership, Arts and Media		8,443	3	-	8,446	8,100
Community and Education		2,378	327	-	2,705	2,151
Shows & Special Events		14,381	-	-	14,381	14,307
RHS Gardens		15,243	117	-	15,360	13,846
Horticulture		527	82	-	609	600
Science		1,956	38	-	1,994	1,908
<b>GOVERNANCE COSTS</b>		150	-	-	150	170
<b>Total Resources Expended</b>		<u>59,828</u>	<u>574</u>	<u>-</u>	<u>60,402</u>	<u>58,295</u>
<b>NET INCOME BEFORE FUNDS TRANSFERRED</b>		<u>20,601</u>	<u>307</u>	<u>-</u>	<u>20,908</u>	<u>7,543</u>
Transfers between funds	16	2,714	(2,714)	-	-	-
<b>NET INCOME / (EXPENDITURE)</b>		<u>23,315</u>	<u>(2,407)</u>	<u>-</u>	<u>20,908</u>	<u>7,543</u>
Gains on investment assets	6	880	-	357	1,237	1,110
Actuarial gains/(losses) on defined benefit pension scheme	22	(2,581)	-	-	(2,581)	(2,809)
Taxation	7	-	-	-	-	-
<b>NET MOVEMENT OF FUNDS</b>	4, 16	<u>21,614</u>	<u>(2,407)</u>	<u>357</u>	<u>19,564</u>	<u>5,844</u>
<b>OPENING VALUE OF FUNDS</b>		<u>55,419</u>	<u>6,361</u>	<u>3,623</u>	<u>65,403</u>	<u>59,559</u>
<b>CLOSING VALUE OF FUNDS</b>		<u>77,033</u>	<u>3,954</u>	<u>3,980</u>	<u>84,967</u>	<u>65,403</u>

There are no other gains & losses other than those disclosed above. All transactions are derived from continuing activities.

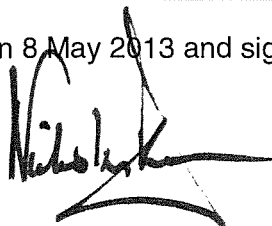
Consolidated Balance Sheet as at 31 January 2013

	Note	2013 £'000	2012 £'000
<b>FIXED ASSETS</b>			
Tangible assets	10	37,972	39,022
Investments	6	58,298	31,717
		<u>96,270</u>	<u>70,739</u>
<b>CURRENT ASSETS</b>			
Stock		1,283	1,316
Debtors	13	4,587	4,801
Cash at bank and in hand		12,435	13,756
		<u>18,305</u>	<u>19,873</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Income in advance		(16,688)	(14,971)
Creditors		(5,187)	(5,169)
	14	<u>(21,875)</u>	<u>(20,140)</u>
<b>NET CURRENT LIABILITIES</b>		<b>(3,570)</b>	<b>(267)</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	15	<b>(827)</b>	<b>(701)</b>
<b>NET ASSETS BEFORE PENSION LIABILITY</b>		<b>91,873</b>	<b>69,771</b>
Defined benefit pension scheme liability	22	(6,906)	(4,368)
<b>NET ASSETS AFTER PENSION LIABILITY</b>		<b>84,967</b>	<b>65,403</b>
<b>CAPITAL FUNDS</b>			
Endowments	16	3,980	3,623
<b>INCOME FUNDS</b>			
Restricted funds	16	3,954	6,361
Unrestricted funds:			
Designated funds	16	67,321	51,634
General & Trading funds	16	16,618	8,153
Pension Reserve	22	(6,906)	(4,368)
<b>Total unrestricted funds</b>		<b>77,033</b>	<b>55,419</b>
<b>TOTAL FUNDS</b>	16	<b>84,967</b>	<b>65,403</b>

These accounts were approved by Council on 8 May 2013 and signed on their behalf by:



Elizabeth Banks  
President



Sir Nicholas Bacon  
Treasurer

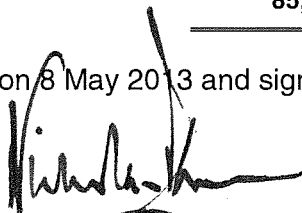
Society Balance Sheet as at 31 January 2013

