

# FINANCIAL REVIEW

The Consolidated Statement of Financial Activities (SOFA) and Balance Sheets, together with the Notes to the Accounts set out on pages 22 to 34, show the overall financial performance of the Society and its subsidiaries, and provide an analysis of the resources arising and used in the performance of the Society's objectives and those of its subsidiaries. In addition, information is provided on the movements in the Society's endowed and restricted funds which, it should be noted, cannot be used for general Society purposes.

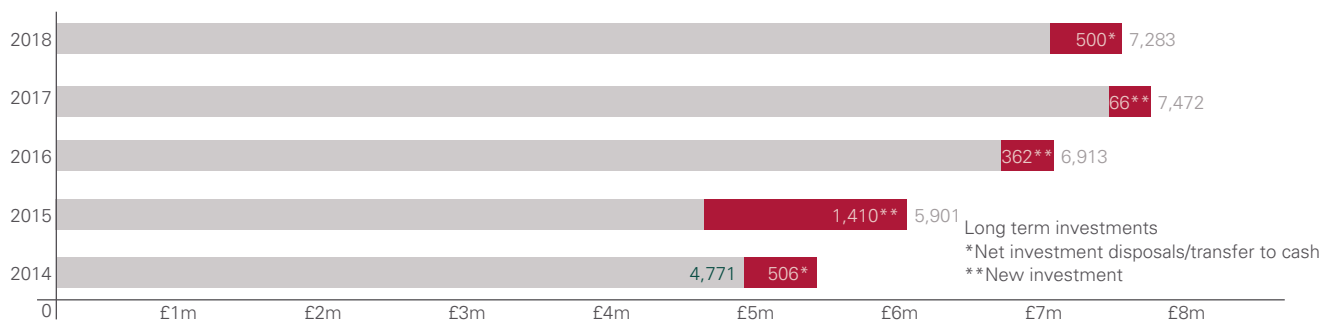
The Trustees' investment powers are governed by the Charters. In October 2018 the Trustees carried out a review of the Society's investment strategy. The strategy adopted was to split the portfolio into a Permanent Endowment Fund (with an objective to maximise income, targeting 3.5 – 4% pa yield, and growing income in line with RPI), an Expendable Endowment Fund (predominantly representing restricted funds and with a total return objective of RPI + 3% pa), and an Unrestricted Endowment Fund (with a total return objective of 3 – 3.5% pa, with a preference for income, and which, together with investment returns from cash not required for working capital, is targeted to protect the Society's unrestricted funds from CPI inflation). With regard to ethical investment the Trustees have adopted an investment approach that does not conflict with the aims of the Society. The investment performance is measured regularly and reviewed against appropriate benchmarks.

At 30 September 2018, the Society held 2,973 shares in NASDAQ - quoted company GW Pharmaceuticals plc with a market value of £393,469 arising from donations from two of the Society's principal benefactors. The Society has adopted a policy in the past year to maintain the value of the Society's holding in these shares at no more than 5% of the overall investment portfolio.

The results for the year are summarised as follows:

|                           | UNRESTRICTED FUNDS |              | TOTAL FUNDS  |              |
|---------------------------|--------------------|--------------|--------------|--------------|
|                           | 2018<br>£000       | 2017<br>£000 | 2018<br>£000 | 2017<br>£000 |
| Incoming resources        | 16,060             | 15,665       | 16,580       | 15,907       |
| Expenditure               | (15,093)           | (14,699)     | (15,404)     | (15,030)     |
| <b>OPERATING SURPLUS</b>  | <b>967</b>         | <b>966</b>   | <b>1,176</b> | <b>877</b>   |
| Depreciation and interest | (1,285)            | (1,306)      | (1,285)      | (1,306)      |
| Net (deficit)             | (318)              | (340)        | (109)        | (429)        |

## Investment powers, policy and performance:



## Funds and reserves policy

### Movement on funds:

The increase in net resources during the year, including investment market value changes, amounted to £541k (2017: £(117)k). The total funds carried forward at 30 September 2018 amounted to £38,072k (2017: £37,531k). The Trustees report that the level of free reserves at the year-end (reported as General Fund on the Group Balance Sheet) has decreased to a surplus of £3,851k (2017: £4,037k) as analysed in the table opposite. The most significant part of unrestricted funds is invested in the Society's buildings and other fixed assets used within the Society, which are partly financed by a secured bank loan of £0.6m (2017: £0.9m).

The financial strategy of the Society is to build free reserves to the point they represent 6 months' unrestricted expenditure of the Charity plus the reserves of its subsidiaries which amounted to £4.9m as at 30 September 2018 in order to provide adequate reserves to protect against unexpected downturns, including a significant reduction in income which could otherwise result in the Society needing to review its strategy.

