



Trustees' Report and Financial Statements

OF THE ROYAL COLLEGE OF SURGEONS OF ENGLAND

2011-2012

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The Royal College of Surgeons of England is committed to enabling surgeons to achieve and maintain the highest standards of surgical practice and patient care.

The Royal College of Surgeons of England is a registered charity, no 212808.

Reference and Administrative Details

Charter

The Royal College of Surgeons of England was established by royal charter in 1800 to promote and encourage the study and practice of the art and science of surgery. Its earlier history lies in the records of the City Companies of Surgeons and Barber Surgeons. The affairs of the College are regulated by its founding and subsequent charters and ordinances. The most recent of these was granted in March 1992. The College is a registered charity and its number is 212808.

Constituent parts

For administrative purposes, the College comprises the Commonalty of Surgeons, the Faculty of Dental Surgery and the Faculty of General Dental Practice (UK).

Council

The Council is the governing body of the College and the elected members of Council are its trustees. Council consists of 24 elected surgical fellows and 2 dental surgery fellows elected by the Board of the Faculty of Dental Surgery. In addition, two co-opted members and a number of invited members representing specific interests attend Council meetings. The elected members of Council throughout the period to 30 June 2012 were:

President

Professor N Williams

Vice-Presidents

Professor J Stanley

Mr J Getty

Professor D Neal

Mr W Thomas

Mr D O'Riordan

Professor I Taylor

Professor A Narula

Professor M Horrocks

Mr R Greatorex

Mr D Ward

Mr M Parker

Miss S Boddy

Mr S Cannon

Professor D Alderson

Mr C Milford

Miss C Marx

Professor G McGrouther

Mr M Bircher

Mr I Eardley

Mr P Lamont

Professor C Lavy

Mr M Hawthorne

Mrs S McNally

Miss K Harley

Professor N Hunt

In July 2012 Professor Norman Williams was re-elected as President, Mr John Getty was re-elected as Vice-President, Professor Michael Horrocks was elected as the second Vice-President and Professor Antony Narula was re-elected as Honorary Treasurer. Mr Paul O'Flynn, Miss Susan Hill and Mr Peter Kay were admitted to Council. Professor David Neal, Professor John Stanley and Mr Robert Greatorex were

Reference and Administrative Details

demitted. Dr Trevor Ferguson and Mr Lawrence Mudford, President and Vice-President of the Faculty of General Dental Practice (UK) respectively, were admitted as co-opted members and took up seats as such in July 2012. Essentially, co-opted members can vote on Council business but they cannot take part in the vote for the election of College officers (President, Vice-Presidents and Treasurer).

The principal officers employed by the College were

Chief Executive	Mr A Bennett
Director of External Affairs	Dr A Cook
Director of Professional Standards and Regulation	Mrs K Smith
Director of Education	Mr M Larvin
Director of Research	Mr M Coomer
Director of Internal Services	Mrs J Weller
Director of Finance	Ms A da Silva
Registrar of the Faculty of Dental Surgery	Mr J Vandridge Ames
Registrar of the Faculty of General Dental Practice (UK)	Mr I Pocock

Professional advisors

Bankers

C Hoare & Co	37 Fleet Street, London EC4P 4DQ
HSBC Bank plc	60 Queen Victoria Street, London EC4N 4TR

Auditors

Crowe Clark Whitehill LLP	St Bride's House, 10 Salisbury Square, London EC4Y 8EH
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Solicitors

Bircham Dyson Bell	50 Broadway, London SW1H 0BL
Memery Crystal LLP	44 Southampton Buildings, London WC2A 1AP

Investment managers

Newton Investment Management Ltd	160 Queen Victoria Street, London EC4V 4LA
Schroder & Co Ltd	100 Wood Street, London EC2V 7ER

Structure, Governance and Management

Council is responsible for the overall direction of the College and delegates the direction of specific functions to individual members of Council. Trustees, when elected by postal ballot by fellows and members of the College, are given an induction course on the College and ongoing training on their responsibilities and other matters as required. The College management is organised on a directorate structure to suit the developing activities of the College. The chief executive is responsible for the overall management of the College and delegates management of specific functions to directors, each of whom is responsible for a directorate and works under the direction of the responsible member of Council. Directorate functions, their role and Council members involved during the year were as follows:

Directorate		Council member responsible
Finance	Overall directorate responsibility	Professor A Narula
	Accounting and financial control	Professor A Narula
	Investment management	Mr S Cannon
Internal Services	Overall directorate responsibility	Mr C Milford
	Accommodation, facilities, staff policies and procedures, and health and safety	Mr C Milford
	Information systems	Miss S Boddy
	Library and information services	Professor C Lavy
	Museums and special collections	Professor G McGrouther
Professional Standards and Regulation	Overall directorate responsibility	Professor J Stanley
	Professional standards	Mr R Greatorex
	Regional policy – training	Professor J Stanley
	Regional policy – professional support	Mr D Ward
	Quality assurance	Mr P Lamont
Education	Examinations and assessment	Mr M Parker
	Education	Professor M Horrocks
	Quality assurance and inspection	Mr C Milford
Research	Research and academic board	Professor D Alderson
External Affairs	Overall directorate responsibility	Mr J Getty
	Public relations and communications	Mr J Getty
	Policy	Mr J Getty
	Publications	Mr J Getty
	Patient Liaison Group	Professor D Neal
Dental Faculties	Faculty of Dental Surgery	Miss K Harley
	Faculty of General Dental Practice (UK)	Mr R Ladwa

Structure, Governance and Management

The Faculty of Dental Surgery and the Faculty of General Dental Practice (UK) report to Council and have their own committee structure. Each faculty has a dean's committee concerned with day-to-day management. The Faculty of General Dental Practice (UK) has 21 regional divisions that manage their own affairs under the direction of the Faculty; their results are included in these financial statements.

Council and the boards of the two dental faculties are elected by the subscribing fellows and members. The numbers for each category are as follows:

		2011-12	2010-11
Royal College of Surgeons	UK	11,716	11,317
	Overseas	4,187	3,984
Faculty of Dental Surgery	UK	2,898	2,532
	Overseas	520	678
Faculty of General Dental Practice (UK)	UK	2,874	3,244
Joint Members of FGDP(UK) and FDS (MJDF)	UK	1,412	1,212
	Overseas	12	20
		23,619	22,978

Objects and Aims

The Royal College of Surgeons of England was established for the study and promotion of the art and science of surgery.

Mission statement

The Royal College of Surgeons of England is committed to enabling surgeons to achieve and maintain the highest standards of surgical practice and patient care.

Core values

We will:

- put the interests of patients at the heart of all we do;
- provide leadership and support for surgeons of all specialties;
- develop the potential of surgeons through education, training and research;
- work closely with the specialist associations and other organisations to achieve our mutual aims;
- foster and develop the College's employees;
- promote equality of opportunity and act against discrimination in all aspects of College life; and
- be fair, responsible, open and accountable for all we do.