	Note	2013 £'000	2012 £'000
<b>FIXED ASSETS</b>			
Goodwill	9	-	163
Tangible assets	10	37,854	38,727
Investments	6	58,298	31,717
Investment in trading companies	11	110	110
		<u>96,262</u>	<u>70,717</u>
<b>CURRENT ASSETS</b>			
Stock		75	60
Debtors	13	6,888	9,315
Cash at bank and in hand		8,542	7,554
		<u>15,505</u>	<u>16,929</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Income in advance		(13,384)	(11,619)
Creditors	14	(5,615)	(5,356)
		<u>(18,999)</u>	<u>(16,975)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(3,494)</u>	<u>(46)</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	15	(827)	(654)
<b>NET ASSETS BEFORE PENSION LIABILITY</b>		<u>91,941</u>	<u>70,017</u>
Defined benefit pension scheme liability	22	(6,906)	(4,368)
<b>NET ASSETS AFTER PENSION LIABILITY</b>		<u>85,035</u>	<u>65,649</u>
<b>CAPITAL FUNDS</b>			
Endowments	16	3,980	3,623
<b>INCOME FUNDS</b>			
Restricted funds	16	3,954	6,361
Unrestricted funds:			
Designated funds	16	67,321	51,634
General & Trading funds	16	16,686	8,399
Pension Reserve	22	(6,906)	(4,368)
<b>Total unrestricted funds</b>		<u>77,101</u>	<u>55,665</u>
<b>TOTAL FUNDS</b>		<u>85,035</u>	<u>65,649</u>

These accounts were approved by Council on 8 May 2013 and signed on their behalf by:



Elizabeth Banks  
President



Sir Nicholas Bacon  
Treasurer

Consolidated Cash Flow Statement for the Year Ended 31 January 2013

		2013	2012
	Note	£'000	£'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	18	7,789	9,703
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		402	112
Dividends received		417	562
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		819	674
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Sale of investments		9,643	2,670
Sale of long lease of Lawrence Hall		17,301	-
Purchase of tangible fixed assets		(1,631)	(2,083)
Purchase of investments		(28,072)	(3,345)
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		(2,759)	(2,758)
<b>INCREASE IN CASH</b>	19	<u>5,849</u>	<u>7,619</u>

*[Signature]*

*[Signature]*

## Notes to the Financial Statements

### 1. Accounting Policies

#### i) Basis of preparation

The financial statements 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 and the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in 2005 and applicable accounting standards.

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. In addition, Horticultural Halls Limited and RHS Publications Limited are dormant subsidiaries. The subsidiaries are consolidated on a line by line basis and have the same accounting reference date as the Society. As a result of paragraph 397 of the SORP the Society is not required to present a Statement of Funds and Activities for the RHS before consolidation.

#### ii) 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, which can be negative where sums covenanted to the Society are in excess of the profit for the year for the subsidiary. The Pension Reserve represents the deficit or surplus on the Royal Horticultural Society (1974) Pension Scheme on an FRS17 basis. See Note 22.

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. Income generated from the endowment funds is treated as restricted income.

#### iii) Incoming resources

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

Legacy income and other donations are recognised in the accounts when the cash has been received or, if earlier, when there is certainty of receipt and the amount is quantifiable. Subscriptions 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. Income in advance for shows and other activities is recognised at the time of the show or other activity. Investment income is recognised on an accruals basis. Gift Aid is recognised on an accruals basis. All incoming resources from endowment funds are restricted income. No income has been reported net of expenditure.

#### iv) 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.

Costs of generating funds include the costs incurred in generating voluntary income. Fundraising trading costs are the costs of those activities. Charitable expenditure represents the costs of

shows, gardens, scientific, educational, editorial activities and membership services. Governance costs relate to the general running of the charity and include costs for audit, 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.

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

**v) Deferred income**

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

**vi) Depreciation and impairment**

Fixed assets are stated at 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:

Buildings	2%
Motor vehicles	20%
Plant & equipment, fixtures & fittings	10-33%
Greenhouses	5%

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.

**vii) Investments**

Investments are stated at market value on the balance sheet date. The Statement of Financial Activities (SoFA) includes the net gains and losses arising on revaluations and disposals throughout the year. The funds are largely invested on a real return basis.

**viii) Operating leases**

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

**ix) Funds transfer**

Funds transfers primarily 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.

**x) 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 FRS17 and as detailed in Note 22.



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.

**xi) 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.

**xii) Liabilities**

Liabilities are recognised at the same time as the expenditure to which they relate is incurred.

**xiii) Taxation**

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

**xiv) Basis of consolidation**

The consolidated financial statements include the financial statements of the charity and its subsidiary undertakings made up to 31 January 2013.

**xv) 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.

**xvi) Goodwill**

Goodwill arising as a result of the acquisition of a division from a subsidiary company by the Society is capitalised and amortised on a straight line basis over its estimated useful economic life, which is considered to be three years. The carrying value of goodwill will be periodically reviewed, and impairment provisions made where appropriate.

**xvii) Heritage Assets**

Heritage assets acquired are not recognised in the balance sheet. 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; and the inclusion of any heritage assets acquired during the year would show a misleading position to the reader of the accounts. 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 12.