## Financial management policies

### Borrowings:

The Society's borrowing facilities at 30 September 2018 comprised a 10 year term loan of £0.6m secured by a mortgage charge over the Society's premises at 1 Wimpole Street. The Trustees are confident that these facilities give the Society sufficient headroom, with a good margin for contingency, to meet the Society's commitments.

### Financial reporting:

Through the preparation and approval of comprehensive budgets and regular reporting of management accounts against budget, the Trustees are able to monitor the financial performance of the Society, as well as to consider the Society's exposure to major risks in terms of their likely impact on its income sources and planned expenditure, as well as assessing the best way to mitigate such risks.

## Employees

The Society aims to be an organisation where employees enjoy a sense of fulfilment and where they feel supported and developed. The Society supports equal opportunities and is committed to a formal performance appraisal process. The Society has developed formal training programmes for managers in the areas of core compliance, equality and management skills.

The Society operates defined contribution pension schemes which are administered by AEGON and the National Employment Savings Trust (NEST). The AEGON scheme is the Society's scheme for all employees, who become eligible to be enrolled, if certain criteria are met, after a three month postponement period. The Society makes a minimum contribution of 7% of basic salary and employees have the option of adding a further contribution. The NEST scheme has been adopted by the Society for its casual workers and operates based on the criteria for pensions auto-enrolment with both the Society and enrolled casual workers paying pension contributions totalling 5% of gross pay.

The Society responded to and completed the changes made by the Chancellor of the Exchequer to the National Living Wage, and is targeting to pay all staff at least the London Living Wage by the end of 2019.

## Future plans

The Society has a sound financial basis upon which to build for the future with plans well advanced, based on the foundation of its strong balance sheet, to return the Society to unrestricted fund annual surpluses in the medium term. Reviews by the Trustees of long term strategy and enhanced governance arrangements are also well advanced with the vital Education strategy having been published during 2018 as reported elsewhere in this Annual Report. Signed on behalf of the Members of Council on 29 January 2019

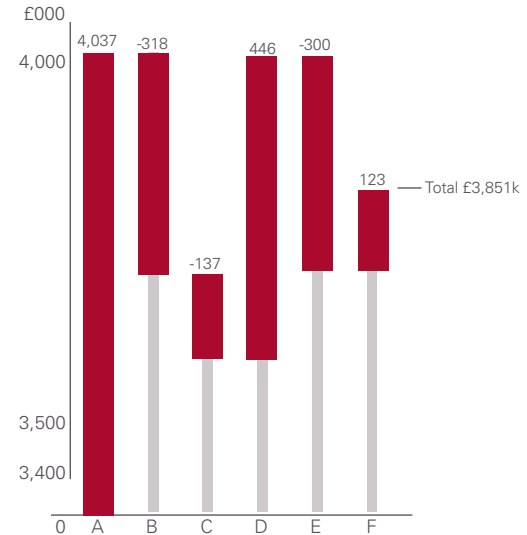
*Rachel Hargest*

**Miss Rachel Hargest**  
MD FRCS  
Honorary Treasurer

*Hilary B De Lyon*

**Reverend Hilary De Lyon**  
BA MPhil  
Vice President

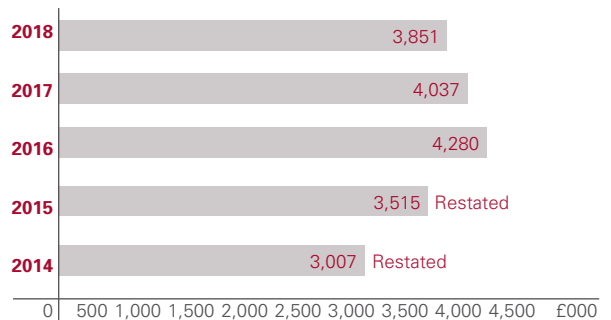
## Free reserves analysis



### KEY

- A:** Opening balance
- B:** Unrestricted net income
- C:** Transfer section and academic funds
- D:** Investment market value changes (unrestricted)
- E:** Loan repayments
- F:** Capex effect

## Free reserves 5 years analysis:



## Independent auditor's report to trustees of The Royal Society of Medicine

### Opinion

We have audited the financial statements of The Royal Society of Medicine ("the Parent Charity") and its subsidiaries ("the Group") for the year ended 30 September 2018 which comprise the consolidated statement of financial activities, the consolidated and Parent Charity balance sheet, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

#### In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charity's affairs as at 30 September 2018 and of the Group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Charity in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The other information comprises the information included in the Trustees' Annual Report, other than the financial statements and our auditor's report thereon. The other information comprises: RSM Sections and their Presidents. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion;

- the information contained in the financial statements is inconsistent in any material respect with the Trustees' Annual Report; or
- adequate accounting records have not been kept by the Parent Charity; or
- the Parent Charity 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.

