

Trustees' Report and
Financial Statements

2008–2009

Trustees' Report

for the year ended 24 June 2009

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 two dental surgery fellows elected by the Board of the Faculty of Dental Surgery. In addition a number of invited members representing specific interests, including the Dean of the Faculty of General Dental Practice (UK), attend Council meetings. The elected members of Council throughout the year to 24 June 2009 were:

Mr J Black

President

Mr W Thomas and Mrs L de Cossart

Vice-Presidents

Professor A Mundy	Professor A Narula	Mr J Getty
Mr R Collins	Mr I McDermott	Mr M Parker
Professor D Neal	Professor B Avery	Miss S Boddy
Mr D O'Riordan	Professor N Williams	Professor D Willmot
Professor I Taylor	Professor J Stanley	Mr S Cannon
Mr D Jones	Professor M Horrocks	Mr C Milford
Mr B Rees	Mr D Ward	Mr D Alderson
Mr C Chilton	Mr R Greatorex	

In July 2009 Mr J Black was re-elected as President and Mr W Thomas was re-elected as Vice-President. Mr R Collins was elected as the second Vice-President. Mr J Shepherd and Miss C Marx were admitted to the Council. Mrs L de Cossart and Professor B Avery were demitted.

The principal officers employed by the College were:

Chief Executive	Mr D Munn / Mr A Bennett (from 5 January 2009)
Advisor to the President	Mr C Duncan

Communications	Dr A Cook
Professional Standards and Regulation	Mrs K Smith
Education	Ms F Alexander (acting) / Mr M Larvin (from 1 December 2008)
Examinations	Mr A Woodthorpe
Research	Mr M Coomer
Internal Services	Mrs J Weller
Finance	Ms A da Silva
Development	Mr J Fountain
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

Horwath 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
Eversheds	1 Wood Street, London EC2V 7WS

Investment managers

Newton Investment Management Ltd	160 Queen Victoria Street, London EC4V 4LA
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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 divisional 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 division officers, each of whom is head of the department supporting the division and works under the direction of the responsible member of Council. Division functions, their role and Council members involved during the year were as follows:

Division	Role	Council member responsible
Finance	Overall divisional responsibility	Professor A Narula
	Accounting and financial control	Professor A Narula
	Investment management	Mr J Getty
Internal Services	Overall divisional responsibility	Mr R Collins
	Accommodation, facilities, staff policies and procedures, and health and safety	Mr R Collins
	Information Systems	Professor J Stanley
	Library and Information Services	Mr J Getty
	Museums and special collections	Mr D Jones
Professional Affairs	Overall divisional responsibility	Mrs L de Cossart
	Professional standards	Professor I Taylor
	Regional policy – training	Mrs L de Cossart
	Regional policy – professional support	Professor D Alderson and Professor I Taylor
	Education	Professor M Horrocks
	Quality assurance and inspection	Mr C Milford
	Research	Professor N Williams
Examinations and assessment	Mr M Parker	
Communications, Dental Faculties and Presidential	Overall divisional responsibility	Mr W Thomas
	PR and communications	Mr W Thomas
	Policy	Professor A Mundy
	Publications	Mr W Thomas / Professor I Taylor
	Patient Liaison Group	Mr R Greatorex
	Faculty of Dental Surgery	Professor D Willmot
	Faculty of General Dental Practice (UK)	Mr R Hayward

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:

		2008-09	2007-08	2006-07	2005-06
Surgeons	UK	8,048	8,376	7,969	7,615
	Overseas	1,829	1,799	1,477	1,375
Faculty of Dental Surgery	UK	2,547	2,604	2,472	2,372
	Overseas	404	478	415	377
		12,828	13,257	12,333	11,739
Faculty of General Dental Practice (UK)		4,780	3,890	3,392	3,347

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 the 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 College delivers public benefit through its 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 and have approximately 17,000 members, providing strong leadership and support for surgeons in all matters relating to their surgical practice, throughout their careers.

The trustees confirm that they have had 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. This is achieved through our work based on a number of the charitable purposes defined under the Charities Act 2006, 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, broadcast media, our publications and our journals, the *Annals* and *Bulletin*. In addition to this direct engagement, the College also delivers public benefit indirectly through the training and support given to surgeons, enabling them to provide high-quality care to patients. The next section outlines key activities in 2008–2009.

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 aim. Some examples are listed below but more details can be found in the *Annual Report*.

The College continued to support surgical training by maintaining the Intercollegiate Surgical Curriculum Programme (ISCP), a system that

defines the standards of progression and incorporates assessments of competence for trainees in specialist training. During the year 3,565 trainees registered on the ISCP with a given level of training such as specialty training year 3. The majority of validated trainees (84%) have set a 'learning agreement', which is a written statement of the mutually agreed learning goals and strategies negotiated between the trainee and his or her assigned educational supervisor. The College commenced the review and update of the specialty syllabuses.