**xviii) Total Return Accounting**

The Society has applied and on 28<sup>th</sup> November 2012 been granted permission by the Charity Commission to adopt the use of a total return policy in relation to its permanent endowment funds. This policy will be adopted in the following financial year 2013/4.

## 2. Income

### Legacy Income

The Society is also the residuary beneficiary of two legacies that have not been included in the financial statements. There is a significant degree of uncertainty around this figure, as it cannot be accurately determined nor receipt guaranteed.

### Other Incoming Resources

	£'000
Net proceeds from the sale of long term lease of Lawrence Hall	17,301
Other income	239
	<u>17,540</u>

## 3. Analysis of Total Resources Expended

The total resources expended during the year comprise the following:

	Direct costs £'000	Support Costs £'000	2013 Total £'000	Restated 2012 Total £'000
<b>Cost of generating funds</b>				
<b>Costs of generating voluntary income</b>				
Legacies & donations	643	49	692	841
<b>Fundraising trading: cost of goods sold and other costs</b>				
Trading costs	13,398	2,040	15,438	16,106
Sponsorship costs	543	26	569	213
<b>Investment Management costs</b>	58	-	58	53
<b>Charitable expenditure</b>				
Members Art and Media	7,374	1,072	8,446	8,100
Community and Education	2,233	472	2,705	2,151
RHS Shows	13,312	1,069	14,381	14,307
RHS Gardens	12,044	3,316	15,360	13,846
Horticulture	513	96	609	600
Science	1,540	454	1,994	1,908
<b>Governance costs</b>	150	-	150	170
<b>Total Resources Expended</b>	<u>51,808</u>	<u>8,594</u>	<u>60,402</u>	<u>58,295</u>

Support costs totalling £8.6m (2012: £8.9m) have been allocated across activities. These include costs associated with providing IT, payroll, human resources, finance, marketing and other central services to the charity's staff, volunteers, gardens and other activities. The majority of costs have been allocated on headcount, with marketing based on expenditure, to the various activities.

The 2012 comparatives of income and expenditure have been restated to reflect Education activities as part of Community and Education rather than reported within Horticulture, in line with the new management structure of the Society.

## Governance Costs

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Audit Fees, Tax and VAT Advice	64	66
Internal Audit, where sourced externally	-	11
Committees and AGM costs	86	93
	<b>150</b>	<b>170</b>

## 4. Net Movement of Funds

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

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Depreciation (including trading companies)	2,489	2,550
Auditors' remuneration:		
- Audit current year	47	47
- Audit (over) under provision prior year	4	17
- Other professional services	21	15
Internal Audit (where externally supplied)	-	11
Operating lease rentals	292	527
Net profit on disposal of fixed assets	(17,301)	-

## 5. Employee Remuneration

	<b>Permanent</b>		<b>Casual</b>		<b>Total</b>	
	<b>2013</b>	2012	<b>2013</b>	2012	<b>2013</b>	2012
	<b>£'000</b>	£'000	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Employee costs during the period						
Salaries and wages	<b>16,911</b>	16,483	<b>276</b>	274	<b>17,187</b>	16,757
Social Security	<b>1,532</b>	1,528	<b>29</b>	32	<b>1,561</b>	1,560
Pensions	<b>1,546</b>	1,149	-	-	<b>1,546</b>	1,149
	<b>19,989</b>	19,160	<b>305</b>	306	<b>20,294</b>	19,466

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

	<b>2013</b>	Restated
	<b>£'000</b>	2012
		<b>£'000</b>
<b>Staff employed in funds generation</b>		
Trading activities	<b>160</b>	166
Fundraising activities	<b>2</b>	2
<b>Staff employed in disbursement of charitable expenditure</b>		
Members, Art and Media	<b>82</b>	89
Community	<b>42</b>	36
RHS Shows	<b>48</b>	43
RHS Gardens	<b>314</b>	309
Horticulture	<b>8</b>	8
Science	<b>44</b>	44
Support	<b>75</b>	68
	<b>775</b>	765

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

	<b>2013</b>	2012
	<b>Number</b>	Number
£60,001 – £70,000	<b>7</b>	9
£70,001 – £80,000	<b>6</b>	4
£80,001 – £90,000	<b>3</b>	2
£90,001 – £100,000	<b>1</b>	3
£100,001 – £110,000	<b>3</b>	-
£150,001 – £160,000	<b>-</b>	1
£180,001 – £190,000	<b>1</b>	-
	<b>21</b>	19

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

Defined benefit	<b>-</b>	-
Defined contribution	<b>21</b>	18

The Society contributed £151,590 (2011/12: £150,097) 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 were reimbursed a total of £ 21,262 (2012: £17,664) for travel expenses during the period. The number of Council members reimbursed for expenses was 12 (2011/12: 11).

