



Trustees' Report
and Financial Statements

OF THE ROYAL COLLEGE OF SURGEONS OF ENGLAND

2010-2011



RCS

ADVANCING SURGICAL STANDARDS

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This report is available online: <http://annualreport.rcseng.ac.uk/trustees-report/>

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 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 2011 were:

President

Mr J Black

Vice-Presidents

Mr R Collins

Professor J Stanley

Professor D Neal

Mr W Thomas

Mr D O'Riordan

Professor I Taylor

Professor A Narula

Professor N Williams

Professor M Horrocks

Mr D Ward

Mr R Greatorex

Mr J Getty

Mr M Parker

Miss S Boddy

Professor D Willmot

Mr S Cannon

Mr C Milford

Professor D Alderson

Miss C Marx

Professor J Shepherd

Professor G McGrouther

Mr M Bircher

Mr I Eardley

Mr P Lamont

Professor C Lavy

In July 2011, Professor Norman Williams was elected as President and Professor John Stanley was re-elected as Vice-President. Mr John Getty was elected as the second Vice-President and Professor A Narula was re-elected as Honorary Treasurer. Mrs Scarlett McNally, Mr Maurice Hawthorne, Miss Kathryn Harley and Professor Nigel Hunt were admitted to the Council. Mr John Black, Mr Richard

Reference and Administrative Details

Collins, Professor Jon Shepherd and Professor Derrick Willmot were demitted. Mr Russ Ladwa and Mr Trevor Ferguson, President and Vice President of the Faculty of General Dental Practice (UK) were elected as Co-opted Members and took up seats as such in July 2011. 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
Advisor to the President	Mr C Duncan (to 30th September 2010)
External Affairs	Dr A Cook
Professional Standards and Regulation	Mrs K Smith
Education	Mr M Larvin
Research	Mr M Coomer
Internal Services	Mrs J Weller
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, C4Y 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
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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 organized 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, of which each is responsible for a directorate 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:

Directorate		Council member responsible
Finance	Overall directorate responsibility	Professor A Narula
	Accounting and financial control	Professor A Narula
	Investment management	Mr J Getty
Internal Services	Overall directorate responsibility	Mr J Getty
	Accommodation, facilities, staff policies and procedures and health and safety	Mr J Getty
	Information systems	Professor D Wilmot
	Library and information services	Mr D Jones
	Museums and special collections	Mr D Jones
Professional Affairs	Overall directorate responsibility	Mr R Collins
	Professional standards	Mr R Greatorex
	Regional policy – training	Professor J Stanley
	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 directorate responsibility	Mr W Thomas
	PR and communications	Mr W Thomas
	Policy	Professor A Mundy
	Publications	Mr W Thomas
	Patient liaison group	Mr R Greatorex
	Faculty of Dental Surgery	Professor D Willmot
	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:

		*2010-11	2009-10	2008-09	2007-08	2006-07
Surgeons	UK	11,317	8,108	8,048	8,376	7,969
	Overseas	3,984	1,940	1,829	1,799	1,477
Faculty of Dental Surgery	UK	3,735	2,844	2,547	2,604	2,472
	Overseas	698	394	404	478	415
		19,734	13,286	12,828	13,257	12,333
Faculty of General Dental Practice (UK)		4,476	4,525	4,780	3,890	3,392

**The figures for 2010-11 include fellows who have retired from clinical practice; they were not included in previous years.*

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 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 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 2010–2011.

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 can be found in our annual report.

The College has seen three key policy successes in 2010–2011. In May 2010, the government's coalition agreement recognised the significance of the threat posed to surgery by the European Working Time Directive and pledged to limit its application in the UK. In July 2010, the government's *Liberating the NHS* white paper proposed to reintroduce direct GP referrals to a named consultant. Finally, in February 2011, the government pledged to 'scale back Criminal Record Bureau checks to common-sense levels' as outlined in the Protection of Freedoms Bill. This will liberate surgeons who were being unnecessarily delayed in the performance of their daily duties by needless multiple security checks.

The College has been very active indeed in lobbying the Department of Health and parliamentarians around the Health and Social Care Bill and NHS reforms. John Black, the former President, appeared before the Health and Social Care Bill committee to give evidence on our views of the proposed NHS reforms. We have established a commissioning working group and forged links with the Royal College of GPs' Centre for Commissioning to prepare surgeons for the changes in the NHS.

During 2010–2011 the Patient Liaison Group has continued to work collaboratively with the RCS on many issues and policies, ensuring that surgical patients have a prominent voice in RCS campaigns, policy consultations and on the RCS Council.