A summary of the College's strategic aims

1. Provide strong leadership and support for surgeons in all matters relating to their surgical practice, throughout their surgical careers.
2. Work with patients, the general public and government to improve surgical services.
3. Consolidate the College's position as a leading national and international centre for surgical education, training, assessment, examination and research.
4. Lead the whole multi-professional surgical team in all matters relating to the care of the surgical patient, including the surgical treatment of children, and further develop its role in setting and maintaining standards of practice for all the members of that team throughout their careers.
5. Develop the College's structure and function to allow it to achieve its goals.
6. Promote, by consultation and collaboration with other royal colleges, the specialist associations and other interested parties, the development of an effective single voice for surgery on relevant professional issues.

Public benefit

The Royal College of Surgeons of England delivers public benefit through a wide range of activities that influence and support the professional development of surgeons and the delivery of surgical services for the benefit of patients, surgeons and trainee surgeons. We are committed to enabling surgeons to achieve and maintain the highest standards of surgical practice and patient care. We provide strong leadership and support for surgeons in all matters relating to their surgical practice throughout their careers.

The trustees confirm that they have paid due regard to the guidance issued by the Charity Commission on public benefit and further confirm that the activities of the College are carried out for public benefit. Our work is based on a number of the charitable purposes defined under the Charities Act 2011, chiefly the advancement of education, the advancement of health or the saving of lives and the advancement of the arts, culture, heritage or science. We engage directly with the public through the [Hunterian Museum](#), the media, and our [publications and journals](#), such as the *Annals* and *Bulletin*. In addition to this direct engagement, the College delivers public benefit indirectly by training and supporting surgeons, enabling them to provide high-quality care to patients. The next section outlines key activities in 2011–2012.

Activities and achievements

The College's role is to maintain the highest standards of surgical practice and patient care. The College carries out many diverse activities to achieve this, some of which are discussed below. More detailed information will be found in our annual report.

A combination of targeted media and political strategy has resulted in a number of policy successes in 2011–2012. During the passage of the Health and Social Care Bill the College was able to shape a number of components before it passed into law in May 2012. For example, the College worked at the early stage of the proposals to introduce the idea of any 'qualified provider' rather than allowing any 'willing provider' to lessen the risk of cherry picking by the private sector. Under any qualified provider, the onus will be on the provider to supply adequate cover for emergencies as well as to provide education, training and research.

In the College's [initial response to the Bill](#) we called for greater clinical involvement in the NHS Commissioning Board, and for more detail on the proposed regional and national commissioning structures in the NHS. As a result, when the Bill was amended, the government's response stated that the 'NHS Commissioning Board would seek clinical advice through regional clinical networks and Clinical Senates'. Furthermore, through our work with the Association of Medical Research Charities and the launch of our report on surgical research and innovation, [From Theory to Theatre](#), we successfully lobbied on amending the Health and Social Care Bill so that the health secretary's 'duty to incentivise research' was strengthened and widened to the health secretary, NHS Commissioning Board and clinical commissioning groups having a duty to promote and incentivise research and innovation.

During 2011–2012 the Patient Liaison Group commissioned a [poll to gauge public understanding of the word 'surgeon'](#). This poll revealed an overwhelming level of public trust that surgeons are medically qualified, with 95% of British adults expecting that an individual using the job title 'surgeon' would have a medical degree while only 27% would check a surgeon's qualifications before having an operation. The Patient Liaison Group is now campaigning to legally protect the job title 'surgeon' so only those who have qualified as a medical doctor and undertaken postgraduate surgical training can use the title. This will avoid confusion and prevent patients thinking they are being treated in the NHS by a 'surgeon' when that person does not hold a medical degree and is not a surgical specialist.

The College has continued to work with the General Medical Council and others to ensure that the revalidation process is suitable for surgeons' professional practice. In collaboration with the surgical specialty associations, the College produced specialty-specific guidance on continuing professional development. After the launch of revalidation in December 2012, the College will be providing an advisory service for surgeons, appraisers and responsible officers.

Use of the College's [Invited Review Mechanism](#) services has increased significantly throughout the year, with a high number of reviews being undertaken. Feedback from users of our services has been consistently positive. NHS trusts have reported that we have offered significant help in providing an independent review of highly complex circumstances and have recommended practical ways forward. During the year we significantly strengthened our processes for follow-up after reviews to ensure we are made aware of the outcomes.

In April 2012 the College, working with surgical specialty associations, launched the first phase of a project to provide online advice to national and local commissioners of surgical services. Resources available include bringing together a variety of standards, guidance and service specifications that provide best-practice advice to support commissioners in the delivery of safe, efficient and cost effective surgical care.

The College carried out its [second census of the surgical workforce](#) in England, Wales and Northern Ireland. More than 5,000 surgeons responded to the census, amounting to over 70% of the surgical workforce, an increase of more than 10% from last year's response rate. This year's report includes more in-depth information on regional populations and the consultant workload.

The College has continued to focus on developing the skills of surgeons in order to raise the standard of patient safety and clinical care. Courses were held either in our state-of-the-art training centre or in our regional and international centres. During 2011–2012 we delivered 687 courses to over 10,500 participants. The College recognises the importance of anatomy training and procedural simulation to enhance the training experience and has built a dedicated £1.3 million facility to receive, store and prepare unembalmed freeze-preserved cadavers, developing a full working facility. The new facility will greatly enhance the Wolfson surgical skills centre, one of the UK's largest cadaveric operative simulation facilities.

The renowned [Hunterian Museum](#) continues to enjoy a high media profile. It provides free public access to the College's treasures and gives opportunities to learn about the role of surgery in society. Programming and exhibitions commemorated the centenary of Joseph Lister's death and celebrated the importance of sports surgery, attracting a record 72,000 visits, a quarter of which were involved in one of over 500 events offered. Furthermore, nearly 7,000 students and trainees availed themselves of the unique resources in the [Wellcome Museum of Anatomy and Pathology](#) this year.

Behind the scenes, work began on a three-year museum conservation project entitled *Endangered Specimens, Endangered Skills*, which will preserve precious ‘pots’ and pass on rare know-how to a new generation. Harold Gillies’ important plastic surgery records were acquired for the College archives and research activity using the College’s collections continues to grow, including several international partnerships.

In March 2012 the [library and surgical information services](#) department piloted a current awareness service for cardiothoracic surgery. Members receive a tailored monthly bulletin, created with advice from a specialist advisory panel, linking wherever possible to full-text versions of the latest literature. The service is aimed at helping members stay up to date with the published evidence in their specialty. A urology bulletin was piloted subsequently, with the intention of expanding the service to further specialties.

This year the College’s [Faculty of Dental Surgery](#) re-launched the Licence in Dental Surgery examination and, together with our sister dental faculties in Edinburgh and Glasgow, we launched tri-collegiate specialty membership examinations in oral surgery, paediatric dentistry and special care dentistry. The Faculty continued to support research through the award of one fellowship and three small grants as well as education through the e-learning programme for dentistry (e-Den), multiple skills courses and the [Faculty Dental Journal](#).

The [Faculty of General Dental Practice \(UK\)](#) has continued to focus on developing the knowledge and skills of primary care dentists in order to enhance patient care. This has been through the provision of face-to-face courses and events, assessments, qualifications, up-to-date publications, e-learning, research, collaborations with other stakeholders and responses to government consultations about the future of dentistry.