## 6. Fixed Asset Investments

	UK Cash Instruments £'000	UK Property £'000	Other Investments £'000	Total £'000
Market Value at 1 February 2012	5,156	327	26,234	31,717
Less Property transferred to Fixed Assets		(255)		(255)
Less: Disposal proceeds	-	-	(9,643)	(9,643)
Add: acquisitions at cost	-	-	28,072	28,072
Add: net gain/(loss) on revaluation at 31 January	-	-	1,237	1,237
Add: net movement in cash	7,170	-	-	7,170
Market value at 31 January 2013	12,326	72	45,900	58,298
Historical cost at 31 January 2013	12,326	30	42,404	54,760

Analysed as follows

	£'000
UK Fixed Interest	2,706
Overseas Fixed Interest	2,329
UK Equities	5,242
Overseas Equities	7,777
Index Linked	21,112
Credit & Illiquid strategies	840
Global Funds	423
Property Unit Trusts	235
Commodities	2,285
Other*	2,951
Cash Instruments	12,326
Market value at 31 January 2013	58,226
UK Property	72
Market value at 31 January 2013	58,298
Investments in UK at market value	26,749
Investments outside the UK at market value	19,151
Market Value of UK and Non-UK Investments	45,900

These investments are liquid in nature and can be redeemed at short notice in order to satisfy the working capital requirements of the Society.

Restricted and unrestricted funds at market value of £54.596m are invested in a diversified portfolio of equity, fixed interest, cash and alternative investments with a level of risk appropriate to the Society's charitable status.

Endowment funds amounting to £3.630m are invested in compliance with the Trustees Act 2000.

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

	£'000
Cash Instruments	12,326
RLAM Cash Plus Fund	12,728
RLAM Sterling Plus Fund	5,432
Newton Real Return Fund	9,205
Trojan Fund	8,055

\*Other includes £2.678m of cash, £168k of Multi Asset Funds and £105k of Derivatives held within pooled investment vehicles managed by third party investment managers.

## 7. Taxation

An amount equivalent to the profit chargeable to corporation tax has been paid each year by its two subsidiaries to the Royal Horticultural Society under Gift Aid. With the introduction of FRS21, only the amounts paid by 31 January or otherwise legally committed are included in the Profit & Loss Account of the subsidiaries.

## 8. Commitments for future expenditure

Council has authorised future expenditure on capital and revenue projects amounting to £28.6m (2012: £7.7m). £25.3m of this relates to Key Investment Projects, funded from the sale of the lease on Lawrence Hall with the balance of £9m contingent upon it being raised through fundraising.

Future commitments on signed contracts are £1.09m (2012: £1.4m).

## 9. Intangible Fixed Assets

	<b>Goodwill</b> <b>£'000</b>
<b>COST</b>	
At 1 February 2012	651
Additions	-
At 1 January 2013	<u>651</u>
<b>AMORTISATION</b>	
At 1 February 2012	(488)
Charge for one year	<u>(163)</u>
At 31 January 2013	<u>(651)</u>
<b>NET BOOK VALUE</b>	
At 31 January 2013	<u>-</u>
At 1 February 2012	<u>163</u>

**THE ROYAL HORTICULTURAL SOCIETY**  
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**10. Tangible Fixed Assets**

<b>a) CONSOLIDATED</b>		<b>Freehold land and buildings</b>	<b>Leasehold land and buildings</b>	<b>Buildings on Wisley trust land</b>	<b>Assets in construction</b>	<b>Plant and equipment</b>	<b>Fixtures and fittings</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>COST</b>								
At 1 February 2012		36,910	1,095	1,786	747	12,214	3,529	56,281
Additions		797	-	-	478	183	173	1,631
Disposals		(31)	-	-	-	(6,924)	(2,154)	(9,109)
Transfers		843	-	-	(732)	43	101	255
<b>At 31 January 2013</b>		<b>38,519</b>	<b>1,095</b>	<b>1,786</b>	<b>493</b>	<b>5,516</b>	<b>1,649</b>	<b>49,058</b>
<b>DEPRECIATION</b>								
At 1 February 2012		6,071	289	430	-	8,196	2,273	17,259
Charge for the year		1,118	22	36	-	1,117	196	2,489
Disposals		(9)	-	-	-	(6,887)	(1,766)	(8,662)
Transfers		-	-	-	-	32	(32)	-
<b>At 31 January 2013</b>		<b>7,180</b>	<b>311</b>	<b>466</b>	<b>-</b>	<b>2,458</b>	<b>671</b>	<b>11,086</b>
<b>NET BOOK VALUE</b>								
At 31 January 2013		31,339	784	1,320	493	3,058	978	37,972
At 1 February 2012		30,839	806	1,356	747	4,018	1,256	39,022
<b>b) SOCIETY</b>								
<b>COST</b>								
At 1 February 2012		36,910	1,095	1,786	747	10,754	2,133	53,425
Additions		797	-	-	478	183	173	1,631
Disposals		(31)	-	-	-	(5,752)	(1,030)	(6,813)
Transfers		843	-	-	(732)	96	48	255
<b>At 31 January 2013</b>		<b>38,519</b>	<b>1,095</b>	<b>1,786</b>	<b>493</b>	<b>5,281</b>	<b>1,324</b>	<b>48,498</b>
<b>DEPRECIATION</b>								
At 1 February 2012		6,071	289	430	-	6,847	1,061	14,698
Charge for the year		1,118	22	36	-	1,076	152	2,404
Disposals		(9)	-	-	-	(5,716)	(733)	(6,458)
<b>At 31 January 2013</b>		<b>7,180</b>	<b>311</b>	<b>466</b>	<b>-</b>	<b>2,207</b>	<b>480</b>	<b>10,644</b>
<b>NET BOOK VALUE</b>								
At 31 January 2013		31,339	784	1,320	493	3,074	844	37,854
At 1 February 2012		30,839	806	1,356	747	3,907	1,072	38,727