### Responsibilities of Trustees

As explained more fully in the Trustees' Responsibilities Statement, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group's and the Parent Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the Parent Charity or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act[s] and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Charity's trustees, as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the Charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Fiona Condron (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
Gatwick

Date: 29 January 2019

BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

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

## Consolidated statement of financial activities

|   | notes | UNRESTRICTED FUNDS<br>£000 | RESTRICTED FUNDS<br>£000 | ENDOWED FUNDS<br>£000 | TOTAL FUNDS<br>2018<br>£000 | TOTAL FUNDS<br>2017<br>£000 |
|---|-------|----------------------------|--------------------------|-----------------------|-----------------------------|-----------------------------|
| <b>INCOME FROM:</b>   |       |                            |                          |                       |                             |                             |
| <b>Donations and legacies</b>   |       | 1,169                      | 349                      | 20                    | <b>1,538</b>                | 1,062                       |
| <b>Other trading activities</b>   |       |                            |                          |                       |                             |                             |
| Conferencing and hospitality  |       | 7,309                      | -                        | -                     | <b>7,309</b>                | 7,179                       |
| Rental income   |       | 55                         | -                        | -                     | <b>55</b>                   | 93                          |
|   |       | 7,364                      | -                        | -                     | <b>7,364</b>                | 7,272                       |
| <b>Investments</b>  | 3     | 148                        | 151                      | -                     | <b>299</b>                  | 260                         |
| <b>Charitable activities</b>  |       |                            |                          |                       |                             |                             |
| Education:  |       |                            |                          |                       |                             |                             |
| <i>Academic programme</i>   |       | 2,144                      | -                        | -                     | <b>2,144</b>                | 2,398                       |
| <i>Information resources</i>  |       | 82                         | -                        | -                     | <b>82</b>                   | 99                          |
| Publishing  |       | 206                        | -                        | -                     | <b>206</b>                  | 208                         |
| Membership subscriptions  | 4     | 4,947                      | -                        | -                     | <b>4,947</b>                | 4,608                       |
|   |       | 7,379                      | -                        | -                     | <b>7,379</b>                | 7,313                       |
| <b>Total income</b>   |       | 16,060                     | 500                      | 20                    | <b>16,580</b>               | 15,907                      |
| <b>EXPENDITURE ON:</b>  |       |                            |                          |                       |                             |                             |
| <b>Raising funds</b>  | 5     |                            |                          |                       |                             |                             |
| Fundraising costs   |       | 334                        | -                        | -                     | <b>334</b>                  | 171                         |
| Conferencing and hospitality  |       | 7,189                      | -                        | -                     | <b>7,189</b>                | 6,869                       |
| Rental income costs   |       | 87                         | -                        | -                     | <b>87</b>                   | 97                          |
| Interest  |       | 39                         | -                        | -                     | <b>39</b>                   | 47                          |
|   |       | 7,649                      | -                        | -                     | <b>7,649</b>                | 7,184                       |
| <b>Charitable activities</b>  | 5     |                            |                          |                       |                             |                             |
| Education:  |       |                            |                          |                       |                             |                             |
| <i>Academic programme</i>   |       | 4,781                      | 276                      | -                     | <b>5,057</b>                | 5,087                       |
| <i>Information resources</i>  |       | 2,759                      | 35                       | -                     | <b>2,794</b>                | 2,773                       |
| Publishing  |       | 153                        | -                        | -                     | <b>153</b>                  | 135                         |
| Membership subscriptions  |       | 1,036                      | -                        | -                     | <b>1,036</b>                | 1,157                       |
|   |       | 8,729                      | 311                      | -                     | <b>9,040</b>                | 9,152                       |
| <b>Total expenditure</b>  |       | 16,378                     | 311                      | -                     | <b>16,689</b>               | 16,336                      |
| <b>NET (EXPENDITURE)/ INCOME BEFORE GAINS AND LOSSES ON INVESTMENTS</b> |       | (318)                      | 189                      | 20                    | <b>(109)</b>                | (429)                       |
| Net gains on investments  | 10    | 453                        | 83                       | 114                   | <b>650</b>                  | 312                         |
| <b>NET INCOME</b>   |       | 135                        | 272                      | 134                   | <b>541</b>                  | (117)                       |
| <b>NET MOVEMENT IN FUNDS</b>  |       | 135                        | 272                      | 134                   | <b>541</b>                  | (117)                       |
| <b>RECONCILIATION OF FUNDS</b>  |       |                            |                          |                       |                             |                             |
| Total funds brought forward   |       | 32,512                     | 2,756                    | 2,263                 | <b>37,531</b>               | 37,648                      |
| <b>Total funds carried forward</b>                                      | 17,18 | 32,647                     | 3,028                    | 2,397                 | <b>38,072</b>               | 37,531                      |

The Statement of Financial activities includes all gains and losses recognised in the year. All amounts relate to continuing activities. The gain for the year, including realised losses of £109k was £541k (2017: loss of £117k including realised losses of £429k).

The notes on pages 22 to 34 form part of these financial statements.