The College hosted a *Global Surgical Frontiers* conference in January 2012, in which we acted as a conduit between our fellows and members and providers of international surgical opportunities. Full to capacity, the event was a great success and received a wealth of positive feedback.

Future plans

- Over the next year the College will continue to engage proactively in the implementation of the Health and Social Care Act 2012 in order to ensure that the profession is best placed to adapt to the changes while maintaining a high standard of care for patients.
- Campaign priorities for the coming year include greater collection and use of surgery results data, with a particular spotlight on equality of access to treatment, maintenance and improvement of education and training opportunities for surgeons throughout their career, and a continued focus on investment and support for research and innovation in surgery.
- We will continue to deliver high-quality reviews of hospitals, providing them with expert, independent, objective and timely reports.

- Our workforce census will be repeated in 2012.
- Our cosmetic surgery working group will publish its guidance in 2012.
- Our Patient Liaison Group will focus on clarification of medical job titles, patient involvement in the new healthcare landscape and improving patient information on the College website.
- We will continue to promote our unembalmed freeze-preserved cadavers facility so more courses provide the most realistic tissue for simulating operations and procedures.
- We will continue to expand e-learning modules and the incorporation of digital learning into education courses.
- Our research fellowship scheme will continue enabling surgeons to carry out important research projects to the benefit of patients on any condition related to any branch of surgery.
- We will continue to provide targeted career information and guidance for staff and associate specialist grade surgeons.
- We will continue to provide and develop support for members' practice, research, teaching and learning, and raise awareness of electronic resources such as anatomy.tv that can be integrated into and further enhance their activities.
- In 2013 the College's Hunterian Museum will have been open for 200 years, and we will celebrate with an exhibition, an event series and a conference. A major collaborative project, *Digitised Diseases*, will give us outstanding three-dimensional scans of our osteopathology and, alongside the library and surgical information services department, we will seek to achieve 'designated' status across the collections (a marker of international quality).
- As the health service undergoes major reform, the College's Faculty of Dental Surgery will be seeking opportunities to engage proactively with the commissioning process in order to improve access to specialist dentistry and reduce the variations in care.
- The Faculty of General Dental Practice (UK) will continue to evaluate the impact of the new NHS primary care contract and work with the General Dental Council on its new continuing professional development requirements and preparations for revalidation. It will also launch its new publication, the *Primary Dental Journal*, develop new courses and promote practice-based research.

Financial Review

For a full understanding of the financial activities of the College please refer to the Consolidated Statement of Financial Activities and Consolidated Balance Sheet (pages 20 and 21). During the period the College changed its year end to 30 June.

The aggregate deficit of £1.3 million as shown on the Statement of Financial Activities, before investment losses and transfers, consists of a deficit of £0.8 million on unrestricted funds, a deficit of £0.4 million on restricted funds and a deficit of £0.1 million on endowed funds.

The deficit on unrestricted funds was due to a combination of factors. Income overall increased, especially relating to the 'residential, conference and other' category (due to more conferences being held) and the 'charges and sales' category (due to more invited reviews being completed and more intercollegiate activity). However, this was coupled with increased costs, particularly in the 'standards, regulation and examinations' category (due to more activity in these areas).

The deficit on restricted funds of £0.4 million (before transfers) comprises a net decrease in grants held of £1.2 million and an increase of £0.8 million in trust fund balances used for funding educational, research and museum project developments. The decrease in grants arose due to project funding received in previous years being utilised during the current financial year. The increase of £0.8 million in trust fund balances is due mostly to new research funds being received.

Endowed funds showed a deficit of £0.1 million (before transfers), consisting of investment portfolio management fees charged against the capital value of the fund.

When the aggregate deficit of £1.3 million in the Consolidated Statement of Financial Activities is amalgamated with the decrease of £1.9 million in the capital value of the College's investment portfolio, an overall decrease in net worth of £3.2 million is the outcome for the year. The capital value of the College's investment portfolio has been affected unfavourably by adverse economic conditions during the financial year.

Income

Overall income of £26.3 million (2011: £25.3 million) was 3.9% or £1.0 million higher than the previous year. Under the Charities Statement of Recommended Practice (SORP) 2005, income is required to be reported under three categories: incoming resources from generated funds of £8.9 million (2011: £9.3 million), incoming resources from charitable activities of £17.4 million (2011: £16.0 million) and other incoming resources (2012 and 2011: £0.0 million).

- Donations, gifts and legacies are unpredictable, and were lower than the previous year.
- Grant income decreased due to less project funding being received in the current economic climate.
- Residential and conference income increased significantly due to more conferences being held and greater efficiency in meeting demand.

- Investment income levels decreased marginally.
- Course income remained static overall.
- Examination income increased overall due to increases in surgical examinations and Faculty of General Dental Practitioners (UK)'s income being greater than decreases in Faculty of Dental Surgery income.
- Subscription income increased due to an increase in the level of subscription and the number of members.
- Charges and sales income increased substantially due to the increased number of invited reviews completed and greater intercollegiate activity including the new e-portfolio.

Expenditure

Expenditure of £27.7 million (2011: £26.5 million) was incurred during the year on all activities and reflected a 4.5% or £1.2 million increase on the previous year. Under SORP 2005, expenditure is required to be reported under three categories: cost of generating funds of £4.2 million (2011: £4.0 million), charitable expenditure of £22.9 million (2011: £22.0 million) and governance costs of £0.6 million (2011: £0.5 million).

The 'cost of generating funds' category has increased due an increase in residential and conference costs as more functions are being held.

Charitable expenditure includes the majority of categories:

- The level of education and course expenditure was higher than in the previous year due mainly to an increase in the cost of running Faculty of Dental Surgery courses.
- Expenditure on standards, regulation and examinations has increased due to the higher costs of running standards and the e-portfolio because of increased activity in these areas. This has been counteracted by fewer examinations being run by the Faculty of Dental Surgery.
- The level of research expenditure has decreased considerably due to less research fellowships being awarded in the current financial year as a result of the financial climate.
- Clinical Effectiveness Unit and other funded-project expenditure has increased due to an increased number of projects being undertaken during the year.
- Expenditure on museum and library services has remained static overall.
- Expenditure on communications and publishing has remained static overall.
- Expenditure on other professional activities have increased due to an increase in the costs of running the dental faculties as well as some one-off expenditure aimed at maximising efficiency and reducing risk.

Governance costs remained static.

Total capital expenditure for the year was £2.1 million, of which £0.9 million has been spent in selectively improving general facilities while capital expenditure of £0.1 million has been incurred

on the SUN accounting system upgrade and £1.1 million has been incurred on the anatomical facilities development project.

The College's grant making policy is that surgical research fellowships awarded by the College are only eligible to surgical trainees who are members of the College (i.e. who hold the MRCS) and who have entered their period of specialty training (i.e. specialist registrars). The overriding objective of the surgical research project must be to improve care of surgical patients and the projects should be based on the principles of translational research (i.e. research examining a specific clinical problem).

Subsidiary company

Hunter Trading Limited is a wholly owned subsidiary of the College that markets conference and residential facilities not required for the College's own use. A surplus of £0.2 million was achieved in 2012 and 2011. Its activities are consolidated in these financial statements. (See [note 10.](#))

Investment policy and performance

The downturn of world markets has resulted in losses of £1.0 million in unrestricted funds with the portfolio being valued at £23.4 million at year end. The restricted and endowed funds portfolios were valued at £32.4 million at year end and have had losses in the year of £0.9 million. In view of the long-term perspective of the College, the trustees felt that the investment performance was satisfactory in the current economic conditions.