No assets are held under finance lease. All assets are used for charitable purpose.

The Trustees are aware that there is a material difference between the carrying value of Land and Buildings in these accounts and the market value of the 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.

## 11. Investment in Trading Companies

	RHS Enterprises £'000	Horticultural Halls £'000	RHS Special Events £'000	Total £'000
<b>Profit &amp; Loss Account</b>				
Turnover	15,668	-	3,732	19,400
Cost of sales	(8,346)	-	(806)	(9,152)
Gross profit	7,322	-	2,926	10,248
Administration expenses (net of interest receivable)	(6,107)	-	(181)	(6,288)
Other operating income	2,304	-	-	2,304
Net profit	3,519	-	2,745	6,264
Amount gift aided to the Society	(3,523)	-	(2,745)	(6,268)
<b>Profit/(loss) for the year</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>(4)</b>

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 £21.4m and net profit of £7.4m. These results form part of the Trading and Sponsorship activities on the SoFA.

	£'000	£'000	£'000	£'000
<b>Balance sheet</b>				
Fixed assets	239	-	-	239
Current assets	2,958	-	3,257	6,215
Unsecured Loan to the Society	1,170	-	-	1,170
Current Liabilities	(1,067)	-	(2,976)	(4,043)
Long Term Liabilities	(28)	-	-	(28)
Amounts owing (to)/from the Society	(3,125)	10	(293)	(3,408)
Net Assets/(Liabilities)	147	10	(12)	145
Share Capital	100	10	-	110
Reserves	47	-	(12)	35
Equity Shareholders' Funds	147	10	(12)	145



## **12. 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 holds an extensive collection of heritage assets that are held and maintained principally for their contribution to 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 and 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, 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 19 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 two 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 award paintings, 200,000 photographs from the late 19<sup>th</sup> 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 and an ongoing 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 ornamental plants in the UK and has an international role as a major repository of nomenclatural standard specimens.

### Composition and Remit:

- The current herbarium is estimated to exceed 80,000 specimens, mostly collected post-1980 but many earlier specimens. Gathering of specimens began around 1916.
- 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 the British Pteridological Society (BPS) herbarium of fern cultivars and the Frederick Hanbury Herbarium of European plants collected mainly in the 19<sup>th</sup> 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, especially those of a weedy nature.
- 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).

### Standards Collection:

- 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 5,767 nomenclatural standard specimens in the herbarium to date (1,723 herbarium specimens, 4,044 images).
- The herbarium continues to add to its collection of nomenclatural standards from RHS Trials, RHS Shows and contributions directly from nurseries and breeders.
- The RHS Herbarium has been accepted as part of the Global Plants Initiative to scan and make available online all its nomenclatural standards and type specimens.

Image Collection:

- The current herbarium is complemented by an extensive image collection, consisting of:
  - i Circa 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 greatest 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.

### 13. Debtors due within one year

	Consolidated		Society	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Trade debtors	1,778	1,747	978	816
Amounts due from subsidiary undertakings	-	-	3,418	5,759
Other debtors	1,223	823	1,141	768
Taxation recoverable	160	786	160	787
Prepayments	1,426	1,445	1,191	1,185
	<u>4,587</u>	<u>4,801</u>	<u>6,888</u>	<u>9,315</u>

### 14. Creditors amounts falling due within one year

	Consolidated		Society	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Trade creditors	1,859	1,429	1,452	957
Loan from RHS Enterprises	-	-	1,170	1,170
Taxation and social security	675	420	677	420
Other creditors	729	535	570	445
Accruals	1,924	2,785	1,746	2,364
Income in advance: members deferred subscriptions	9,643	7,491	9,643	7,491
Income in advance: other	7,045	7,480	3,741	4,128
	<u>21,875</u>	<u>20,140</u>	<u>18,999</u>	<u>16,975</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 £702,000, £122,000 was utilised during 2012/13 and deferred income for new life memberships was £207,000, resulting in a balance of £766,000 at 31 January 2013.