The College continued to support the development of revalidation processes for surgeons. Working with the specialty associations we developed standards and through the Supporting Surgeons in the Workplace Programme (SSWP) piloted and further continued the implementation of a new regional professional affairs network that will support surgeons locally. The College undertook development of an online portfolio that will help surgeons collect the supporting information they will need for their revalidation. A vital part of revalidation is continuing professional development (CPD). The College maintained its support of CPD by providing learning resources including courses and library resources. The College also began the development of a CPD accreditation service that will accredit CPD activities and provide a marker of quality for surgeons when they are choosing between providers.

The College supported surgical research through a range of activities including its flagship surgical research fellowship scheme. Surgical techniques that are improved through research can offer better survival rates and quality of life for patients than might otherwise be achieved through non-surgical treatment. Surgical research is unique in its single-minded search for solutions to a specific disease or problem that has been identified by practising surgeons who treat patients every day. The College secured government funding of £1.2

million to run the post-Certificate of Completion of [Surgical] Training (CCT) transplant research fellowships. A CCT is awarded by the Postgraduate Medical Education and Training Board (PMETB), on our recommendation, when a trainee passes the Fellowship of the Royal College of Surgeons (FRCS), which is a professional qualification, and successfully completes his or her training.

The Education Department continued to promote and support the professional development of surgeons at every stage in their careers. We delivered 760 core courses at international and regional centres; additional radiography teaching materials were developed to support the core surgical anatomy programme; and 73 specialty courses were delivered.

The College completed Phase 2 of the Eagle Project, a three-stage refurbishment project that will transform our education facilities into a national centre of excellence for surgical education, training and assessment by 2010. Phase 2 comprised the clinical skills unit, which was opened by The Princess Royal on 18 March 2009. It houses state-of-the-art technology that will revolutionise training for surgical professionals, such as theatre nurses, surgical care practitioners and radiologists. As well as incorporating simulation facilities, the College envisages the unit will make use of virtual reality training, which will provide trainees in remote sites with access to learning via the internet.

Future plans

In 2009–2010, the College intends to have the ISCP content approved by the PMETB. With regards to the revalidation process, the College intends to have six SSWP pilots in place and evaluated and to have the online portfolio launched nationally. The College will continue to run its surgical research fellowship scheme as well as commence

awarding post-CCT research fellowships. The Education Department will continue to deliver and develop courses at all levels. By June 2010 the College intends to deliver 750 core courses at international and regional centres, a minimum of 60 courses across a range of specialties and 98 CPD courses. The College will complete Phase 3 of the Eagle Project, the seminar suite, which will link the technical teaching areas with breakout and seminar space, thereby greatly increasing the overall usability and versatility of the whole facility.

Financial review

For a full understanding of the financial activities of the College it is necessary to review the *Consolidated Statement of Financial Activities* and *Consolidated Balance Sheet* (pages 66 and 68).

The aggregate surplus of £0.4 million as shown on the *Consolidated Statement of Financial Activities*, before investment losses, consists of a deficit of £1.3 million on unrestricted funds, a surplus of £1.6 million on restricted funds and a surplus of £0.1 million on endowed funds.

The deficit on unrestricted funds was due to a combination of factors. There was a decrease in investment income coupled with an increase in courses and subscriptions income; however, the cost of running charitable areas of activity also increased, particularly in education and course provision. The operational deficit includes planned spend on new and ongoing project initiatives.

The surplus on restricted funds of £1.6 million (before transfers) comprises a net increase in grants held of £2.2 million and a decrease of £0.6 million in trust fund balances used for funding educational, research and museum project developments. The increase in grants comprises the net increase of £0.8 million for the Eagle Project, the

post-CCT research fellowships grant of £1.2 million and a net increase in other grants of £0.2 million. The decrease of £0.6 million in trust fund balances is due to more research fellowships being funded from trusts.

Endowed funds increased by £0.1 million (before transfers) due to a new legacy of £0.2 million coupled with a reduction of £0.1 million of investment portfolio management fees charged against the capital value of the fund.

When the aggregate surplus of £0.4 million in the *Consolidated Statement of Financial Activities* is amalgamated with the decrease of £11.9 million in the capital value of the College's investment portfolio and a surplus on the sale of an investment property of £0.1 million, an overall decrease in net worth of £11.4 million is the outcome for the year. The capital value of the College's investment portfolio has been affected adversely by current economic conditions.

Income

Overall income of £27.2 million (2008: £26.5 million) was 3% or £0.7 million higher than the previous year. Under the Statement of Recommended Practice (SORP) 2005, income is required to be reported under three categories: *Incoming resources from generated funds* of £11.4 million (2008: £12.5 million), *Incoming resources from charitable activities* of £15.4 million (2008: £14.0 million) and *Other incoming resources* of £0.4 million (2008: £nil).