The College has worked positively with the General Medical Council (GMC) as the introduction of medical revalidation, the new system for ensuring doctors keep their skills safe and up to date, moves closer. The College has been working with the GMC since July 2010 to make the revalidation

process as streamlined as possible, ensuring that it fits in with surgeons' working lives and remains rigorous.

The College's Invited Review Mechanism has continued to support hospitals in maintaining and improving the standard of surgical practice and the quality and safety of patient care. This has been achieved by providing high-quality and timely responses to requests from hospitals for individual, service or case note reviews.

The College undertook the first ever profession-led census of UK surgeons in 2011. The survey reached every individual surgeon in England, Wales and Northern Ireland and received a higher-than-expected response rate of 60%. The census report, published in January 2011, revealed a series of challenges facing surgical teams across the country which the College will now work on.

The College has continued to focus on developing the skills of surgeons in order to raise the standard of patient safety and clinical care. This year, over 9,000 participants completed our highly specialised courses – a consequence of the College's recent £10 million investment in its educational and simulation training facilities. Many new courses are being developed by our 29 sessional tutors and piloted at our new facility for later transfer to regional course centres.

The OSCE (objective structured clinical examination) part of the MRCS examination is now being held outside London for the first time, with Sheffield this year hosting the MRCS OSCE (part B).

The College remains committed to providing public access, with our world famous Hunterian Museum continuing to offer an exciting and educational insight into various aspects of surgery. This year it has achieved prominence at the centre of the London 'Museum Mile' initiative and had a record 63,631 visitors, up from 48,857 last year. In addition, a total of 129 volunteers, including more than 77 surgeons and surgical trainees, gave a total of 4,928 hours to the Museums and archives.

The Wellcome Museum of Anatomy and Pathology has been refurbished this year. New benches and workspace have been installed and the museum has been restructured so it focuses on anatomical regions, in alignment with current medical and surgical curricula.

The College awarded 77 surgical research fellowships in 2011. This scheme relies on voluntary donations from individuals, trusts and legacies and we are very grateful to all our supporters for helping to fund these important research projects.

January 2011 saw the launch of an expanded electronic journal collection aimed at meeting more closely the needs of the College members and postgraduate affiliates, as identified in the 2008 membership survey.

The College's Faculty of Dental Surgery invested in dental research, launched the dental journal the FDJ and supported part of the largest e-learning programme in Europe. The Faculty of General Dental Practice (UK) has focused on encouraging primary dental care research, introducing an e-portfolio to support education and training and awarding a new diploma in primary care orthodontics.

Future plans

- Over the next year we will help surgeons adapt to the changes in the NHS that will result from the Health and Social Care Bill.
- We will continue to campaign for investment in surgical research as it is essential for improving patient care and outcomes. We will examine the uptake of innovative techniques and technologies in surgery.
- The College 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. The College's cosmetic surgery working group will publish its findings in 2012.
- Our Patient Liaison Group will focus on training, workforce planning and improving communications and work processes within the surgical team.
- Another exciting initiative is that from September 2011 the MRCS part an examination will be running in our new centre in the United Arab Emirates.
- Over the next year the College is developing a fresh frozen cadaveric tissue facility, which will be vital in supporting surgeons as it provides the most realistic tissue for simulating operations and procedures. We will also offer eSurgery distance learning modules free of charge to NHS staff.
- 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 provide more career information and guidance for staff and associate specialist grade surgeons and will pilot a Women in Surgery e-mentoring scheme, pairing up a small group of surgical trainees with female consultant surgeons.
- We will continue to expand the online journal collection and investigate the provision of other electronic resources, including e-books.
- The College will finish the restructure of the Wellcome Museum of Anatomy and Pathology and plan dental and paediatric bays in the lecture area. We will engage fellows and members with the Hunterian Museum in 2011-2012 through public events, in particular the centenary of Joseph Lister's death and the Anatomy of an Athlete exhibition.
- The College will host a Global Surgical Frontiers conference in January 2012, in which the College aims to act as a conduit between our fellows and members and providers of international surgical opportunities.
- The College's Faculty of Dental Surgery will continue to provide the Overseas Registration Examination under contract from the General Dental Council and will gain approval for the Licence in Dental Surgery exam as a qualification suitable for professional registration. The College's Faculty of General Dental Practice will complete the jaw bone necrosis research project and begin local mentoring support for dental professionals.

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 19 and 20).