### 15. Creditors amounts falling due after one year

	Consolidated		Society	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Income in advance: members' deferred subscriptions	731	654	731	654
Income in advance: other	96	47	96	-
	<u>827</u>	<u>701</u>	<u>827</u>	<u>654</u>

## 16. Funds

	Balance 1.02.12 £'000	Incoming Resource s £'000	Resources Expended £'000	Transfers £'000	Gains/ (losses) £'000	Balance 31.01.13 £'000
<b>ENDOWMENT FUNDS</b>						
Coke Trusts	1,719	-	-	-	188	1,907
Blaxall Valentine Scholarship	451	-	-	-	49	500
Guerney Wilson Fund	243	-	-	-	27	270
Other Bursary Funds	131	-	-	-	21	152
Hyde Hall Endowment Fund	350	-	-	-	-	350
Wisley Endowment Fund	122	-	-	-	13	135
Eric Young Scholarship	141	-	-	-	16	157
Knowles Bequest	190	-	-	-	21	211
Shropshire Hort Society	121	-	-	-	13	134
Other Endowed Funds	155	-	-	-	9	164
<b>Total Endowed Funds</b>	<b>3,623</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>357</b>	<b>3,980</b>
<b>RESTRICTED FUNDS</b>						
Northern Horticultural Society	996	-	-	-	-	996
Garden Development Fund	3,447	74	(119)	(2,080)	-	1,322
Education & Training Fund	1,298	281	(381)	-	-	1,198
Field Research Facility	318	324	(7)	(634)	-	1
Bursary Funds	116	129	(65)	-	-	180
Other Restricted Funds	186	73	(2)	-	-	257
<b>Total Restricted Funds</b>	<b>6,361</b>	<b>881</b>	<b>(574)</b>	<b>(2,714)</b>	<b>-</b>	<b>3,954</b>
<b>UNRESTRICTED FUNDS</b>						
<b>Designated Funds</b>						
Fixed asset Fund	29,982	-	-	(314)	-	29,668
Bicentenary Glasshouse	6,652	-	(426)	-	-	6,226
Key Investment Project Fund	7,500	-	(1,679)	10,500	106	16,427
Reserve Policy Fund	7,500	-	-	-	-	7,500
Wisley Development Fund	-	-	-	500	-	500
Fifth Garden Fund	-	-	-	7,000	-	7,000
<b>Total Designated Funds</b>	<b>51,634</b>	<b>-</b>	<b>(2,105)</b>	<b>17,686</b>	<b>106</b>	<b>67,321</b>
<b>General and Trading Funds</b>	<b>8,153</b>	<b>80,342</b>	<b>(57,679)</b>	<b>(14,972)</b>	<b>774</b>	<b>16,618</b>
<b>Pension Reserve</b>	<b>(4,368)</b>	<b>87</b>	<b>(44)</b>	<b>-</b>	<b>(2,581)</b>	<b>(6,906)</b>
<b>Total Unrestricted Funds</b>	<b>55,419</b>	<b>80,429</b>	<b>(59,828)</b>	<b>2,714</b>	<b>(1,701)</b>	<b>77,033</b>
<b>Total Funds</b>	<b>65,403</b>	<b>81,310</b>	<b>(60,402)</b>	<b>-</b>	<b>(1,344)</b>	<b>84,967</b>
<b>Society only, General and Trading Fund</b>	<b>8,399</b>	<b>66,214</b>	<b>(43,729)</b>	<b>(14,972)</b>	<b>774</b>	<b>16,686</b>

## 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.

**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 acquired by the Society on the merger with the Northern Horticultural

**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.

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

## UNRESTRICTED FUNDS

### Designated Fund

**The Fixed Asset Fund** represents the net book value of the Society's tangible fixed assets, excluding those in construction and in endowed, restricted or general and trading funds.

### Bicentenary Glasshouse

The Bicentenary Glasshouse fund forms part of the Fixed Asset Fund, and arose following the completion of the Glasshouse at Wisley, funded from a range of sources, brought together in this designated fund.

**Key Investment Projects Fund** represents funding support for the on-going key investment project investment programme planned for the next five years. The capitalisation of this programme will lead to annual transfers between this fund and the Fixed Asset Fund. (The previous name of this fund was the Capital and Revenue Projects Fund).

**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 buildings and properties at the RHS Garden Wisley and in Wisley Village.