- » The value of donations and gifts received was slightly lower than in 2008, mostly in restricted funds. This is mainly due to donations received for the Eagle Project being lower. These have to be recognised as income while the expenditure that they have funded is capitalised in fixed assets. Depreciation is charged against the restricted fund as each phase of the Eagle Project is completed.

- » Legacies are unpredictable and were lower than in the previous year.
- » Grant income decreased marginally.
- » Residential and conference income has remained stable due to the continuing success of an effective marketing strategy of College facilities.
- » Investment income levels were lower than in the previous year for unrestricted and restricted funds due to some one-off dividend payouts in the previous year.
- » Course income has increased significantly due to a higher number of courses being organised in the Education Department and dental faculties as well as a new trainee fee for ISCP usage.
- » Examination income increased marginally due to increases in the dental faculties' examinations being greater than decreases in surgical examinations.
- » Subscription income shows an increase due to an increase in the level of subscription in all areas and an increased number of Faculty of General Dental Practice (UK) subscribers, despite a decrease in the number of surgeon members.
- » Rents, charges and sales income has decreased slightly due to lower VAT recovery income and intercollegiate charges.
- » Other income relates to the surplus on sale of a property owned by the College, the proceeds of which were designated to the Eagle Project.

Expenditure

Operational expenditure of £26.8 million (2008: £25.6 million) was incurred during the year on all activities and reflected a 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 £3.1 million (2008: £3.0 million), *Charitable expenditure* of £23.0 million (2008: £21.9 million) and *Governance* of £0.7 million (2008: £0.7 million).

The *Cost of generating funds* category has increased marginally.

Charitable expenditure includes the majority of categories:

- » The level of education and course expenditure was higher than the previous year due to a greater number of courses being delivered, particularly in the Faculty of General Dental Practice (UK).
- » Expenditure on standards, regulation and examinations has increased due to the higher costs of running examinations.
- » The level of research expenditure was lower than in the previous year due to shorter-term grants being awarded.
- » Clinical Effectiveness Unit and other funded-project expenditure has increased slightly due to an increase in project activity.
- » Expenditure on museum and library services has increased due to expanded funded activity and also due to a feasibility study for the refurbishment of this area being carried out.
- » Expenditure on communications and publishing has increased marginally due to the development of the communications function.
- » Other professional activities have increased due to expansion in the Faculty of Dental Surgery.

Governance costs have remained static.

Total capital expenditure for the year was £2.5 million, of which £0.6 million has been spent in selectively improving general facilities, while capital expenditure of £1.7 million has been incurred on the Eagle Project and £0.2 million on other information systems projects.

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 (hold the MRCS) and who have entered their period of specialty training (specialist registrars). The overriding objective of the surgical research project must be to improve care

of surgical patients and the projects should be based upon the principles of translational research, ie 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 2009 (2008: £0.2 million) as business remained static. Its activities are consolidated in these financial statements (see note 10).

Investment policy and performance

The chaotic downturn of world markets has resulted in losses of £6.0 million in unrestricted funds with the portfolio being valued at £19.9 million at year end. The restricted and endowed funds portfolios were valued at £27.1 million at year end and have suffered losses in the year of £5.8 million.

The general funds investment objective is to maximise total returns after generating income of £0.9 million. The common investment fund and other funds investment strategy is to provide income of £1.25 million and thereafter provide a balance between capital growth and income. The College does not invest directly in tobacco stocks. The investment objectives were met and exceeded for general, common investment and other funds. The investment performance was satisfactory in the current economic conditions.

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 6–9 months of unrestricted operational expenditure. The College's reserves policy is that the *capital designated fund* should not fall below 6 months of unrestricted 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 in the short term and the trustees will continue to monitor its reserves stringently.

Resources

The overall decrease in resources during the year was approximately £11.4 million, which when amalgamated with existing funds results in a net worth of £62.9 million. Of this, £23.0 million represents endowed funds' assets, where only the income, not the capital, can be spent on purposes specified by the donors, while a further £14.2 million is restricted in how it can be used as it consists of project grants and trust balances.

The unrestricted funds of £25.7 million includes designated funds of £7.5 million equating to the fixed assets used by the College in its activities; a *capital designated fund* of £14.0 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 £4.2 million.

The *Consolidated Balance Sheet* (page 68) outlines the main asset and liability categories aggregating to the net worth of the College, while the *Consolidated Cashflow Statement* (page 70) 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. There is some uncertainty in the short to medium term. It is therefore imperative that professional and prudent management of controllable resources continues so that the College can be in a position to react positively to future challenges.