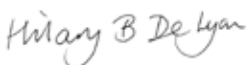
## Consolidated and charity balance sheets

|  | notes | GROUP          |                | CHARITY        |                |
|--|-------|----------------|----------------|----------------|----------------|
|  |       | 2018<br>£000   | 2017<br>£000   | 2018<br>£000   | 2017<br>£000   |
| <b>FIXED ASSETS</b>  |       |                |                |                |                |
| Tangible assets  | 8     | 23,040         | 23,826         | 19,406         | 20,146         |
| Intangible assets  | 9     | 1,270          | 512            | 1,270          | 512            |
| Investments  |       |                |                |                |                |
| Property   | 10    | -              | -              | 9,200          | 9,000          |
| Investment funds   | 10    | 7,283          | 7,472          | 7,283          | 7,472          |
| Heritage assets  | 11    | 3,346          | 3,346          | 3,346          | 3,346          |
| Shares in subsidiary companies                                 | 7     | -              | -              | 2              | 2              |
| <b>TOTAL FIXED ASSETS</b>                                      |       | <b>34,939</b>  | <b>35,156</b>  | <b>40,507</b>  | <b>40,478</b>  |
| <b>CURRENT ASSETS</b>  |       |                |                |                |                |
| Stocks   | 12    | 59             | 56             | 1              | 1              |
| Debtors  | 13    | 1,435          | 2,218          | 1,046          | 1,631          |
| Short term investments   | 10    | 393            | 570            | 393            | 570            |
| Bank deposits  |       | 5,590          | 5,302          | 5,590          | 5,302          |
| Bank and cash balances   |       | 1,456          | 192            | 1,452          | 182            |
|  |       | 8,933          | 8,338          | 8,482          | 7,686          |
| <b>CREDITORS: Amounts falling due within one year</b>          | 14    | <b>(4,446)</b> | <b>(4,394)</b> | <b>(4,258)</b> | <b>(4,176)</b> |
| <b>NET CURRENT ASSETS</b>                                      |       | <b>4,487</b>   | <b>3,944</b>   | <b>4,224</b>   | <b>3,510</b>   |
| <b>CREDITORS: Amounts falling due after more than one year</b> | 15    | <b>(1,144)</b> | <b>(1,359)</b> | <b>(1,144)</b> | <b>(1,359)</b> |
| <b>PROVISIONS FOR LIABILITIES</b>                              | 16    | <b>(210)</b>   | <b>(210)</b>   | <b>(210)</b>   | <b>(210)</b>   |
| <b>NET ASSETS</b>  | 19    | <b>38,072</b>  | <b>37,531</b>  | <b>43,377</b>  | <b>42,419</b>  |
| <b>FUNDS</b>   |       |                |                |                |                |
| Unrestricted Funds:  |       |                |                |                |                |
| Tangible fixed assets fund                                     |       | 27,056         | 26,784         | 32,622         | 32,104         |
| Other designated funds   |       | 1,740          | 1,691          | 1,740          | 1,691          |
| General fund   |       | 3,851          | 4,037          | 3,590          | 3,605          |
|  | 17    | 32,647         | 32,512         | 37,952         | 37,400         |
| Permanent endowment funds                                      | 18    | 2,397          | 2,263          | 2,397          | 2,263          |
| Restricted funds   | 18    | 3,028          | 2,756          | 3,028          | 2,756          |
| <b>TOTAL FUNDS</b>   |       | <b>38,072</b>  | <b>37,531</b>  | <b>43,377</b>  | <b>42,419</b>  |

Approved and authorised for issue on 29 January 2019 by Members of Council and signed on their behalf by:



**Miss Rachel Hargest MD FRCS**  
Honorary Treasurer



**Reverend Hilary De Lyon BA MPhil**  
Vice President

The notes on pages 22 to 34 form part of these financial statements.