The general fund is now managed by Schrodgers following an investment advisors' tender process. The general funds primary investment objective is to generate income of £825,000. The secondary investment objective is to maximise the portfolio's total return in a risk-controlled manner through the use of a diversified portfolio across a range of different asset classes. The Common Investment Fund and other funds investment strategy is to provide income of £1.12 million and thereafter maximise total return. The College does not invest directly in tobacco stocks. The investment objectives were met for the general, common investment and other funds.

The investment powers of the College detailed in the ordinances attached to the 1992 charter have now been widened by the Trustee Act 2000.

Reserves policy

The College's expenditure is more predictable while its income is of a more variable and uncertain nature. The College therefore considers it necessary to hold reserves. The College holds reserves in the form of capital designated funds to provide a continuous flow of income to help support the cost of charitable activities. The balance of this fund approximates 9 months of general operational expenditure. The College's reserves policy is that the capital designated fund should not fall

below 6 months of general operational expenditure. The balance of the College's designated funds is represented by tangible fixed assets, which are not readily converted into cash. Additional working reserves are held for operational purposes. The College considers that its reserves are at an acceptable level and the trustees will continue to monitor its reserves stringently.

Resources

The overall decrease in resources during the year was approximately £3.3 million, which, when amalgamated with existing funds, results in a net worth of £70.7 million. Of this, £28.4 million represents endowed funds' assets, where only the income, not the capital, can be spent on purposes specified by the donors, while a further £12.7 million is restricted in how it can be used as it consists of project grants and trust balances.

The unrestricted funds of £29.6 million include designated funds of £8.9 million equating to the unrestricted fixed assets used by the College in its activities, a capital designated fund of £17.5 million, which is invested to produce income to support the College's charitable activities, and working reserves for the College and its two dental faculties of £3.2 million.

The Balance Sheet ([page 21](#)) outlines the main asset and liability categories aggregating to the net worth of the College while the Cashflow Statement ([page 22](#)) tabulates the impact of operating and investment activities on cash and bank resources.

The College's financial position has suffered this year due in the most part to the turbulent economic environment, which it cannot control. The College continues to face a number of uncertainties, and continued professional and prudent management of resources is therefore essential if the College is to maintain financial equilibrium and so be in a position to react positively to future challenges. As the trustees consider that the College will continue in operational existence for the foreseeable future, they continue to adopt the going concern basis for the preparation of the accounts.

Risk management

Council acknowledge their responsibility for ensuring adequate levels of risk management and internal control. This is supported by the strategic plan and a four-year business plan for the College. A risk register is in place and is reviewed regularly. The main risks identified are investment performance and generating sufficient levels of income. These risks have been ameliorated by diversified portfolios and continuous review. Internal financial controls fulfil the Charity Commission guidelines in all material respects, and are enhanced by strong budgetary and management accounting procedures.

Custodian Trustee

The College acts as custodian trustee for the Sir Ratanji Dalal Research Scholarship Fund (research scholarship in tropical surgery or medicine) and the Colledge Family Memorial Fellowship Trust (awards travelling fellowships to surgeons). Their financial statements are audited by Crowe Clark Whitehill LLP. Both these funds hold investments in their own name and have their own bank accounts, entirely segregated from those of the College.

At 22 September 2012, the value of the Sir Ratanji Dalal Research Scholarship Fund endowed fund was £0.7 million (2011: £0.6 million) and its unrestricted fund was £0.06 million (2011: £0.06 million). The trustees of this fund are the President of The Royal College of Surgeons of England and the President of the Royal College of Physicians, who are jointly responsible for the safeguarding of its assets. Annual financial statements are prepared and presented to the trustees of this fund.

At 30 June 2012, the value of the Colledge Family Memorial Fellowship Trust endowed fund was £2.4 million (2011: £2.4 million) and its unrestricted fund was £0.1 million (2011: £0.08 million). The trustees of this fund are Mr T George, Professor A Narula and The Royal College of Surgeons of England, who are jointly responsible for the safeguarding of its assets. Annual financial statements are prepared and presented to the trustees of this fund.

Statement of trustees' responsibilities

The trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under charity law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charity and the group and of their net incoming/outgoing resources for that period. In preparing these financial statements, the trustees are required to:

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

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 Charity and the group, and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the elected members of Council

Professor N Williams

President

Professor A Narula

Treasurer

8 November 2012

Independent Auditor's Report

To the Trustees of The Royal College of Surgeons of England

We have audited the financial statements of The Royal College of Surgeons of England for the period ended 30 June 2012 set out on pages [20 to 39](#).

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 section 154 of the Charities Act 2011. 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 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the charity and the group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the affairs of the charity and the group as at 30 June 2012, 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.

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 requires us to report to you if, in our opinion:

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

Crowe Clark Whitehill LLP

Statutory Auditor

London

15 November 2012

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

Consolidated Statement of Financial Activities

FOR THE PERIOD ENDED 30 JUNE 2012

	Notes	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2012 £000s	Totals 2011 £000s
Incoming resources						
Incoming resources from generated funds						
Voluntary income:						
Donations and gifts		89	1,057	–	1,146	1,246
Legacies		567	180	–	747	1,016
Grants		–	872	–	872	1,254
Activities for generating funds:						
Residential, conference and other		4,116	–	–	4,116	3,600
Investment income		996	1,093	–	2,089	2,173
Incoming resources from charitable activities						
Courses		4,715	724	–	5,439	5,395
Examinations		4,210	–	–	4,210	3,960
Subscriptions		4,753	–	–	4,753	4,631
Charges and sales		1,590	1,367	–	2,957	2,052
Total incoming resources		21,036	5,293	–	26,329	25,327
Resources expended						
Cost of generating funds						
Fundraising costs for raising voluntary income		360	–	–	360	350
Investment management fees		9	94	136	239	239
Residential, conference and other trading costs		3,312	238	–	3,550	3,407
		3,681	332	136	4,149	3,996
Charitable expenditure						
Education and courses		5,631	1,020	–	6,651	6,469
Standards, regulation and examinations		5,876	1,935	–	7,811	6,946
Research grants	3	6	1,117	–	1,123	1,763
Clinical Effectiveness Unit and other projects		85	845	–	930	772
Museums and library		1,745	427	–	2,172	2,124
Communications and publications		1,814	17	–	1,831	1,785
Other professional activities		2,420	10	–	2,430	2,070
		17,577	5,371	–	22,948	21,929
<i>Governance</i>		580	–	–	580	568
Total resources expended		21,838	5,703	136	27,677	26,493
Changes in resources before transfers		(802)	(410)	(136)	(1,348)	(1,166)
Transfer between endowed and restricted funds	11		(115)	115	–	–
Changes in resources before other recognised gains and losses		(802)	(525)	(21)	(1,348)	(1,166)
Net (losses) / gain on investments	10	(1,011)	(53)	(845)	(1,909)	5,122
Net movement in resources in the year		(1,813)	(578)	(866)	(3,257)	3,956
Brought forward 24 June 2011		31,389	13,281	29,288	73,958	70,002
Balance carried forward 30 June 2012		29,576	12,703	28,422	70,701	73,958

All activities are continuing activities. The notes to the financial statements are on pages 23 to 39.