The aggregate deficit of £1.2 million as shown on the Statement of Financial Activities, before investment gains, consists of a deficit of £0.5 million on unrestricted funds, a deficit of £0.7 million on restricted funds and small surplus on endowed funds.

The deficit on unrestricted funds was due to a combination of factors. Income overall remained static; however the cost of running the organisation increased overall particularly for residential, conference and professional activities as well as for its IT and system support costs.

The deficit on restricted funds of £0.7 million (before transfers) comprises a net decrease in grants held of £0.8 million and an increase of £0.1 million in trust fund balances used for funding educational, research and museum project developments. The decrease in grants comprises a net decrease in other grants due to research, educational and other project funding received in previous years being utilised during the current financial year coupled with small increases in funding for a few grants. The increase of £0.1 million in trust fund balances is due to a new research legacy being received.

Endowed funds showed a neutral result (before transfers) consisting of investment portfolio management fees charged against the capital value of the fund coupled with a legacy received.

When the aggregate deficit of £1.2 million in the Consolidated Statement of Financial Activities is amalgamated with the increase of £5.1 million in the capital value of the College's investment portfolio, an overall increase in net worth of £3.9 million is the outcome for the year. The capital value of the College's investment portfolio has been affected favourably by economic conditions at the close of the financial year.

Income

Overall income of £25.3 million (2010: £27.0 million) was 6% or £1.7 million lower 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 £9.3 million (2010 £9.8 million), Incoming resources from charitable activities of £16.0 million (2010: £17.2million), and Other incoming resources (2011 and 2010: £0.0million).

- The value of donations and gifts received was significantly lower than the previous year, mostly in restricted funds. This is mainly due to donations received for the Eagle Project in the previous year not being received as the project is now complete.
- Legacies are unpredictable and were lower than in the previous year.
- Grant income decreased due to less project funding being received for the Clinical Effectiveness Unit and the Joint Committee of Surgical Training.
- Residential and conference income increased significantly due to more conferences being held.

- Investment income levels remained static.
- Course income has decreased considerably due to fewer candidates for some Education Department and Faculty of Dental Surgery courses.
- Examination income decreased due to some overseas courses not being run.
- Subscription income shows an increase due to an increase in the level of subscription and number of members in all areas.
- Rents, charges and sales income decreased due to less sponsorship being received by the Education department.

Expenditure

Expenditure of £26.5 million (2010: £27.8million) was incurred during the year on all activities and reflected a 5.0% or £1.3 million decrease on the previous year. Under SORP 2005, expenditure is required to be reported under three categories: Cost of generating funds of £4.0 million (2010: £3.0 million), Charitable expenditure of £22.0 million (2010: £24.2 million), and Governance costs of £0.5 million (2010: £0.6 million).

The Cost of generating funds category has increased due an increase in residential and conference costs due to more conferences being held.

Charitable expenditure includes the majority of categories:

- The level of education and course expenditure was lower than the previous year due to cost savings in the Education Department and Faculty of Dental Surgery.
- Expenditure on standards, regulation and examinations has decreased due to the cost savings in the Joint Committee of Surgical Training and Faculty of Dental Surgery departments.
- The level of research expenditure has decreased considerably due to less research fellowships being awarded in the current financial year due to the financial climate.
- Clinical Effectiveness Unit and other funded-project expenditure has decreased due to less projects being undertaken during the year.
- Expenditure on museum and library services has remained static.
- Expenditure on communications and publishing has remained static overall.
- Other professional activities have increased due to an increase in the Faculties costs.

Governance costs decreased due to cost savings.

Total capital expenditure for the year was £1.1 million of which £0.8 million has been spent in selectively improving general facilities while capital expenditure of £0.2 million has been incurred on the Front door project and £0.1 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 (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 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 2011 (2010: £0.1 million) as conference income and expenditure increased substantially. Its activities are consolidated in these financial statements (see note 10).

Investment policy and performance

The upturn of world markets has resulted in gains of £2.4 million in unrestricted funds with the portfolio being valued at £27.0 million at year end. The restricted and endowed funds portfolios were valued at £32.7 million at year end, and have benefited from gains in the year of £2.7 million.

The general funds investment objective is to maximise total returns after generating income of £840k. The Common Investment Fund and other funds investment strategy is to provide income of £1.12 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 for the 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 whilst 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 12 months of general operational expenditure. The College's reserves policy is that the capital designated fund should not fall below 9 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 stringently monitor its reserves.