## Consolidated statement of cash flows

|   | <b>2018</b><br><b>£000</b> | <b>2018</b><br><b>£000</b> | <b>2017</b><br><b>£000</b> | <b>2017</b><br><b>£000</b> |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Net cash provided by operating activities</b>              |                            | 1,655                      |                            | 536                        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                  |                            |                            |                            |                            |
| Dividends from investments                                    | 271                        |                            | 248                        |                            |
| Purchase of property, plant and equipment and intangibles     | (1,210)                    |                            | (692)                      |                            |
| Purchase of long term investments                             | -                          |                            | (66)                       |                            |
| Cash inflow from bank interest                                | 28                         |                            | 12                         |                            |
| Cash inflow from long term investments to unrestricted cash   | 500                        |                            | -                          |                            |
| Proceeds from sale of short term investments                  | 647                        |                            | 55                         |                            |
| <b>Net cash used in investing activities</b>                  |                            | 236                        |                            | (443)                      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                  |                            |                            |                            |                            |
| Repayments of loan finance: quarterly instalments paid        | (300)                      |                            | (300)                      |                            |
| Interest paid   | (39)                       |                            | (47)                       |                            |
| <b>Net cash used in financing activities</b>                  |                            | (339)                      |                            | (347)                      |
| <b>Change in cash and cash equivalents in the year</b>        |                            | 1,552                      |                            | (254)                      |
| Cash and cash equivalents at 1 October                        |                            | 5,494                      |                            | 5,748                      |
| <b>Cash and cash equivalents at 30 September</b>              |                            | 7,046                      |                            | 5,494                      |
| <b>RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES</b> |                            |                            |                            |                            |
| Net (expenditure) for the reporting period (as per the SOFA)  |                            | (109)                      |                            | (429)                      |
| Adjustments for:  |                            |                            |                            |                            |
| Donation in Shares  | (131)                      |                            | (46)                       |                            |
| Depreciation  | 1,246                      |                            | 1,259                      |                            |
| Write off tangible and intangible fixed assets                | (8)                        |                            | -                          |                            |
| Interest/ Dividends   | (260)                      |                            | (213)                      |                            |
| Decrease in debtors   | 783                        |                            | 220                        |                            |
| (Increase)/ decrease in stock                                 | (3)                        |                            | 8                          |                            |
| Increase/ (decrease) in creditors                             | 137                        |                            | (473)                      |                            |
| Increase in provisions  | -                          |                            | 210                        |                            |
| <b>Net cash provided by operating activities</b>              |                            | 1,655                      |                            | 536                        |
| <b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>                  |                            |                            |                            |                            |
|   |                            | <b>2018</b><br><b>£000</b> |                            | <b>2017</b><br><b>£000</b> |
| Bank and cash balances  |                            | 1,456                      |                            | 192                        |
| Bank deposits   |                            | 5,590                      |                            | 5,302                      |
| Total cash and cash equivalents                               |                            | 7,046                      |                            | 5,494                      |

The notes on pages 22 to 34 form part of these financial statements.

# 1. ACCOUNTING POLICIES

## Basis of preparation

The accounts are prepared under the historical cost convention, except for the modification to include certain assets at valuation as specified in the accounting policies below.

The financial planning process, including financial projections, has taken into consideration the current economic climate and its potential impact on the various sources of income and planned expenditure. The Trustees consider that the Society has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the annual report and accounts.

The Financial Statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The Society meets the definition of a public benefit entity under FRS 102. As described further within the Governance section of the Trustees report on page 26, it is a Charity registered with the Charity Commission in England and Wales.

In preparing the separate financial statements of the parent charity, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent charity;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures but have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The accounts include the transactions, assets and liabilities of Special Trusts which are administered by the Society. A summary of these transactions is shown in note 18.

The accounts include transactions, assets and liabilities of Royal Society of Medicine Support Services Limited, and Royal Society of Medicine International Limited (dormant) which are wholly owned subsidiaries and are run as an integral part of the Society. The subsidiaries' accounts are produced separately as required by the Companies Act 2006 and are summarised in note 7.

The Society's activities, together with factors likely to affect its future development including strategies for each area, performance and financial position, and commentary on the Society's financial activities and its cash flows are set out in the trustees report on pages 4-17 and elsewhere in the financial statements.

The SORP requires that income and costs are allocated where appropriate to charitable activities and to activities for raising funds. No separate SOFA has been presented for the Society alone as permitted by section 408 of the Companies Act 2006.

Total income for the Society is £9,271k (2017: £8,728k) and total expenditure is £9,500k (2017: £9,467k). The net movement in funds after investment movements and unrealised gains is £421k (2017: £(427)k).

The accounting policy in respect of payments under Gift Aid by the subsidiary, Royal Society of Medicine Support Services Limited to its parent, the Royal Society of Medicine is set out below.

## Significant judgments and key sources of estimation uncertainty

The Society's significant accounting policies are stated below. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity and judgement involved in their application and their impact on the consolidated financial statements.

## Basis of consolidation

The Group comprises the Royal Society of Medicine and its subsidiaries which are set out in note 7 to these accounts. The principal trading subsidiary is Royal Society of Medicine Support Services Limited which operates the catering, accommodation and conference activities on behalf of the Society.

The consolidated financial statements incorporate the financial statements of the Society and its subsidiaries for the year ended 30 September 2018 and the comparative period.

Subsidiaries are entities controlled by the Society. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The turnover and expenditure of the subsidiaries are included within the consolidated SOFA. The assets and liabilities are included on a line by line basis in the consolidated balance sheet in accordance with FRS 102, section 9 'Consolidated and Separate Financial Statements.' The financial statements of all Group companies are prepared using consistent accounting policies.

The following are the accounting policies adopted for material items:

## Income

Income is included in the SOFA when the Society is legally entitled to the income, there is probability of receipt, and the amounts can be quantified with reasonable accuracy. If these conditions are not met then the income is deferred.