Consolidated Balance Sheet

AS AT 30 JUNE 2012

		<30 June 2012>			30 June	24 June
	Notes	Unrestricted funds	Restricted funds	Endowed funds	2012 Totals	2011 Totals
		£000s	£000s	£000s	£000s	£000s
Fixed assets						
Tangible fixed assets	5	8,908	5,400	–	14,308	14,135
Investments	10	23,427	3,921	28,507	55,855	59,721
		32,335	9,321	28,507	70,163	73,856
Current assets						
Stock		172	–	–	172	205
Debtors	6	2,350	331	–	2,681	2,939
Cash and short-term deposits	7	3,200	3,056	–	6,256	7,156
		5,722	3,387	–	9,109	10,300
Current liabilities						
Creditors: amounts falling due within one year	8	(8,375)	(5)	(85)	(8,465)	(10,069)
Net current (liabilities) / assets		(2,653)	3,382	(85)	644	231
Long-term liabilities						
Creditors: amounts falling due after more than one year	8	(106)	–	–	(106)	(129)
Net assets		29,576	12,703	28,422	70,701	73,958
Funds						
Permanent endowment and other restricted funds	11	-	12,703	28,422	41,125	42,569
Unrestricted funds:						
Designated funds	12	26,408	–	–	26,408	26,321
Working reserves	12	3,168	–	–	3,168	5,068
		29,576	12,703	28,422	70,701	73,958

The notes on pages [23 to 39](#) form part of these financial statements.

The parent charity only Balance Sheet is identical to the Consolidated Balance Sheet presented above except that debtors and creditors amounts falling due within one year, and subtotals for current assets and current liabilities are higher by £251,000 (2011: £245,000).

Approved on behalf of the elected members of Council and authorised for issue on 8 November 2012.

Professor N Williams

President

Professor A Narula

Treasurer

Consolidated Cashflow Statement

FOR THE PERIOD ENDED 30 JUNE 2012

	Notes	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2012 £000s	Totals 2011 £000s
Net cash (outflow) / inflow from operating activities	a	(1,331)	660	(51)	(722)	2,124
Net cash inflow / (outflow) from capital expenditure and financial investment	b	523	(638)	(63)	(178)	(1,310)
		(808)	22	(114)	(900)	814
Management of liquid resources	c	1,188	(7)	–	1,181	826
Increase / (decrease) in cash in year	d	380	15	(114)	281	(1,640)
a) Reconciliation of changes in resources to net inflow from operating activities						
Net incoming / (outgoing) resources before revaluations		(802)	(410)	(136)	(1,348)	(1,166)
Depreciation		936	1,026	–	1,962	1,899
Decrease / (increase) in stocks		33	–	–	33	(73)
Decrease in debtors		219	39	–	258	106
Decrease / (increase) in creditors		(1,717)	5	85	(1,627)	1,358
Net cash (outflow) / inflow from operating activities		(1,331)	660	(51)	(722)	2,124
b) Capital expenditure and financial investment						
Payments to acquire tangible fixed assets		(2,023)	(112)	–	(2,135)	(1,067)
Purchase of investments		(53,225)	(1,945)	(30,772)	(85,942)	(15,967)
Receipts from sales of fixed asset investments		55,242	1,948	30,709	87,899	15,724
Transfer between funds		–	(115)	115	–	–
Change in amounts due between funds		529	(414)	(115)	–	–
Net cash inflow / (outflow) from capital expenditure and financial investment		523	(638)	(63)	(178)	(1,310)
c) Management of liquid resources						
(Decrease) / increase in short-term deposits		(1,188)	7	–	(1,181)	(826)
d) Reconciliation of net cash flow to movements in net funds						
Increase / (decrease) in cash in year		380	15	(114)	281	1,640
(Decrease) / increase in short-term deposits		(1,188)	7	–	(1,181)	(826)
Movement in net funds in year		(808)	22	(114)	(900)	814
Net funds at 24 June 2011		4,008	3,034	114	7,156	6,342
Net funds at 30 June 2012		3,200	3,056	–	6,256	7,156

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2012

1. Accounting policies

(a) The financial statements have been prepared under the historical cost convention with the exception of investments that are included at market value. The financial statements have been prepared in accordance with the Charities Act, applicable Accounting Standards and the principles of the Statement of Recommended Practice for Accounting and Reporting by Charities 2005 (SORP 2005). All activities derive from the continuing business of the College. As described in the Trustees' Report, the financial statements are prepared on the going concern basis as the trustees expect the College to continue in operation for the foreseeable future.

(b) Incoming resources are included in the financial statements as follows: donations, gifts and legacies when they are capable of measurement and become receivable; grants as they become receivable; courses, tuition and examination fees in the period to which they relate, less provisions for doubtful debts; subscriptions on an accruals basis; and investment income as it becomes receivable.

(c) Grants payable are charged to the financial statements, in full, in the period that they are notified to the recipients.

(d) Donated services, and gifts in kind are included where material as income and expenditure at an amount representing the value to the College.

(e) Resources expended comprise expenditure, including staff costs, directly attributable to the activity. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with the use of the resources. Overheads relating to the building and all its services are charged to departments and faculties based upon the area occupied. Those relating to finance, information technology and personnel costs are charged to departments on the basis of their financial activity, level of computer support and numbers of employees, respectively. These are detailed in [note 2](#). All overheads in relation to grant-funded projects are charged, where appropriate, on the basis of their activity.

(f) Fundraising costs comprise the costs incurred in encouraging others to make voluntary contributions to the College and its various activities. Governance costs comprise those costs incurred in relation to the overall strategic management of the College, and the costs of compliance with statutory requirements.

(g) Tangible fixed assets are capitalised where the amount expended is equal to or greater than £1,000 and the College obtains long-term benefit from the expenditure. Freehold land and buildings are shown in the Balance Sheet at historic cost. Capital projects that are not complete at the year end are shown as Construction in Progress.

(h) Depreciation is charged from the date assets are acquired so as to write them off over their expected useful lives at the following annual rates:

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2012

Freehold land	nil	Furniture, fittings and vehicles	25%
Freehold buildings	nil	Computer equipment	25%
Plant and refurbishment	10%		

Freehold buildings are not depreciated as the College has a policy of maintaining them in such a condition that their value, taken as a whole, is not impaired by the passage of time. The Council is of the opinion that any provision for depreciation would not be material and that the buildings are worth at least their book value. No depreciation is charged on Construction in Progress expenditure.

(i) Heritage assets mainly comprise the numerous specimens and artefacts collected by John Hunter in the 1700s and presented to the College in 1799. These are held in the Hunterian Museum. The College is by law the proprietor of these specimens and the Hunterian Trustees have a duty to ensure that the College maintains the specimens and does not dispose of them. The College also owns historic books related to surgery and medicine which were bequests in the 19th century and are preserved and maintained in the library and not to be disposed of. The Trustees consider that the cost of valuation of these artefacts would be disproportionate to the benefit of the resultant information. Therefore these assets are not recognised in the Balance Sheet. The College does not purchase heritage assets. Occasionally heritage assets may be donated to the College and if acquired before April 2010, these would not be valued in the Balance Sheet for the reasons already stated. Detailed electronic records of all heritage assets are maintained on the College's website.