Resources

The overall increase in resources during the year was approximately £3.9 million which, when amalgamated with existing funds, results in a net worth of £74.0 million. Of this, £29.3 million represents endowed funds' assets, where only the income, not the capital, can be spent on purposes specified by the donors, while a further £13.3 million is restricted in how it can be used as it consists of project grants and trust balances.

The unrestricted funds of £31.4 million includes designated funds of £7.8 million equating to the unrestricted fixed assets used by the College in its activities, a capital designated fund of £18.5 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 £5.1 million.

The Balance Sheet (page 20) outlines the main asset and liability categories aggregating to the net worth of the College, while the Cashflow Statement (page 21) tabulates the impact of operating and investment activities on cash and bank resources.

Overall this has been a good year for the financial position of the College due to its investment gains. However, the College continues to face a number of uncertainties and therefore continued professional and prudent management of resources is 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 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 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 2011, the value of the Sir Ratanji Dalal Research Scholarship Fund endowed fund was £0.6 million (2010: £0.6 million) and its unrestricted fund was £0.06 million (2010: £0.09 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 2011, the value of The Colledge Family Memorial Fellowship Trust endowed fund was £2.4 million (2010: £2.2 million) and its unrestricted fund was £0.08 million (2010: £0.06 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.

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;
- make judgments 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;
- 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 1993. 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

10 November 2011

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 year ended 24 June 2011 set out on pages 19 to 37. 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 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 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 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 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 24 June 2011, 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 1993.

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 1993 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; 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

11 November 2011

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 YEAR ENDED 24 JUNE 2011

	Notes	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2011 £000s	Totals 2010 £000s
Incoming resources						
Incoming resources from generated funds:						
Voluntary income:						
Donations and gifts		37	1,209	-	1,246	1,896
Legacies		747	169	100	1,016	1,397
Grants		-	1,254	-	1,254	1,607
Activities for generating funds:						
Residential, conference and other		3,600	-	-	3,600	2,744
Investment income		1,021	1,152	-	2,173	2,175
Incoming resources from charitable activities:						
Courses		4,805	590	-	5,395	6,063
Examinations		3,960	-	-	3,960	4,271
Subscriptions		4,631	-	-	4,631	4,421
Rents, charges, sales		1,046	1,006	-	2,052	2,422
Total incoming resources		19,847	5,380	100	25,327	26,996
Resources expended						
Cost of generating funds:						
Fundraising costs for raising voluntary income		350	-	-	350	319
Investment management fees		65	89	85	239	243
Residential, conference and other trading costs		3,169	238	-	3,407	2,376
		3,584	327	85	3,996	2,938
Charitable expenditure:						
Education and courses		5,484	985	-	6,469	7,420
Standards, regulation and examinations		5,312	1,634	-	6,946	7,326
Research grants	3	-	1,763	-	1,763	2,830
Clinical Effectiveness Unit and other projects		44	728	-	772	1,002
Museums and library		1,542	582	-	2,124	2,062
Communications and publications		1,767	18	-	1,785	1,823
Other professional activities		2,025	45	-	2,070	1,762
		16,174	5,755	-	21,929	24,225
Governance:		568	-	-	568	647
Total resources expended		20,326	6,082	85	26,493	27,810
Changes in resources before transfers		(479)	(702)	15	(1,166)	(814)
Transfer between endowed and restricted funds	11	-	(115)	115	-	-
Changes in resources before other recognised gains and losses		(479)	(817)	130	(1,166)	(814)
Net gain on investments	10	2,384	165	2,573	5,122	7,957
Net movement in resources in the year		1,905	(652)	2,703	3,956	7,143
Brought forward 25 June 2010		29,484	13,933	26,585	70,002	62,859
Balance carried forward 24 June 2011		31,389	13,281	29,288	73,958	70,002

All activities are continuing activities. The notes to the financial statements are on pages 22 to 37.

Consolidated Balance Sheet

AS AT 24 JUNE 2011

	Notes	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2011 £000s	Totals 2010 £000s
Fixed assets						
Tangible fixed assets	5	7,821	6,314	-	14,135	14,967
Investments	10	26,984	3,563	29,174	59,721	54,356
		34,805	9,877	29,174	73,856	69,323
Current assets						
Stock		205	-	-	205	132
Debtors	6	2,569	370	-	2,939	3,045
Cash and short-term deposits	7	4,008	3,034	114	7,156	6,342
		6,782	3,404	114	10,300	9,519
Current liabilities						
Creditors: amounts falling due within one year	8	(10,069)	-	-	(10,069)	(8,725)
Net current (liabilities) / assets		(3,287)	3,404	114	231	794
Long-term Liabilities						
Creditors: amounts falling due after more than one year	8	(129)	-	-	(129)	(115)
Net assets		31,389	13,281	29,288	73,958	70,002
Funds						
Permanent endowment and other restricted funds	11	-	13,281	29,288	42,569	40,518
Unrestricted funds:						
Designated funds	12	26,321	-	-	26,321	24,632
Working reserves	12	5,068	-	-	5,068	4,852
		31,389	13,281	29,288	73,958	70,002

The notes on pages 22 to 37 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 £245,000 (2010: £75,000).