Risk management

Council acknowledge their responsibility for ensuring adequate levels of risk management and internal control. This has been strengthened by the creation of a strategic plan and a four-year business plan for the College. A risk register is in place and is regularly reviewed. 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 (awards travelling fellowships to surgeons). Their financial statements are audited by Horwath 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 2008, the value of the Sir Ratanji Dalal Research Scholarship Fund endowed fund was £0.6 million (2007: £0.7 million) and its unrestricted fund was £0.06 million (2007: £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 24 June 2009, the value of the Colledge Family Memorial Fellowship endowed fund was £1.5 million (2008: £0.3 million) and its unrestricted fund was £0.02 million (2008: £0.02 million). The trustees of this fund are Ms S Shapiro, 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.

Trustees' responsibilities

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year in accordance with the United Kingdom Generally Accepted Accounting Practice (UK GAAP) that give a true and fair view of the financial activities of the charity and the group during the year and of their financial position at the end of the year. In preparing financial statements giving a true and fair view, the trustees should follow best practice and:

- » select the most suitable accounting policies and then apply them consistently;
- » make judgements and estimates that are reasonable and prudent;
- » state whether applicable accounting standards and statements of recommended practice have been followed; and

- » prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity and the group will continue in operation.

The trustees are responsible for maintaining proper accounting records that disclose with reasonable accuracy the financial position of the College and the group and that enable them to ensure that the financial statements comply with the Charities Act 1993, the Charity (Accounts and Reports) Regulations and the provisions of the royal charter. They are also responsible for safeguarding the assets of the College 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

Mr J Black
President

Professor A Narula
Treasurer

12 November 2009

Independent Auditor's Report

To the trustees of The Royal College of Surgeons of England

We have audited the group and parent charity financial statements of The Royal College of Surgeons of England for the year ended 24 June 2009, which comprise the *Consolidated Statement of Financial Activities*, the *Consolidated Balance Sheet*, the *Consolidated Cash Flow Statement* and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with section 44 of the Charities Act 1993. 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 auditors

The trustees' responsibilities for preparing the trustees' report and financial statements in accordance with applicable law and UK GAAP are set out in the statement of trustees' responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory

requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the trustees' report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any further information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination on a test basis of evidence relevant to the amounts and disclosures in the financial statements.

It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's and charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- » the financial statements give a true and fair view, in accordance with UK GAAP of the state of the group and the parent charity's affairs as at 24 June 2009 and of the group's incoming resources and application of resources in the year then ended; and
- » the financial statements have been properly prepared in accordance with the Charities Act 1993.

Horwath Clark Whitehill LLP

Chartered Accountants and Statutory Auditor
London

16 November 2009

Consolidated Statement of Financial Activities

for the year ended 24 June 2009

	Notes	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2009 £000s	Totals 2008 £000s
Incoming resources						
Incoming resources from generated funds:						
Voluntary income:						
Donations and gifts		41	2,927	-	2,968	3,245
Legacies		573	80	182	835	938
Grants		-	2,320	-	2,320	2,453
Activities for generating funds:						
Residential, conference and other		2,837	-	-	2,837	2,836
Investment income		1,211	1,224	-	2,435	3,051
Incoming resources from charitable activities:						
Courses		5,466	413	-	5,879	4,583
Examinations		3,186	-	-	3,186	3,113
Subscriptions		4,027	-	-	4,027	3,636
Rents, charges, sales		980	1,366	-	2,346	2,651
Other incoming resources:						
Surplus on sale of property		354	-	-	354	-
Total incoming resources		18,675	8,330	182	27,187	26,506

Resources expended	2					
Cost of generating funds:						
Fundraising costs for raising voluntary income		325	-	-	325	318
Investment management fees		38	91	87	216	272
Residential, conference and other trading costs		2,572	-	-	2,572	2,471
		2,935	91	87	3,113	3,061
Charitable expenditure						
Education and courses		5,836	1,168	-	7,004	6,500
Standards, regulation and examinations		5,177	1,549	-	6,726	6,371
Research grants	3	29	1,808	-	1,837	2,214
Clinical Effectiveness Unit and other projects		149	1,369	-	1,518	1,419
Museums and library		1,502	631	-	2,133	1,885
Communications and publications		1,612	50	-	1,662	1,524
Other professional activities		2,006	121	-	2,127	2,008
		16,311	6,696	-	23,007	21,921
Governance		693	-	-	693	677
Total resources expended		19,939	6,787	87	26,813	25,659
Changes in resources before transfers		(1,264)	1,543	95	374	847
Transfer between endowed and restricted funds	11	-	301	(301)	-	-
Changes in resources before other recognised gains and losses		(1,264)	1,844	(206)	374	847
Net loss on investments	10	(5,983)	(287)	(5,616)	(11,886)	(5,760)
Surplus on sale of investment property		-	-	69	69	-
Net movement in resources in the year		(7,247)	1,557	(5,753)	(11,443)	(4,913)
Brought forward 25 June 2008		32,941	12,605	28,756	74,302	79,215
Balance carried forward 24 June 2009		25,694	14,162	23,003	62,859	74,302

All activities are continuing activities. The notes to the financial statements are on pages 72 to 84.