# ACCOUNTING POLICIES

Income is shown within four main categories in the Consolidated Statement of Financial Activities:

- Income from donations and legacies
- Income from other trading activities
- Income from investment income
- Income from charitable activities

The following specific policies apply to categories of income:

a) Legacies and donations

- i) Donation income is recognised when received.
- ii) Entitlement to legacy income is considered to be on the earlier of the date of payment or where there is sufficient evidence to provide the necessary probability that the legacy will be received and the value is measurable with sufficient reliability. This is defined as the point when the executor has notified the Society of probate.
- iii) Gifts in kind for use by the Society are included in the accounts at their estimated value at the date of receipt. This is on the basis of the amount the Society would have been willing to pay to obtain equivalent facilities on the open market. A corresponding amount is then recognised in expenditure in the period of receipt.
- iii) Gifts in kind for use by the Society are included in the accounts at their estimated value at the date of receipt. This is on the basis of the amount the Society would have been willing to pay to obtain equivalent facilities on the open market. A corresponding amount is then recognised in expenditure in the period of receipt.
- iv) Income from Gift Aid is recognised at the date of the receipt of the associated donation.

b) Income from other trading activities

- i) Income from conferencing and hospitality is accounted for by the point of event date.
- ii) Rental income is accounted for on an accruals basis.

c) Investment income

- i) Investment income, excluding interest from bank deposit accounts, is recognised on an accruals basis.

d) Income from charitable activities

- i) Membership subscriptions are accounted for on an accruals basis. The unexpired portion of annual subscriptions is deferred and reported under creditors in the balance sheet. Life membership income is reported over a 10 year period commencing in the month of receipt, with the unexpired balance deferred and reported under creditors.
- ii) All other income from charitable activities is accounted for on an accruals basis.

Any income restricted to future accounting periods is deferred and recognised in those accounting periods.

## Expenditure

Expenditure is accounted for on an accruals basis. The irrecoverable element of VAT is included with the item of expense to which it relates.

The consolidated SOFA defines expenditure in two specific categories:

- Expenditure on raising funds
- Charitable activities

The expenditure on raising funds is comprised of those costs attributable to the provision of catering and accommodation services, managing the investment portfolio, rental income costs and fundraising costs which are those incurred in seeking voluntary contributions for the Society.

The expenditure on charitable activities relate to the core charitable purposes of the Society – Education (Academic programme and Information resources), Publishing and Membership subscriptions.

Governance costs are those associated with the governance arrangements rather than the day-to-day management of the Society. These costs are allocated to expenditure on raising funds and charitable activities on the basis of estimated service usage within each area.

Support costs represent expenditure on administration, financial management, human resources, and information systems and marketing and communications – they assist the work of the Society but do not directly undertake charitable activities. These are allocated to expenditure on raising funds and charitable activities, on the basis of headcount or on the estimated service delivered by the support service or other bases if these are more appropriate.

## Fund accounting

General Funds are unrestricted funds that are available for use at the discretion of the Trustees in accordance with the general objectives of the Society.

Designated funds are unrestricted funds that represent amounts set aside at the discretion of the Trustees for specific purposes. They would otherwise form part of the general reserves.

The permanent endowment funds represent capital for the permanent benefit of the Society, and the income arising forms part of either restricted or unrestricted funds.

Restricted funds are subject to specific restrictions imposed by donors. The aim and use of the major restricted funds is set out in the notes in the financial statements.



## Impairments

The carrying values of the Society's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of fair value less costs to sell the asset and its value in use. If the assets recoverable amount falls below its book value, an impairment charge is recognised to bring its book value down to the recoverable amount.

## Tangible fixed assets

Tangible fixed assets are measured at costs less accumulated depreciation and any accumulated impairment losses.

Tangible fixed assets costing more than £500 are capitalised and included at cost including any incidental expenses of acquisition.

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life which is reviewed annually.

Assets under construction are not depreciated until they are brought into use.

The estimated useful lives are as follows:

### Leasehold Premises Non Fabric

50 years

### Leasehold Premises Fabric

100 years

### Plant and Office Equipment

5 to 20 years

### Major Computer systems

4 to 7 years

### Furnishings and Fittings

10 years

### Intangible Assets

10 years

## Heritage assets

Heritage assets, being the contents of the Library, have been included In Fixed Asset since the year ended 30 September 2011. The heritage assets are included at fair value based on an estimated auction value in December 2015 carried out by Bonhams for insurance purposes. The Trustees consider that the value of the Library collection does not depreciate in value and, as such, no depreciation is charged.

## Investment property

The one investment property is measured at fair value at the reporting date in the charity only balance sheet and valuations will be carried out on an annual basis. This does not impact the group balance sheet where it is treated as a fixed asset at depreciated cost.