**The Fifth Garden Fund** represents the initial investment to develop an additional Society Garden.

**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.

### Transfers

Transfers between restricted and unrestricted funds represent capital expenditure where asset purchase/development satisfies the fund restriction and as such assets will be held and depreciated in designated funds.

## 17. 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	350	996	35,894	732	-	37,972
Fixed Asset Investments	3,630	2,958	31,427	20,283	-	58,298
Current Assets	-	-	-	18,305	-	18,305
Current Liabilities	-	-	-	(21,875)	-	(21,875)
Long Term Liabilities	-	-	-	(827)	-	(827)
Pension Scheme Liability	-	-	-	-	(6,906)	(6,906)
<b>Total Net Assets</b>	<b>3,980</b>	<b>3,954</b>	<b>67,321</b>	<b>16,618</b>	<b>(6,906)</b>	<b>84,967</b>

## 18. Net cash inflow from operating activities

	2013 £'000	2012 £'000
Increase in Society funds	20,908	7,543
Less Sale of long lease of Lawrence Hall	(17,301)	-
Pension Fund movement, excluding actuarial gains/losses	(43)	(52)
Investment income receivable	(819)	(674)
Depreciation charge	2,489	2,550
Fixed asset disposals	446	29
(Increase)/Decrease in stocks	34	(42)
Decrease/(Increase) in debtors	214	(1,469)
(Decrease)/Increase in creditors	1,861	1,818
<b>Net Cash inflow from operating activities</b>	<b>7,789</b>	<b>9,703</b>

## 19. Reconciliation of net cash flow to movement in net cash funds

	£'000	£'000
Decrease in cash in the year	(1,321)	
Cash inflow to cash investments	7,170	
		5,849
Movement in net cash funds		
Net funds at 1 February 2012		18,912
<b>Net funds at 31 January 2013</b>		<b>24,761</b>

## 20. Analysis of changes in net cash funds

	Balance 1.2.12 £'000	Cash Flows £'000	Balance 31.1.13 £'000
Cash at bank and in hand	13,756	(1,321)	12,435
Cash included within investments	5,156	7,170	12,326
	18,912	5,849	24,761

## 21. Operating leases

As at 31 January the Society and its subsidiaries were committed to annual rentals expiring as follows:

	Consolidated		Society	
	2013 £'000	2012 £'000	2012 £'000	2011 £'000
Land and Buildings:				
Within one year	-	147	-	147
Between two to five years	78	78	78	78
Other:				
Within one year	10	7	4	2
Between two to five years	95	52	74	32
	<u>183</u>	<u>284</u>	<u>156</u>	<u>259</u>

## 22. Pension Scheme

The Royal Horticultural Society (1974) Pension Scheme was closed to future service accruals on 31 May 2009. A full actuarial valuation of the scheme was carried out as at 6 April 2011, which has been updated to 31 January 2013 by a qualified independent actuary. No contributions were made during the year and no further future contributions are currently expected to be made by the RHS into the scheme.

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

	2013 £'000	2012 £'000
Present value of funded obligations	26,048	22,125
Fair value of plan assets	19,142	17,757
	<u>(6,906)</u>	<u>(4,368)</u>
Present value of unfunded obligations	-	-
Unrecognised past service cost	-	-
Deficit	<u>(6,906)</u>	<u>(4,368)</u>
Net Liability	<u>(6,906)</u>	<u>(4,368)</u>

As required under the revised FRS17, the scheme's assets for this accounting period are based on bid price. Please note the asset figures for previous accounting periods have not been restated.

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 profit or loss are as follows:**

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Current service cost	44	14
Interest on obligations	993	1,046
Expected return on plan assets	(1,080)	(1,110)
Past service cost	Nil	Nil
Previously unrecognised surplus deducted from the past service cost	Nil	Nil
Losses (gains) on curtailments and settlements	Nil	Nil
<b>Total</b>	<b>(43)</b>	<b>(50)</b>
Actual return on plan assets	1,666	453

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

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Opening defined benefit obligation	22,125	19,048
Current service cost	44	14
Member contributions	-	-
Interest cost	993	1,046
Actuarial (gains) / losses	3,167	2,152
Liabilities assumed in a business combination	n/a	n/a
Exchange differences on foreign plans	n/a	n/a
Benefits paid	(281)	(135)
<b>Closing defined benefit obligation</b>	<b>26,048</b>	<b>22,125</b>

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. The above service cost represents the cost of benefit accrual to 31 May 2009 plus the expenses payable to Aviva for running the scheme over the accounting period.