Consolidated Balance Sheet

as at 24 June 2009

	Notes	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2009 £000s	Totals 2008 £000s
Fixed assets						
Tangible fixed assets	5	7,483	6,858	-	14,341	13,366
Investments	10	19,913	4,373	22,722	47,008	57,720
		27,396	11,231	22,722	61,349	71,086
Current assets						
Stock		154	-	-	154	110
Short-term investments	10	-	-	-	-	1,700
Debtors	6	3,412	263	-	3,675	3,464
Cash and short-term deposits	7	3,374	2,668	281	6,323	6,365
		6,940	2,931	281	10,152	11,639
Current liabilities						
Creditors: amounts falling due within one year	8	(8,452)	-	-	(8,452)	(7,663)
Net current (liabilities) / assets		(1,512)	2,931	281	1,700	3,976
Long-term liabilities						
Creditors: amounts falling due after more than one year	8	(190)	-	-	(190)	(760)
Net assets		25,694	14,162	23,003	62,859	74,302

Funds						
Permanent endowment and other restricted funds	11	-	14,162	23,003	37,165	41,361
Unrestricted funds:	12					
Designated funds		21,484	-	-	21,484	29,013
Working reserves		4,210	-	-	4,210	3,928
		25,694	14,162	23,003	62,859	74,302

The notes on pages 72 to 84 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 £205,000 (2008: £203,000).

Approved on behalf of the elected members of Council and authorised for issue on 12 November 2009.

Mr J Black
President

Professor A Narula
Treasurer

Consolidated Cashflow Statement

for the year ended 24 June 2009

	Notes	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2009 £000s	Totals 2008 £000s
Net cash (outflow) / inflow from operating activities	a	(807)	2,153	95	1,441	2,800
Net cash inflow / (outflow) from capital expenditure and financial investment	b	519	(2,109)	107	(1,483)	(3,142)
		(288)	44	202	(42)	(342)
Management of liquid resources	c	(28)	(12)	-	(40)	245
(Decrease) / increase in cash in year	d	(316)	32	202	(82)	(97)
a) Reconciliation of changes in resources to net inflow from operating activities						
Net incoming / (outgoing) resources before revaluations		(1,264)	1,543	95	374	847
Depreciation		899	556	-	1,455	1,323
(Profit) / loss on disposal of fixed assets		(352)	-	-	(352)	3
(Increase) / decrease in stocks		(44)	-	-	(44)	63
(Increase) / decrease in debtors		(265)	54	-	(211)	(1,101)
Increase in creditors		219	-	-	219	1,665
Net cash (outflow) / inflow from operating activities		(807)	2,153	95	1,441	2,800
b) Capital expenditure and financial investment						
Payments to acquire tangible fixed assets		(1,396)	(1,059)	-	(2,455)	(3,137)
Receipts from sales of fixed assets		378	-	-	378	-

Purchase of investments	(6,559)	(385)	(8,974)	(15,918)	(13,292)
Receipts from sales of current investments	-	-	1,768	1,768	-
Receipts from sales of fixed asset investments	6,559	571	7,614	14,744	13,287
Transfer between funds	-	301	(301)	-	-
Change in amounts due between funds	1,537	(1,537)	-	-	-
Net cash inflow / (outflow) from capital expenditure and financial investment	519	(2,109)	107	(1,483)	(3,142)

c) Management of liquid resources

Increase / (decrease) in short-term deposits	28	12	-	40	(245)
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d) Reconciliation of net cash flow to movements in net funds

(Decrease) / increase in cash in year	(316)	32	202	(82)	(97)
Increase / (decrease) in short-term deposits	28	12	-	40	(245)
Movement in net funds in year	(288)	44	202	(42)	(342)
Net funds at 24 June 2008	3,662	2,624	79	6,365	6,707
Net funds at 24 June 2009	3,374	2,668	281	6,323	6,365

Notes to the Financial Statements

for the year ended 24 June 2009

1. Accounting policies

(a) The financial statements have been 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, 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.

(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 and is stated together with any relevant tax credit.

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

(d) Voluntary services donated by Council members and other fellows are not accounted for as it would not be possible to place a value on them.

(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.

(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. Heritage assets, which include museum collections and works of art, have not been capitalised as the cost of valuation would be disproportionate to the benefit of the resultant information. These mainly comprise the numerous specimens and artefacts collected by John Hunter in the 1700s and presented to the College in 1799, plus historic books related to surgery and medicine, and other items of artwork and silver relating to the history of surgery or commemorating events in the College's history. Freehold land and buildings are shown in the *Consolidated 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:

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

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) 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 *Consolidated Statement of Financial Activities*. The activities of the Common Investment Fund, a subsidiary charity of the College, which acts as an investment pool for most of the College's trust funds' assets, are incorporated in these financial statements.