## Investments

Units in the charity-approved multi-asset portfolio Common Investment Fund are valued at the year-end market value. Quoted investments, all of which are quoted on a stock exchange, are also stated at the year-end market value. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals throughout the year.

## Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises the purchase price plus labour, appropriate overhead expenses and materials used in bringing the stocks to their present location and condition.

## Debtors

Trade and other debtors are recognised at the settlement amount due, less any provision for bad or doubtful amounts. Such provisions are specific, and applied in a consistent manner based on a debts aging and other factors affecting potential recoverability.

## Short term investments

Quoted investments, all of which are quoted on a stock exchange, are stated at the year-end market value.

## Cash and cash equivalents

Cash, for the purpose of the Statement of cash flows, represents balances on hand, and those on deposits with a short maturity of three months or less. Such balances are subject to insignificant risk of changes in value, and are readily convertible.

## Creditors

Trade and other creditors are recognised at transaction price due, after allowing for any trade discounts.

Deferred income represents invoices raised and cash receipts for which income recognition criteria is not yet met, and will be satisfied in future accounting periods. Such amounts are not discounted.

## Taxation

As a registered charity, the Royal Society of Medicine is exempt from taxation of income and gains falling within Part 11 Corporation Tax Act 2010 or Section 256 Taxation of Chargeable Gains Act 1992 to the extent these are applied to its charitable objects.

## Other financial instruments

The Society has considered FRS 102 sections 11 and 12, identifying and classifying financial instruments as 'basic' and 'other'. The Society only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments, including trade and other debtors and creditors are initially recognised at transaction value and subsequently measured at their settlement value.

## Employee benefits

The Society operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Society through a Group Stakeholder Pension Scheme. The pension costs, shown in note 6, represent contributions payable by the Society to the scheme. Short-term employee benefits, including holiday pay and contributions to the defined contribution pension scheme are recognised as an expense in the period in which they are incurred.

## Leasing contracts

The Society has three long-term lease agreements in relation to its properties. Lease premiums and other costs of acquiring long term leases, together with subsequent leasehold improvements are capitalised as tangible fixed assets in the group balance sheet and depreciated as shown in the depreciation policy above. Ongoing rentals under these leases are charged to the SOFA as they fall due under the terms of each lease.

The Society classifies the lease of printing equipment as operating leases and the title to the equipment remains with the lessor. Rentals paid under such operating leases are charged to the SOFA on a straight-line basis over the lease term.

## Translation of foreign currencies

The Society's functional and presentational currency is pound sterling. Income and expenditure items are converted at the date of the transactions. Assets and liabilities are converted at the rate ruling at the year-end. All differences are recognised in the SOFA.

## Receipt of payments from subsidiary undertaking under Gift Aid

The Society's subsidiary undertaking, Royal Society of Medicine Support Services Limited, has adopted a policy of paying all of its taxable profits being £120k (2017: £314k) to the Society, under Gift Aid in the next financial period when it is approved by the directors of this subsidiary. An operating profit exists at the balance sheet date, on which a tax liability arises in both the subsidiary and the group. The current tax liability will be reversed in the next financial period provided that the approved post year end Gift Aid declaration is settled within nine months of the reporting date. The Gift Aid payments are therefore recognised as distributions through equity.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

Charities SORP(FRS 102) require the disclosure of comparative SOFA information on a fund specific basis, such that each column presented for the current period has an associated comparative, and this information is given below.