(j) Investments are included at market value. Additions are recorded at cost. Disposals during the year are recorded at opening market value, or cost if purchased during the year. Gains or losses on disposal, as well as the change in investment values during the year on continued holdings, are shown in the Statement of Financial Activities. The activities of the Common Investment Fund, a subsidiary charity of the College, and which acts as an investment pool for most of the College's trust funds' assets, are incorporated in these financial statements.

(k) Stock mainly represents manuals purchased or printed for future courses. It is stated at the lower of cost and realisable value.

(l) Retirement pensions and related benefits are charged to the Statement of Financial Activities as contributions fall due. Further details are given in [note 13](#).

(m) Unrestricted funds are available for use at the discretion of the College Council in furtherance of the general charitable objectives of the College.

(n) Designated funds arise from the policy of earmarking those of its unrestricted funds which are not available for general activities. Those represented by fixed assets cannot be utilised unless the assets were to be realised. The reserves placed in the designated capital fund are required to produce income in future years to fund the core activities of the College.

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2012

(o) Endowed and restricted funds are gifts or other grants which can only be applied for a purpose specified by the donor or grantor. All the endowed funds are permanent endowments where the donor has specified that the capital of the gift cannot be expended and that only the income arising from the capital may be used for the purpose named by the donor. None of these funds are available to meet the general costs of the College. Investment management charges are charged to the capital of the endowed funds.

(p) Custodian trustee funds are managed by the College on behalf of other charities and are not included in the financial statements.

(q) The College is a registered charity and as such is exempt from taxation on its income and gains to the extent that they are applied to its charitable purposes.

(r) Hunter Trading Ltd. The College's consolidated accounts include the activities, assets and liabilities of the College's fully owned subsidiary, Hunter Trading Ltd. Were a balance sheet to be prepared excluding Hunter Trading Ltd, the College's debtors and creditors would increase by £251,000 (2011: £245,000).

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2012

2. Resources expended

	Direct costs £000s	Grants made £000s	Allocated support costs £000s	Total 2012 £000s	Total 2011 £000s
Cost of generating funds					
Fundraising costs	316	–	44	360	350
Investment management fees	239	–	–	239	239
Residential, conference and other trading costs	2,280	–	1,270	3,550	3,407
	2,835	–	1,314	4,149	3,996
Charitable expenditure					
Education and courses	5,890	–	761	6,651	6,469
Standards, regulation and examinations	6,935	–	876	7,811	6,946
Research grants	132	888	103	1,123	1,763
Clinical Effectiveness Unit and other projects	782	–	148	930	772
Museums and library	1,463	–	709	2,172	2,124
Communications and publications	1,595	–	236	1,831	1,785
Other professional activities	1,837	–	593	2,430	2,070
	18,634	888	3,426	22,99	21,929
Governance	514	–	66	580	568
Total	21,983	888	4,806	27,677	26,493
Support costs and basis of allocation					
Premises and utilities	<i>Floor area occupied</i>		2,414		1,892
Human resources	<i>Number of staff employed</i>		478		406
Finance services	<i>Budgeted expenditure</i>		528		633
IT and systems support	<i>Equipment and support provided</i>		1,386		1,501
			4,806		4,432

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2012

3. Research grants

	2012		2011	
	Number awarded	Total amount £000s	Number awarded	Total amount £000s
Purpose of grant				
Research fellowships				
<i>Liabilities at start of year</i>		(661)		(570)
<i>Paid in year</i>		1,136		1,288
<i>Liabilities at end of year</i>		293		661
Charge for year	44	768	53	1,379
Other research projects				
<i>Liabilities at start of year</i>		(229)		(295)
<i>Paid in year</i>		101		127
<i>Liabilities at end of year</i>		220		229
Charge for year	3	92	3	61
Scholarships	6	6	7	5
Travel	14	22	14	23
	67	888	77	1,468
Administration of research fellowships and other research projects		235		295
Research expenditure shown on Statement of Financial Activities		1,123		1,763

Further details of the research fellowships awarded and other research projects are available in the research report, published annually.

Financial details of the individual grants made are available from the Finance Department of The Royal College of Surgeons of England.

During the year, grants of £416,000 (2011: £374,000) were awarded for individuals at institutions with which members of Council are connected. These members of Council did not participate in the decisions to award the respective grants.

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2012

4. Staff and other expenditure

	2012	2011
	No.	No.
Number of staff employed by the College at 30 June		
<i>Directorate:</i>		
Education	40	41
Examinations	16	16
Executive Office	5	3
External Affairs	20	23
FDS (Faculty of Dental Surgery)	16	18
FGDP(UK) (Faculty of General Dental Practitioners (UK))	33	26
Finance	12	11
Internal Services	87	76
PSRD (Professional Standards and Regulation)	61	55
Research	13	14
Total number of staff employed by the College at 30 June	303	283
	£000s	£000s
Gross pay	9,090	8,837
Employer's statutory contributions	813	751
Employer's pension contributions	1,076	1,041
Total staff costs	10,979	10,629

At 30 June the number of employees receiving salaries in the following bands was as follows:

	2012	2011
£60,000 to £70,000	2	4
£70,001 to £80,000	4	3
£80,001 to £90,000	3	2
£90,001 to £100,000	1	1
£100,001 to £110,000	1	1
£120,001 to £130,000	–	1
£130,001 to £140,000	1	–

11 (2011: 11) of these employees are members of the USS pension scheme, while 1 (2011: 1) is a member of the NHS pension scheme.

	2012	2011
	£000s	£000s
Included in governance costs are:		
Auditors' remuneration – audit fees – The Royal College of Surgeons of England 2012	42	38
Auditors' remuneration – audit fees – The Royal College of Surgeons of England 2011 – under accrual/additional fees	17	3
Auditors' remuneration – audit fees – Hunter Trading Ltd	3	3
Auditors' remuneration – fees for non-audit work	–	40

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2012

5. Tangible fixed assets

	Freehold properties £000s	Furniture, fittings and vehicles £000s	Plant and refurbishment £000s	Computer equipment £000s	Construction in progress £000s	Totals £000s
Cost						
Balance 24 June 2011	3,352	927	22,750	2,729	113	29,861
Reclassification of assets	–	–	113	–	(113)	–
Additions	–	67	1,673	281	114	2,135
Balance 30 June 2012	3,352	994	24,526	3,010	114	31,996
Accumulated depreciation						
Balance 24 June 2011	–	730	12,957	2,039	–	15,726
Charge for year	–	97	1,568	297	–	1,962
Balance 30 June 2012	–	827	14,525	2,336	–	17,688
Net book values						
at 30 June 2012	3,352	167	10,001	674	114	14,308
at 24 June 2011	3,352	197	9,783	690	113	14,135

6. Debtors

	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2012 £000s	Totals 2011 £000s
Taxation recoverable	–	–	–	–	13
Other debtors	2,196	331	–	2,527	2,883
Prepayments	154	–	–	154	43
	2,350	331	–	2,681	2,939