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

(k) Retirement pensions and related benefits are charged to the *Consolidated Statement of Financial Activities* as contributions fall due. Further details are given in note 13.

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

(m) Designated funds arise from the policy of earmarking those of its unrestricted funds that 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 are required to produce income in future years to fund the core activities of the College.

(n) Endowed and restricted funds are gifts or other grants that 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.

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

(p) 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.

(q) Hunter Trading Ltd – The 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 £205,000 (2008: £203,000).

2. Reallocated support costs

	Direct costs £000s	Grants made £000s	Allocated support costs £000s	Totals 2009 £000s	Totals 2008 £000s
Cost of generating funds					
Fundraising costs	286	-	39	325	318
Investment management fees	216	-	-	216	272
Residential, conference and other trading costs	1,499	-	1,073	2,572	2,471
	2,001	-	1,112	3,113	3,061
Charitable expenditure					
Education and courses	6,378	-	626	7,004	6,500
Standards, regulation and examinations	5,945	-	781	6,726	6,371
Research grants	184	1,556	97	1,837	2,214
Clinical Effectiveness Unit and other projects	1,329	-	189	1,518	1,419
Museums and library	1,515	-	618	2,133	1,885
Communications and publications	1,554	-	108	1,662	1,524
Other professional activities	1,489	-	638	2,127	2,008
	18,394	1,556	3,057	23,007	21,921
Governance					
	579	-	114	693	677
Total					
	20,975	1,556	4,283	26,813	25,659
Support costs and basis of allocation					
Premises and utilities	Floor area occupied		2,527		2,250
Human resources	Number of staff employed		305		447
Finance services	Budgeted expenditure		575		577
IT and systems support	Equipment and support provided		876		885
			4,283		4,159

3. Research grants (excluding support costs)

Purpose of grant	2009		2008	
	Number awarded	Total amount £000s	Number awarded	Total amount £000s
Research fellowships				
<i>Liabilities at start of year</i>		(675)		(1,044)
<i>Paid in year</i>		1,241		2,252
<i>Liabilities at end of year</i>		798		675
Charge for year	49	1,364	45	1,883
Other research projects				
<i>Liabilities at start of year</i>		(360)		(411)
<i>Paid in year</i>		112		126
<i>Liabilities at end of year</i>		399		360
Charge for year	3	151	3	75
Scholarships	16	15	5	5
Travel	15	26	20	38
Total	83	1,556	73	2,001
Administration of research fellowships and other research projects		281		213
Research expenditure shown on Statement of Financial Activities		1,837		2,214

Further details of the research fellowships awarded and other research projects are available in the *Surgical Research Report*, published biennially.

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 £423,000 (2008: £381,000) 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.

4. Staff and other expenditure

	2009	2008
Number of staff employed by the College at 24 June	291	289
	£000s	£000s
Staff costs in year to 24 June:		
Gross pay	9,125	8,913
Employer's statutory contributions	872	778
Employer's pension contributions	946	875
Total staff costs	10,943	10,566

At 24 June the number of employees receiving salaries in the following bands was as follows:

£60,000 to £70,000	5	5
£70,001 to £80,000	4	4
£80,001 to £90,000	2	2
£100,001 to £110,000	1	1
£110,001 to £120,000	-	1
£120,001 to £130,000	1	-

12 (2008: 12) employees are members of the USS pension scheme, while 1 (2008: 1) is a member of the NHS pension scheme.

	£000s	£000s
Included in Governance costs are:		
Auditor's remuneration – audit fees – The Royal College of Surgeons of England	36	37
Auditor's remuneration – audit fees – Hunter Trading Ltd	2	3

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 25 June 2008	3,354	693	13,393	1,882	5,482	24,804
Reclassification of assets	-	-	6,472	-	(6,472)	-
Disposals	(2)	(79)	(600)	(143)	-	(824)
Additions	-	65	165	308	1,917	2,455
Balance 24 June 2009	3,352	679	19,430	2,047	927	26,435
Accumulated depreciation						
Balance 25 June 2008	-	577	9,530	1,331	-	11,438
Disposals	-	(59)	(597)	(143)	-	(799)
Charge for year	-	44	1,170	241	-	1,455
Balance 24 June 2009	-	562	10,103	1,429	-	12,094
Net book values						
at 24 June 2009	3,352	117	9,327	618	927	14,341
at 24 June 2008	3,354	116	3,863	551	5,482	13,366