Approved on behalf of the elected members of Council and authorised for issue on 10 November 2011.

Professor N Williams

President

Professor A Narula

Treasurer

Consolidated Cashflow Statement

FOR THE YEAR ENDED 24 JUNE 2011

	Notes	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2011 £000s	Totals 2010 £000s
Net cash inflow from operating activities	a	1,890	219	15	2,124	1,769
Net cash inflow / (outflow) from capital expenditure and financial investment	b	(1,399)	272	(183)	(1,310)	(1,750)
		491	491	(168)	814	19
Management of liquid resources	c	834	(8)	-	826	(342)
(Decrease) / increase in cash in year	d	1,325	483	(168)	1,640	(323)
a) Reconciliation of changes in resources to net inflow from operating activities:						
Net incoming / (outgoing) resources before revaluations		(479)	(702)	15	(1,166)	(814)
Depreciation		872	1,027	-	1,899	1,733
(Increase) / decrease in stocks		(73)	-	-	(73)	22
(Increase) / decrease in debtors		212	(106)	-	106	630
Increase in creditors		1,358	-	-	1,358	198
Net cash inflow from operating activities		1,890	219	15	2,124	1,769
b) Capital expenditure and financial investment						
Payments to acquire tangible fixed assets		(1,061)	(6)	-	(1,067)	(2,359)
Purchase of investments		(6,608)	(585)	(8,774)	(15,967)	(17,591)
Receipts from sales of fixed asset investments		6,608	640	8,476	15,724	18,200
Transfer between funds		-	(115)	115	-	-
Change in amounts due between funds		(338)	338	-	-	-
Net cash inflow / (outflow) from capital expenditure and financial investment		(1,399)	272	(183)	(1,310)	(1,750)
c) Management of liquid resources						
Increase / (decrease) in short term deposits		(834)	8	-	(826)	342
d) Reconciliation of net cash flow to movements in net funds						
(Decrease) / increase in cash in year		1,325	483	(168)	1,640	(323)
Increase / (decrease) in short term deposits		(834)	8	-	(826)	342
Movement in net funds in year		491	491	(168)	814	19
Net funds at 24 June 2010		3,517	2,543	282	6,342	6,323
Net funds at 24 June 2011		4,008	3,034	114	7,156	6,342

Notes to the Financial Statements

FOR THE YEAR ENDED 24 JUNE 2011

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. 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 requirement.

(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 which are not complete at the year end are shown as Construction in Progress.

Notes to the Financial Statements

FOR THE YEAR ENDED 24 JUNE 2011

(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	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 would for depreciation 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

Notes to the Financial Statements

FOR THE YEAR ENDED 24 JUNE 2011

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.

(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 £245,000 (2010: £75,000).

Notes to the Financial Statements
FOR THE YEAR ENDED 24 JUNE 2011

2. Resources expended

	Direct costs £000s	Grants made £000s	Allocated support costs £000s	Total 2011 £000s	Total 2010 £000s
Cost of generating funds					
Fundraising costs	302	-	48	350	319
Investment management fees	239	-	-	239	243
Residential, conference and other trading costs	2,300	-	1,107	3,407	2,376
	2,841	-	1,155	3,996	2,938
Charitable expenditure					
Education and courses	5,772	-	697	6,469	7,420
Standards, regulation and examinations	6,147	-	799	6,946	7,326
Research grants	167	1,468	128	1,763	2,830
Clinical Effectiveness Unit and other projects	603	-	169	772	1,002
Museums and library	1,463	-	661	2,124	2,062
Communications and publications	1,584	-	201	1,785	1,823
Other professional activities	1,513	-	557	2,070	1,762
	17,249	1,468	3,212	21,929	24,225
Governance	503	-	65	568	647
Total	20,593	1,468	4,432	26,493	27,810
Support costs and basis of allocation					
Premises and utilities	<i>Floor area occupied</i>		1,892		2,341
Human resources	<i>Number of staff employed</i>		406		347
Finance services	<i>Budgeted expenditure</i>		633		509
IT and systems support	<i>Equipment and support provided</i>		1,501		1,170
			4,432		4,367