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

	<b>2013</b> <b>£'000</b>	<b>2012</b> <b>£'000</b>
Opening fair value of plan assets	17,757	17,437
Expected return	1,080	1,110
Actuarial gains and (losses)	586	(657)
Assets distributed on settlements	-	-
Contributions by employer	-	2
Assets acquired in a business combination	n/a	n/a
Exchange differences on foreign plans	n/a	n/a
Member contributions	-	-
Benefits paid	(281)	(135)
<b>Closing fair value of plan assets</b>	<b>19,142</b>	<b>17,757</b>

**5) The major categories of plan assets as a percentage of total plan assets, and expected return, are as follows:**

	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
	<b>%Total plan assets</b>	<b>Expected return</b>	<b>% Total plan assets</b>	<b>Expected return</b>
Unitised with profits policy	0.1%	5.0%	0.1%	5.5%
Equities	55.9%	7.7%	51.3%	8.0%
Bonds	37.2%	3.5%	32.2%	4.5%
Cash	6.8%	1.5%	16.4%	3.5%

The expected returns have been based on the current split by investment sector of the assets of the scheme, using average expected returns on each sector.

**6) Movement in deficit during the year:**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at beginning of the year	(4,368)	(1,611)
<i>Movement in year:</i>		
Current service cost	(44)	(14)
Contributions paid by the employer	-	2
Bequests to the scheme	-	-
Past service costs	-	-
Other financial (expenditure)/income	87	64
Actuarial gain/(loss)	(2,581)	(2,809)
Deficit in scheme at end of the year	(6,906)	(4,368)

In the period to 31 January 2013 employer contributions of Nil 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**

	<b>2013</b>	<b>2012</b>
Discount rate	4.2% pa	4.5% pa
Expected return on plan assets	5.7% pa	6.1% pa
Future salary increases	4.5% pa	4.2% pa
Pension revaluation in deferment (Retail prices index – maximum 5%)	3.5% pa	3.2% pa
Pension escalation in payment (Retail prices index – maximum 5%)	3.5% pa	3.2% pa
Proportion of employees opting for early retirement	Nil	Nil
Inflation assumption	3.5% pa	3.2% pa

**b) Demographic assumptions**

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

Retiring today		
Males	23.8	23.6
Females	25.6	25.5
Retiring in 20 years		
Males	26.1	26.0
Females	28.0	27.9

(ii) Pre retirement mortality rates

The following mortality rates represent the probability of a person age x exact dying within one year.

Age	Males	Females
30	0.0003	0.0002
40	0.0005	0.0003
50	0.0011	0.0009
60	0.0033	0.0024

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

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	<b>26,048</b>	22,125	19,048	18,412	14,315
Plan assets	<b>19,142</b>	17,757	17,437	14,473	12,202
(Deficit)	<b>(6,906)</b>	(4,368)	(1,611)	(3,939)	(2,113)
Experience adjustments on plan liabilities	<b>464</b>	278	710	472	19
Experience adjustments on plan assets	<b>586</b>	657	620	876	(1,993)

## **23. 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. Written assurances have been obtained from all Council members and senior staff that for the period ending 31 January 2013 they have not influenced any transaction between the Society and a related party, as defined by FRS8.

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 the Directors 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 £11,385. The RHS also received commission from a related party totalling £137,769, and £47,949 catalogue insertion fees from a related party. Details are as follows:

Raymond Evison - The Guernsey Clematis Nursery Limited (of which Raymond Evison is Chairman) received a payment from the RHS of £3,373 towards the cost of its exhibits at the Chelsea Flower Shows, and a payment of £698 for Clematis for the Bowes Lyon Garden at RHS Wisley.

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 £137,769 in commission to RHS Enterprises Limited in the year ended 31/1/13. They also paid £47,949 for catalogues to be inserted into The Garden magazine. In addition, Crocus.co.uk Ltd was paid £1,539 for plants ordered through the RHS Enterprises Limited for plants for flower beds in RHS garden Harlow Carr and £1,110 for plant images.

Jekka McVicar - Jekka's Herb Farm (of which Jekka McVicar is Managing Director) was paid £2,964 for the supply of herbs to be grown and propagated in all RHS gardens. Jekka's Enterprises Ltd (of which Jekka McVicar is a Director) was paid £626 for delivering lectures for the RHS (including expenses).

James Alexander-Sinclair – Limelight Management (acting as agents for James Alexander-Sinclair) were paid £962 for delivering lectures for the RHS (including expenses)

Neil Lucas – Knoll Gardens & Nursery (of which Neil Lucas is a Director) was paid £113 for the supply of plants to RHS Harlow Carr.

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 22).

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.

### **Legacies**

Miss Joyce Yvonne Baynham	Mr Hubert Kenneth Kitchen
Mr Phillip Birket	Mr Geoffrey Douglas Mais
Mr Michael Thomas Bonney	Mrs Jean Mary Mann
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