	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2009 £000s	Totals 2008 £000s
6. Debtors					
Taxation recoverable	16	3	-	19	15
Other debtors	3,298	260	-	3,558	3,329
Prepayments	98	-	-	98	120
	3,412	263	-	3,675	3,464
7. Cash and short-term deposits					
Cash in hand	13	-	-	13	18
Current and instant access accounts	1,530	2,654	281	4,465	4,542
Short-term deposit accounts	1,831	14	-	1,845	1,805
	3,374	2,668	281	6,323	6,365
8. Creditors					
Amounts falling due within one year					
Other creditors	4,476	-	-	4,476	4,232
Taxation and social security	347	-	-	347	285
Deferred income	3,629	-	-	3,629	3,146
	8,452	-	-	8,452	7,663
Amounts falling due after more than one year					
Other creditors	190	-	-	190	760
	190	-	-	190	760
9. Deferred income					
Balance brought forward	3,146	-	-	3,146	2,574
Income arising during the year	19,158	8,330	182	27,670	27,078
Released to Statement of Financial Activities	(18,675)	(8,330)	(182)	(27,187)	(26,506)
Balance carried forward	3,629	-	-	3,629	3,146

10. Investments

Quoted securities at market value	20,257	1,047	20,462	41,766	53,652
Deposits with Newton Investment Management	1,286	46	2,260	3,592	2,418
Investment property at market value	1,650	-	-	1,650	1,650
Transfer of investments between funds	(3,280)	3,280	-	-	-
Market value	19,913	4,373	22,722	47,008	57,720

Movement in year

Market value at 2 June 2008	27,433	3,309	26,978	57,720	65,175
Additions at cost	6,559	385	8,974	15,918	13,292
Disposals at sale price	(6,559)	(571)	(7,614)	(14,744)	(13,287)
Property to be sold within one year	-	-	-	-	(1,700)
Change in transfer of investments between funds	(1,537)	1,537	-	-	-
Net (loss) / gain on investments in year	(5,983)	(287)	(5,616)	(11,886)	(5,760)
Market value at 24 June 2009	19,913	4,373	22,722	47,008	57,720
Cost at 24 June 2009	21,291	1,124	21,944	44,359	47,566
Unrealised gain at 24 June 2009	(1,378)	3,249	778	2,649	10,154
Realised gains / (losses) on historic cost in year	(1,228)	(72)	(1,400)	(2,700)	904

At the year end, the market value of UK investments was £40,243,000 (2008: £48,364,000) and overseas investments was £6,765,000 (2008: £11,056,000).

As detailed in note 1(i), the common investment fund is incorporated into these financial statements.

Investment in subsidiaries

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 £1,856,000 (2008: £1,878,000), its expenditure was £1,651,000 (2008: £1,675,000) and the profit before tax of £205,000 (2008: £203,000) has been transferred to the College under a profit-shedding covenant. The net assets of Hunter Trading Limited were £1 (2008: £1).

11. Permanent endowment and other restricted funds

	Permanent endowment funds				Other restricted funds			
	Balance	Increases	Decreases	Balance	Balance	Increases	Decreases	Balance
	2008			2009	2008			2009
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Dental Science Research Fund	2,136	-	450	1,686	465	93	86	472
Rank Chair of Physics in Surgery	2,031	-	428	1,603	(300)	79	91	(312)
RCSE Cancer Research Fund	3,737	-	788	2,949	(98)	145	100	(53)
RCSE Biochemical Research Fund	795	-	168	627	223	36	190	69
Darlow Research Fellowship	102	-	21	81	36	5	-	41
RCSE Research Fund	7,767	-	1,638	6,129	273	492	519	246
RCSE Education Fund	5,510	20	1,132	4,398	168	169	194	143
RCSE Museums Fund	15	-	3	12	101	4	21	84
Groves Bequest for Museum	443	-	93	350	5	17	18	4
MacRae Webb-Johnson for Hunterian	762	24	161	625	327	37	49	315
George Qvist Fund for Hunterian	444	-	94	350	4	17	18	3
RCSE Library Fund	1,742	-	367	1,375	11	68	71	8
RCSE Prize Fund	123	-	26	97	121	8	23	106
Preiskel Fund	-	-	-	-	19	2	3	18
HS Morton Travelling Fellowship	425	-	90	335	161	20	111	70
Sims Commonwealth Travelling Fellowship	134	-	28	106	55	7	5	57
Ethicon Travelling Fellowship	-	-	-	-	172	7	47	132
RCSE Scholarship Fund	108	-	23	85	53	6	25	34
Witt Fund	-	182	-	182	-	3	-	3
Modi Fund	-	-	-	-	402	66	119	349
Rishworth Fund for the <i>Annals</i>	106	-	22	84	1	4	4	1
John Kinross Fund	174	-	37	137	102	9	-	111
President's Finch Fund	1,696	55	358	1,393	125	69	113	81