Notes to the Financial Statements
FOR THE YEAR ENDED 24 JUNE 2011

3. Research grants

	2011		2010	
	Number awarded	Total amount £000s	Number awarded	Total amount £000s
Purpose of grant				
Research fellowships				
<i>Liabilities at start of year</i>		(570)		(798)
<i>Paid in year</i>		1,288		2,661
<i>Liabilities at end of year</i>		661		570
Charge for year	53	1,379	72	2,433
Other research projects				
<i>Liabilities at start of year</i>		(295)		(399)
<i>Paid in year</i>		127		175
<i>Liabilities at end of year</i>		229		295
Charge for year	3	61	3	71
Scholarships	7	5	14	15
Travel	14	23	9	32
	77	1,468	98	2,551
Administration of research fellowships and other research projects		295		279
Research expenditure shown on Statement of Financial Activities		1,763		2,830

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 £374,000 (2010: £238,000) 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 YEAR ENDED 24 JUNE 2011

4. Staff and other expenditure

	2011	2010
Number of staff employed by the College at 24 June	283	290
	£000s	£000s
Gross Pay	8,837	8,908
Employer's statutory contributions	751	758
Employer's pension contributions	1,041	978
Total staff costs	10,629	10,644

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

	2011	2010
£60,000 to £70,000	4	5
£70,001 to £80,000	3	5
£80,001 to £90,000	2	1
£90,001 to £100,000	1	-
£100,001 to £110,000	1	1
£120,001 to £130,000	1	1

12 (2010: 12) of these employees are members of the USS pension scheme, while 1 (2010: 1) is a member of the NHS pension scheme.

	2011	2010
	£000s	£000s
Included in Governance costs are:		
Auditors' remuneration – Audit fees – The Royal College of Surgeons of England 2011	38	38
Auditors' remuneration – Audit fees – The Royal College of Surgeons of England 2010 – under accrual	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 YEAR ENDED 24 JUNE 2011

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 2010	3,352	919	21,751	2,419	353	28,794
Reclassification of assets	-	-	299	54	(353)	-
Additions	-	8	690	256	113	1,067
Balance 24 June 2011	3,352	927	22,740	2,729	113	29,861
Accumulated depreciation						
Balance 25 June 2010	-	627	11,479	1,721	-	13,827
Charge for year	-	103	1,478	318	-	1,899
Balance 24 June 2011	-	730	12,957	2,039	-	15,726
Net book values						
at 24 June 2011	3,352	197	9,783	690	113	14,135
at 24 June 2010	3,352	292	10,272	698	353	14,967

6. Debtors

	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2011 £000s	Totals 2010 £000s
Taxation recoverable	11	2	-	13	7
Other debtors	2,515	368	-	2,883	2,948
Prepayments	43	-	-	43	90
	2,569	370	-	2,939	3,045

7. Cash and short-term deposits

	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2011 £000s	Totals 2010 £000s
Cash in hand	22	-	-	22	16
Current and instant access accounts	2,633	3,026	114	5,773	4,139
Short-term deposit accounts	1,353	8	-	1,361	2,187
	4,008	3,034	114	7,156	6,342

Notes to the Financial Statements
FOR THE YEAR ENDED 24 JUNE 2011

8. Creditors

	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2011 £000s	Totals 2010 £000s
Amounts falling due within one year					
Other Creditors	5,124	-	-	5,124	5,496
Taxation and social security	315	-	-	315	88
Deferred income	4,630	-	-	4,630	3,141
	10,069	-	-	10,069	8,725
Amounts falling due after more than one year					
Other Creditors	129	-	-	129	115
	129	-	-	129	115

9. Deferred income

	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2011 £000s	Totals 2010 £000s
Balance brought forward	3,141	-	-	3,141	3,629
Income arising during the year	21,544	5,051	100	26,695	26,508
Released to Statement of Financial Activities	(20,055)	(5,051)	(100)	(25,206)	(26,996)
Balance carried forward	4,630	-	-	4,630	3,141