7. Cash and short-term deposits

	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2012 £000s	Totals 2011 £000s
Cash in hand	28	–	–	28	22
Current and instant access accounts	3,007	3,041	–	6,048	5,773
Short-term deposit accounts	165	15	–	180	1,361
	3,200	3,056	–	6,256	7,156

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2012

8. Creditors

	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2012 £000s	Totals 2011 £000s
Amounts falling due within one year					
Other creditors	3,516	5	85	3,606	5,124
Taxation and social security	253	–	–	253	315
Deferred income	4,606	–	–	4,606	4,630
	8,375	5	85	8,465	10,069
Amounts falling due after more than one year					
Other creditors	106	–	–	106	129
	106	–	–	106	129

9. Deferred income

	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2012 £000s	Totals 2011 £000s
Balance brought forward	4,630	–	–	4,630	3,141
Income arising during the year	21,012	5,293	–	26,305	26,695
Released to Statement of Financial Activities	(21,036)	(5,293)	–	(26,329)	(25,206)
Balance carried forward	4,606	–	–	4,606	4,630

10. Investments

	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2012 £000s	Totals 2011 £000s
Quoted securities at market value	23,770	1,712	28,212	53,694	55,068
Deposits with investment managers	150	11	180	341	2,883
Investment property at market value	1,820	–	–	1,820	1,770
Transfer of investments between funds	(2,313)	2,198	115	–	–
Market value	23,427	3,921	28,507	55,855	59,721
Movement in year					
Market value at 24 June 2011	26,984	3,563	29,174	59,721	54,356
Additions at cost	53,225	1,945	30,772	85,942	15,967
Disposals at sale price	(55,242)	(1,948)	(30,709)	(87,899)	(15,724)
Change in transfer of investments between funds	(529)	414	115	–	–
Net (loss) / gain on investments in year	(1,011)	(53)	(845)	(1,909)	5,122
Market value at 30 June 2012	23,427	3,921	28,507	55,855	59,721
Cost at 30 June 2012	22,893	3,893	26,840	53,626	44,828
Unrealised gain at 30 June 2012	534	28	1,667	2,229	14,893
Realised gains on historic cost in year	4,703	241	3,806	8,750	961

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2012

At the year end, the market value of UK investments was £39,705,000 (2011: £41,141,000) and overseas investments was £16,150,000 (2011: £18,580,000).

As detailed in [note 1\(j\)](#), the Common Investment Fund is incorporated into these financial statements.

Investment property at market value:

The last full property valuation was carried out as at 24 June 2010 by the College's property managers, BNP Paribas. At 30 June 2012 BNP Paribas provided a market valuation on the Earls Court property; this showed that, at this date, the property was valued at £450,000. This value has been included in these accounts.

The other property is due to be valued in 2015. The trustees do not consider there to have been any material change in the value of this property since it was last valued in 2010.

Investment in subsidiary:

Hunter Trading Limited – The College holds the entire issued £1 share capital of Hunter Trading Limited, which markets those conference and residential facilities not required for the College's own use.

The results and financial position of Hunter Trading Limited have been consolidated in these financial statements on a line-by-line basis. Its income for the year was £2,832,000 (2011: £2,355,000), its expenditure was £2,581,000 (2011: £2,110,000), and the profit before tax of £251,000 (2011: £245,000) has been transferred to the College under gift aid. The net assets of Hunter Trading Limited were £1 (2011: £1).

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2012

11. Permanent endowments and other restricted funds

	Permanent endowment funds				Restricted funds			
	Balance 2011 £000s	Increase £000s	Decrease £000s	Balance 2012 £000s	Balance 2011 £000s	Increase £000s	Decrease £000s	Balance 2012 £000s
Dental Science Research Fund	2,165	–	75	2,090	264	85	126	223
Rank Chair Physics in Surgery	2,059	–	71	1,988	(214)	71	16	(159)
RCSE Cancer Research Fund	3,788	–	131	3,657	55	132	186	1
RCSE Biochemical Research Fund	806	–	28	778	51	28	41	38
Darlow Fellowship Fund	103	–	3	100	44	4	39	9
RCSE Research Fund	7,874	–	272	7,602	242	400	102	540
RCSE Education Fund	5,176	36	147	5,065	192	140	142	190
RCSE Museum Fund	15	–	1	14	80	3	6	77
Groves Bequest for Museum	449	–	16	433	19	16	17	18
MacRae Webb-Johnson for Hunterian	849	24	29	844	264	37	61	240
George Qvist Fund for Hunterian	450	–	16	434	1	16	17	0
Shrimpton Fund	–	–	–	–	33	30	–	63
RCSE Library Fund	1,766	–	61	1,705	9	61	63	7
RCSE Prize Fund	125	–	4	121	139	7	5	141
Preiskel Fund	–	–	–	–	21	1	2	20
HS Morton Travelling Fellowship	431	–	15	416	109	15	1	123
Sims Commonwealth Travelling Fellowship	136	–	5	131	72	6	3	75
Ethicon Travelling Fellowship	–	–	–	–	168	6	7	167
RCSE Scholarship Fund	110	–	4	106	34	5	8	31
Witt Fund	187	–	6	181	9	7	2	14
Modi Fund	–	–	–	–	493	60	13	540
Rishworth Fund for the <i>Annals</i>	108	–	4	104	1	4	1	4
John Kinross Fund	176	–	6	170	123	6	1	128
President's Finch Fund	1,893	55	65	1,883	10	66	56	20
Blond McIndoe	–	–	–	–	468	16	41	443
J W Mclean Fund	109	–	4	105	4	4	1	7
Faculty of Dental Surgery								
FDS Commemoration Fund	143	–	5	138	6	5	–	11
Moser Trust	370	–	13	357	46	13	1	58

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2012

11. Permanent endowments and other restricted funds (continued)

	Permanent endowment funds				Restricted funds			
	Balance 2011 £000s	Increase £000s	Decrease £000s	Balance 2012 £000s	Balance 2011 £000s	Increase £000s	Decrease £000s	Balance 2012 £000s
Faculty of General Dental Practice (UK)	-	-	-	-	3	-	-	3
Research Fund	-	-	-	-	3	-	-	3
Surgical Research Fund	-	-	-	-	22	122	-	144
Rex & Jean Lawrie Overseas Fund	-	-	-	-	4	-	-	4
Cutner Legacy	-	-	-	-	164	-	28	136
Guyatt Legacy	-	-	-	-	83	14	-	97
Starritt Legacy	-	-	-	-	(5)	40	-	35
Clarke Legacy	-	-	-	-	23	60	-	83
Fletcher Legacy	-	-	-	-	52	46	-	98
Miss Carol Rummey Legacy	-	-	-	-	72	129	-	201
Ethicon Research Fund	-	-	-	-	60	-	59	1
Dunhill Medical Trust	-	-	-	-	77	202	-	279
Far East HK Masonic Association	-	-	-	-	81	-	23	58
Curry Legacy Damage/Pain	-	-	-	-	303	1	181	123
Denker Legacy	-	-	-	-	8	-	-	8
Restricted grants and donations								
Clinical Research Centres	-	-	-	-	-	113	-	113
PCCT Transplant Fellowships	-	-	-	-	324	168	16	476
FDS-NAC	-	-	-	-	105	69	56	118
Hunterian Museum Project	-	-	-	-	885	-	249	636
Eagle Project	-	-	-	-	5,263	-	677	4,586
Other balances < £100,000	-	-	-	-	3,014	3,085	3,624	2,475
TOTAL	29,288	115	981	28,422	13,281	5,293	5,871	12,703

*The negative balances on funds are caused by providing in full for notified future expenditure and will be funded from future streams of investment income.