Blond McIndoe Fund	-	-	-	-	571	22	145	448
Faculty of Dental Surgery								
Commemoration Fund	141	-	30	111	2	5	6	1
Moser Trust	365	-	77	288	122	17	1	138
Faculty of General Dental Practice (UK)								
Research Fund	-	-	-	-	3	-	-	3
Restricted grants and donations								
Cutner legacy for orthopaedics	-	-	-	-	350	-	51	299
Guyatt legacy for gastrointestinal diseases	-	-	-	-	228	12	75	165
Anatomy Project					256	-	31	225
Starrit Research Fellowships	-	-	-	-	128	-	-	128
Post-CCT Transplant Fellowships	-	-	-	-	-	1,227	41	1,186
Post-CCT Fellowship Project	-	-	-	-	-	162	57	105
JCST Selection Project	-	-	-	-	-	299	68	231
Hunterian Museum Project	-	-	-	-	1,631	10	249	1,392
Davies-Colley Lecture Room Project	-	-	-	-	146	-	24	122
Eagle Project	-	-	-	-	4,454	1,116	341	5,229
Other (individual balances under £100,000)	-	-	-	-	2,288	4,497	4,277	2,508
	28,756	281	6,034	23,003	12,605	8,730	7,173	14,162

*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 described in their title.

The increases for the endowed funds are represented by £182,000 for the Witt Fund. There was also a total of £99,000 transferred from restricted funds (see *Transfers* below).

The decreases for the endowed funds are represented by investment management charges of £87,000, a loss in investment market values of £5,616,000 and a gain on sale of investment property of £69,000. There was also a new loan of £400,000 authorised by Charity

Commission Schemes, from the Education endowed fund to the Education restricted fund (see *Transfers* below).

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 fifth transfer of £24,000 was made in 2008–2009.

2. President's Finch Fund: In 2006–2007 £1.1 million 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 second transfer of £55,000 was made during 2008–2009.

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 first transfer of £20,000 was made during 2008–2009.

12. Unrestricted funds

	2009	2008
	£000s	£000s
Designated funds		
Represented by tangible fixed assets	7,484	7,013
'Capital' designated as necessary to provide income to support the College's charitable activities		
Brought forward	22,000	26,000
Decrease in year	(8,000)	(4,000)
	<u>14,000</u>	<u>22,000</u>
Total designated funds	<u>21,484</u>	<u>29,013</u>
Working reserves – the College and faculties:	<u>4,210</u>	<u>3,928</u>

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 £8.0 million (2008: decrease £4.0 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 6–9 months of operational expenditure.

Working reserves are funds held for operational purposes of the College and its two dental faculties. Approximately £372,000 (2008: £355,000) 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 its 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 291 employees (2008: 289), 142 (2008: 140) are members of the Universities Superannuation Scheme (USS), 45 (2008: 47) are members of the Superannuation Arrangements of the University of London (SAUL) and 5 (2008: 6) are members 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 actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific

funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

The 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 (ie 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 6.4% per annum, salary increases would be 4.3% per annum and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality PA92 MC YoB tables – rated down 1 year

Female members' mortality PA92 MC YoB tables – no age rating

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

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

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme-specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions. (Market conditions affect both the valuation rate of interest and also the inflation assumption, which in turn has an impact on the salary and pension increase assumptions.)

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 next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The level of contribution due by the College in the year was 14%. The College's total pension cost for this scheme in the year to 24 June 2009 was £768,882 (2008: £719,598).

SAUL: SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2008 using the projected unit credit method. The following assumptions were used to assess the past service funding position and future service liabilities:

	Past service	Future service
Valuation method – projected unit		
Investment return on liabilities		
before retirement	6.9% pa	7.0% pa
after retirement	4.8% pa	5.0% pa
Salary growth (excludes promotion increases)	4.85% pa	4.85% pa
Pension increases	3.35% pa	3.35% pa

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 £1,266 million representing 100% 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 trustee and the employers agreed to maintain employer and member contributions at 13% of salaries and 6% of salaries respectively following the valuation.

The next formal actuarial valuation is due on 31 March 2011 when the above rates will be reviewed.

The level of contribution due by the College in the year was 13%. The College's total pension provision for this scheme in the year to 24 June 2009 was £136,040 (2008 – £126,713).

NHS: The College's total pension cost in respect of the NHS pension scheme in the year to 24 June 2009 was £40,858 (2008 – £23,307). The level of contribution due by the College in the year was 14%.

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 £101,213 (2008 – £121,486 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 £000s
Notified on or before 24 June 2009	
Purpose:	
The main appeal of the College	441
For medical research and education	32
Notified after 24 June 2009 (to 11 August 2009)	
Purpose:	
The main appeal of the College	2
For medical research and education	-

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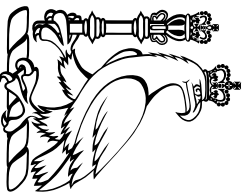
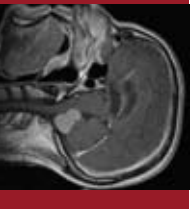
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