10. Investments

	Unrestricted funds £000s	Restricted funds £000s	Endowed funds £000s	Totals 2011 £000s	Totals 2010 £000s
Quoted securities at market value	24,422	1,761	28,885	55,068	50,093
Deposits with Newton Investment Management	2,576	18	289	2,883	2,493
Investment property at market value	1,770	-	-	1,770	1,770
Transfer of investments between funds	(1,784)	1,784	-	-	-
Market value	26,984	3,563	29,174	59,721	54,356
Movement in year					
Market value at 24 June 2010	24,262	3,791	26,303	54,356	47,008
Additions at cost	6,608	585	8,774	15,967	17,591
Disposals at sale price	(6,608)	(640)	(8,476)	(15,724)	(18,200)
Change in transfer of investments between funds	338	(338)	-	-	-
Net gain on investments in year	2,384	165	2,573	5,122	7,957
Market value at 24 June 2011	26,984	3,563	29,174	59,721	54,356
Cost at 24 June 2011	20,518	1,456	22,854	44,828	43,668
Unrealised gain at 24 June 2011	6,466	2,107	6,320	14,893	10,688
Realised gains on historic cost in year	513	27	421	961	569

Notes to the Financial Statements
FOR THE YEAR ENDED 24 JUNE 2011

At the year end, the market value of UK investments was £41,141,000 (2010: £43,843,000) and overseas investments was £18,580,000 (2010: £10,513,000).

As detailed in Note 1(j), the Common Investment Fund is incorporated into these financial statements.

Investment property at market value

The last property valuation was carried out as at 24 June 2010 by the College's property managers, BNP Paribas. An independent valuation of the investment property is obtained every 5 years. The Trustees do not consider there to have been any any material change in the value of the property since it was last valued.

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 £2,355,000 (2010 £1,738,000), its expenditure was £2,110,000 (2010: £1,663,000), and the profit before tax of £245,000 (2010: £75,000) has been transferred to the College under gift aid. The net assets of Hunter Trading Limited were £1 (2010: £1).

Notes to the Financial Statements
FOR THE YEAR ENDED 24 JUNE 2011

11. Permanent endowments and other restricted funds

	Permanent Endowment Funds				Restricted Funds			
	Balance 2010 £000s	Increase £000s	Decrease £000s	Balance 2011 £000s	Balance 2010 £000s	Increase £000s	Decrease £000s	Balance 2011 £000s
Dental Science Research Fund	1,978	193	6	2,165	227	109	72	264
Rank Chair Physics in Surgery	1,881	184	6	2,059	(263)	72	23	(214)
RCSE Cancer Research Fund	3,462	338	12	3,788	58	133	136	55
RCSE Biochemical Research Fund	736	72	2	806	25	28	2	51
Darlow Fellowship Fund	94	9	-	103	41	4	1	44
RCSE Research Fund	7,195	703	24	7,874	437	289	484	242
RCSE Education Fund	4,710	478	12	5,176	173	199	180	192
RCSE Museum Fund	14	1	-	15	82	10	12	80
Groves Bequest for Museum	410	40	1	449	22	15	18	19
M-W Johnson for Hunterian	754	98	3	849	275	55	66	264
George Qvist for Hunterian	412	40	2	450	3	15	17	1
Shrimpton Fund	-	-	-	-	28	52	47	33
RCSE Library Fund	1,615	157	6	1,766	10	62	63	9
RCSE Prize Fund	114	11	-	125	125	15	1	139
Preiskel Fund	-	-	-	-	20	2	1	21
HS Morton Travelling Fellowship	394	38	1	431	109	16	16	109
Sims Commonwealth Travelling Fellowship	125	12	1	136	65	8	1	72
Ethicon Travelling Fellowship	-	-	-	-	188	21	41	168
RCSE Scholarship Fund	101	9	-	110	30	10	6	34
Witt Fund	182	6	1	187	3	7	1	9
Modi Fund	-	-	-	-	427	105	39	493
Rishworth Fund for Annals	99	9	-	108	1	4	4	1
John Kinross Fund	161	16	1	176	117	6	-	123
Presidents Finch Fund	1,680	219	6	1,893	(9)	65	46	10
Blond McIndoe	-	-	-	-	400	70	2	468
J W Mclean Fund	-	109	-	109	-	4	-	4
Faculty of Dental Surgery								
FDS Commemoration Fund	130	13	-	143	1	5	-	6
Moser Trust	338	33	1	370	151	13	118	46