The funds are for the purposes as described in their title.

The decreases for the endowed funds are represented by investment management charges and decreases in investment market value. There was also a total of £115,000 transferred from restricted funds. (See [Transfers](#) below.)

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FOR THE PERIOD ENDED 30 JUNE 2012

Transfers

Transfers from restricted funds to endowed funds were authorised by Charity Commission schemes, as follows:

1. MacRae Webb-Johnson Fund: In 2003–2004 £600,000 was transferred from the MacRae Webb-Johnson's endowed fund to its restricted fund to support the Hunterian Museum project. This sum is to be replaced by income arising on the MacRae Webb-Johnson's restricted fund at the rate of £24,000 a year for 25 years. The eighth transfer of £24,000 was made in 2011–2012.

2. President's Finch Fund: In 2006–2007 £1,100,000 was transferred from the President's Finch endowed fund to its restricted fund to support the Eagle Project. This sum is to be replaced by income arising on the President's Finch restricted fund at the rate of £55,000 a year for 20 years. The fifth transfer of £55,000 was made during 2011–2012.

3. Education Fund: In 2008–2009 £400,000 was transferred from the Education endowed fund to its restricted fund to support the Eagle Project. This sum is to be replaced by income arising on the Education restricted fund at the rate of £20,000 a year for 20 years. The fourth transfer of £20,000 was made during 2011–2012. In 2009–2010 an additional £400,000 was transferred from the Education Fund to further support the Eagle Project. This sum is to be replaced by income arising on the Education restricted fund at the rate of £16,000 a year for 25 years. The second payment was made during 2011–2012.

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12. Unrestricted funds

	2012	2011
	£000s	£000s
Designated funds		
Represented by tangible fixed assets	8,908	7,821
'Capital' designated as necessary to provide income to support the College's charitable activities		
Brought forward	18,500	17,000
Decrease in year	(1,000)	1,500
	17,500	18,500
Total designated funds	26,408	26,321
Working reserves – the College and faculties	3,168	5,068
Total unrestricted funds	29,576	31,398

The basis of maintaining the 'capital' part of the designated funds is to hold sufficient resources to generate a continuous flow of income to help support the cost of charitable activities within an overall strategy of ensuring the long-term financial viability of the College. The decrease of £1 million (2011: increase of £1.5 million) derives in part from the decrease in the market value of unrestricted funds investments in the year to provide an amount approximately equivalent to 9 months' operational expenditure.

Working reserves are funds held for operational purposes of the College and its two dental faculties. Approximately £414,000 (2011: £396,000) of the available funds is held by the divisions of the Faculty of General Dental Practice (UK).

13. Pension schemes

The three pension schemes in which the College participates are defined benefit schemes but it is not possible to identify the College's share of the underlying assets and liabilities as required by the Financial Reporting Standard No. 17 – Retirement Benefits. Accordingly, the College accounts for pension costs in relation to these schemes as if they were defined contribution schemes.

Of the College's 303 employees (2011: 283), 157 (2011: 158) are members of the Universities Superannuation Scheme (USS), 38 (2011: 46) are members of the Superannuation Arrangements of the University of London (SAUL) and 1 (2011: 2) is a member of the NHS Pension Scheme. All three are defined benefit schemes, externally funded and managed by independent trustees. They are contracted out of the State Earnings-Related Pension Scheme.

USS: The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004,

Notes to the Financial Statements

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which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions that have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions, and the assumed rates of mortality.

It was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum and pensions would increase by 3.4% per annum.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ('light') YoB tables – no rating
Female members' mortality	S1NA ('light') YoB tables – rated down 1 year

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million, indicating a shortfall of £2,910.2 million. The assets were therefore sufficient to cover 92% of the benefits that had accrued to members after allowing for expected future increases in earnings.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial valuation is at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates and amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

As at the valuation date the scheme was still a fully final salary scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme-specific funding regime has fallen from 92% to 77%. This estimate is based on the funding level at 31 March 2011, allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2012

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

The level of contribution due by the College in the year was 16% of pensionable salaries. The College's total pension cost for this scheme in the year to 30 June 2012 was £943,337 (2011: £893,959).

SAUL: SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The main assumptions used to assess the technical provisions were:

Discount rate

– pre-retirement	6.80% pa.
– post-retirement	4.70% p.a.
General* salary increases	3.75% p.a. until 31 March 2014, 4.50% p.a. thereafter
Retail Prices Index inflation ('RPI')	3.50% p.a.
Consumer Price Index inflation ('CPI')	2.80% p.a.
Pension increases in payment (excess over GMP)	2.80% p.a.
Mortality – base table	SAPS Normal (year of birth) tables with an age rating of +0.5 years for males and -0.4 years for females
Mortality – future improvements	Future improvements in line with CMI 2010 projections with a long-term trend rate of 1.25% p.a

*an additional allowance is made for promotional salary increases

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,506 million, representing 95% of the liability for benefits after allowing for expected future increases in salaries. Based on the strength of the employer covenant and the trustee's long-term investment strategy, the trustees and the employers agreed to maintain employer and member contributions at 13% of salaries and 6% of salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 (Financial Reporting Standard No 17) revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the trustee and employer have agreed that no additional contributions will be required to eliminate the current shortfall.

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The more material changes (the introduction of a Career Average Revalued Earnings, or 'CARE', benefit structure) to SAUL's benefit structure will apply from 1 July 2012. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021, which is 10 years from the valuation date.

The level of contribution due by the College in the year was 13% of pensionable salaries. The College's total pension provision for this scheme in the year to 30 June 2012 was £120,825 (2011: £128,739).

NHS: The College's total pension cost in respect of the NHS Pension Scheme in the year to 24 June 2011 was £19,736 (2010: £31,792). The level of contribution due by the College in the year was 14%.

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14. Transactions with trustees

No trustees receive any fees or honoraria.

Members of Council claim travelling, subsistence and accommodation costs in respect of Council or committee meetings or for attending meetings on behalf of the College, and the total of such expenses reimbursed to all 26 trustee members of Council in the year was £64,382 (2011: £74,056 to all 26 trustee members of Council).

15. Legacy income

The major legacies or gifts that have been notified to the College but not included in the financial statements as they do not meet the income recognition criteria of entitlement, measurement and certainty, are:

	Estimated amount
Notified on or before 30 June 2012	£000s
Purpose:	
The main appeal of the College	503
For medical research and education	600

16. Operating leases

The minimum payments, which the College is committed to make in 2012 under operating leases, are as follows:

Furniture, fittings and vehicles

	2012	2011
	£000s	£000s
Leases which expire:		
Within two to five years	30	–