Notes to the Financial Statements
FOR THE YEAR ENDED 24 JUNE 2011

11. Permanent endowments and other restricted funds (continued)

	Permanent Endowment Funds				Restricted Funds			
	Balance 2010 £000s	Increase £000s	Decrease £000s	Balance 2011 £000s	Balance 2010 £000s	Increase £000s	Decrease £000s	Balance 2011 £000s
Faculty of General Dental Practice (UK)								
Research Fund	-	-	-	-	3	-	-	3
Surgical Research Fund	-	-	-	-	7	15	-	22
Rex & Jean Lawrie O/s Fund	-	-	-	-	-	4	-	4
Cutner Legacy	-	-	-	-	205	-	41	164
Guyatt Legacy	-	-	-	-	86	-	3	83
Starritt Legacy	-	-	-	-	94	-	99	(5)
Clarke Legacy	-	-	-	-	81	-	58	23
Fletcher Legacy	-	-	-	-	70	-	18	52
Miss Carol Rummey Legacy	-	-	-	-	-	100	28	72
Ethicon Research Fund	-	-	-	-	100	-	40	60
Dunhill Medical Trust	-	-	-	-	(212)	289	-	77
Far East HK Masonic Association	-	-	-	-	82	-	1	81
Curry Legacy Damage/Pain	-	-	-	-	302	1	-	303
Denker Legacy	-	-	-	-	-	8	-	8
Restricted Grants and Donations								
Anatomy Project	-	-	-	-	142	15	46	111
Dev Project Courses 61498	-	-	-	-	-	218	73	145
PCCT Transplant Fellowships	-	-	-	-	708	3	387	324
Post CCT Fellowship Project	-	-	-	-	45	88	10	123
CEU - POIS (ISCT) PROJ - 64412	-	-	-	-	99	143	110	132
FDS-NAC	-	-	-	-	92	69	56	105
FDS - ORE - Comm Examiners Training	-	-	-	-	120	70	66	124
Hunterian Museum Project	-	-	-	-	1,133	-	248	885
Eagle Project	-	-	-	-	5,829	111	677	5,263
Other balances < £100,000	-	-	-	-	2,201	2,902	2,724	2,379
TOTAL	26,585	2,788	85	29,288	13,933	5,430	6,082	13,281

* 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 24 JUNE 2011

The increases for the endowed funds are represented by increases in investment market value. There was also a total of £115,000 transferred from restricted funds (see Transfers below). The decrease in endowed funds is represented by investment management charges.

Transfers

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

1. MacRae–Webb–Johnson Fund: In 2003–04 £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 seventh transfer of £24,000 was made in 2010–11.

2. President’s Finch Fund: In 2006–07 £1,100,000 was transferred from the President’s Finch’s endowed fund to its restricted fund to support the Eagle Project. This sum is income arising on the President’s Finch’s restricted fund at the rate of £55,000 a year for 20 years. The fourth transfer of £55,000 was made during 2010–11.

3. Education Fund: In 2008–09 £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 third transfer of £20,000 was made during 2010–11. In 2009–10 an additional £400,000 was transferred from the Educational 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 first payment was made during 2010–11.

Notes to the Financial Statements
FOR THE YEAR ENDED 24 JUNE 2011

12. Unrestricted funds

	2011	2010
	£000s	£000s
Designated funds		
Represented by tangible fixed assets	7,821	7,632
‘Capital’ designated as necessary to provide income to support the College’s charitable activities		
Brought forward	17,000	14,000
Increase in year	1,500	3,000
	18,500	17,000
Total designated funds	26,321	24,632
Working reserves – The College and faculties:	5,068	4,852
Total unrestricted funds	31,389	29,484

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 increase of £1.5 million (2010: increase of £3.0 million) derives in part from the increase in the market value of unrestricted funds investments in the year to provide an amount approximately equivalent to 1 year’s operational expenditure.

Working reserves are funds held for operational purposes of the College and its two dental faculties. Approximately £396,000 (2010: £382,000) 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 283 employees (2010: 290), 158 (2010: 136) are members of the Universities Superannuation Scheme (USS), 46 (2010: 49) are members of the Superannuation Arrangements of the University of London (SAUL) and 2 (2010: 5) 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.

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USS: The latest triennial 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 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 2011 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which 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 6.4% 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 which 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 fluctuate and at 31 March 2011 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 98%. Compared to the previous 12 months, the funding level has improved from 91% (as at 31 March 2010) to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts 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.

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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 16% of pensionable salaries. The College's total pension cost for this scheme in the year to 24 June 2011 was £893,959 (2010: £809,569).

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:

Valuation method – Projected unit	Past service	Future service
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 trustees 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 as at 31 March 2011 when the above rates will be reviewed. 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 24 June 2011 was £128,739 (2010: £135,573).

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 £74,056 (2010: £85,481 to all 26 trustee members of Council).

15. Legacy income

The major legacies or gifts which 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 2011	
Purpose:	
The main appeal of the College	476
For medical research and education	700