|  | notes     | UNRESTRICTED FUNDS<br>£000 | RESTRICTED FUNDS<br>£000 | ENDOWED FUNDS<br>£000 | TOTAL FUNDS 2017<br>£000 |
|--|-----------|----------------------------|--------------------------|-----------------------|--------------------------|
| <b>INCOME FROM:</b>                                      |           |                            |                          |                       |                          |
| <b>Donations and legacies</b>                            |           | 955                        | 107                      | -                     | <b>1,062</b>             |
| <b>Other trading activities</b>                          |           |                            |                          |                       |                          |
| Conferencing and hospitality                             |           | 7,179                      | -                        | -                     | <b>7,179</b>             |
| Rental income  |           | 93                         | -                        | -                     | <b>93</b>                |
|  |           | <u>7,272</u>               | <u>-</u>                 | <u>-</u>              | <u><b>7,272</b></u>      |
| <b>Investments</b>                                       | <b>3</b>  | 125                        | 135                      | -                     | <b>260</b>               |
| <b>Charitable activities</b>                             |           |                            |                          |                       |                          |
| Education:   |           |                            |                          |                       |                          |
| <i>Academic programme</i>                                |           | 2,398                      | -                        | -                     | <b>2,398</b>             |
| <i>Information resources</i>                             |           | 99                         | -                        | -                     | <b>99</b>                |
| Publishing   |           | 208                        | -                        | -                     | <b>208</b>               |
| Membership subscriptions                                 | <b>4</b>  | 4,608                      | -                        | -                     | <b>4,608</b>             |
|  |           | <u>7,313</u>               | <u>-</u>                 | <u>-</u>              | <u><b>7,313</b></u>      |
| <b>Total income</b>                                      |           | <b>15,665</b>              | <b>242</b>               | <b>-</b>              | <b>15,907</b>            |
| <b>EXPENDITURE ON:</b>                                   |           |                            |                          |                       |                          |
| <b>Raising funds</b>                                     | <b>5</b>  |                            |                          |                       |                          |
| Fundraising costs  |           | 171                        | -                        | -                     | <b>171</b>               |
| Conferencing and hospitality                             |           | 6,869                      | -                        | -                     | <b>6,869</b>             |
| Rental income costs                                      |           | 97                         | -                        | -                     | <b>97</b>                |
| Interest   |           | 47                         | -                        | -                     | <b>47</b>                |
|  |           | <u>7,184</u>               | <u>-</u>                 | <u>-</u>              | <u><b>7,184</b></u>      |
| <b>Charitable activities</b>                             | <b>5</b>  |                            |                          |                       |                          |
| Education:   |           |                            |                          |                       |                          |
| <i>Academic programme</i>                                |           | 4,756                      | 331                      | -                     | <b>5,087</b>             |
| <i>Information resources</i>                             |           | 2,773                      | -                        | -                     | <b>2,773</b>             |
| Publishing   |           | 135                        | -                        | -                     | <b>135</b>               |
| Membership subscriptions                                 |           | 1,157                      | -                        | -                     | <b>1,157</b>             |
|  |           | <u>8,821</u>               | <u>331</u>               | <u>-</u>              | <u><b>9,152</b></u>      |
| <b>Total expenditure</b>                                 |           | <b>16,005</b>              | <b>331</b>               | <b>-</b>              | <b>16,336</b>            |
| <b>NET INCOME BEFORE GAINS AND LOSSES ON INVESTMENTS</b> |           | <b>(340)</b>               | <b>(89)</b>              | <b>-</b>              | <b>(429)</b>             |
| Net gains on investments                                 | <b>10</b> | 22                         | 121                      | 169                   | <b>312</b>               |
| <b>NET MOVEMENT IN FUNDS IN PRIOR YEAR</b>               |           | <b>(318)</b>               | <b>32</b>                | <b>169</b>            | <b>(117)</b>             |

| <b>3 INVESTMENT INCOME</b> | <b>2018</b> | <b>2017</b> |
|----------------------------|-------------|-------------|
|                            | <b>£000</b> | <b>£000</b> |
| Dividends                  | 271         | 248         |
| Bank interest              | 28          | 12          |
|                            | <u>299</u>  | <u>260</u>  |

| <b>4 MEMBERSHIP SUBSCRIPTIONS</b>     |              |              |
|---------------------------------------|--------------|--------------|
| Membership subscription fees received | 4,893        | 4,933        |
| Deferred to following years           | (2,285)      | (2,339)      |
| Released into income                  | 2,339        | 2,014        |
| Net adjustment                        | 54           | (325)        |
| <b>Net membership subscriptions</b>   | <u>4,947</u> | <u>4,608</u> |

### 5 ANALYSIS OF EXPENDITURE

| <b>(a) SUPPORT COSTS</b>         | <b>Governance</b> | <b>Facilities</b> | <b>IT</b>   | <b>Management</b>  | <b>Total 2018</b> | <b>Total 2017</b> |
|----------------------------------|-------------------|-------------------|-------------|--------------------|-------------------|-------------------|
|                                  | <b>£000</b>       | <b>Management</b> | <b>£000</b> | <b>&amp; Admin</b> | <b>£000</b>       | <b>£000</b>       |
|                                  |                   | <b>£000</b>       |             | <b>£000</b>        |                   |                   |
| <b>Cost of generating funds</b>  |                   |                   |             |                    |                   |                   |
| Fundraising costs                | 40                | 13                | 10          | 114                | 177               | 42                |
| Conferencing and hospitality     | 31                | 598               | 235         | 327                | 1,191             | 1,096             |
| Rental income costs              | -                 | 37                | -           | 15                 | 52                | 55                |
|                                  | <u>71</u>         | <u>648</u>        | <u>245</u>  | <u>456</u>         | <u>1,420</u>      | <u>1,193</u>      |
| <b>Charitable expenditure</b>    |                   |                   |             |                    |                   |                   |
| Education: Academic programme    | 123               | 290               | 349         | 600                | 1,362             | 1,288             |
| Education: Information resources | 46                | 419               | 93          | 178                | 736               | 697               |
| Publishing                       | 6                 | -                 | -           | 20                 | 26                | 5                 |
| Membership subscriptions         | 61                | 9                 | 133         | 243                | 446               | 509               |
|                                  | <u>236</u>        | <u>718</u>        | <u>575</u>  | <u>1,041</u>       | <u>2,570</u>      | <u>2,499</u>      |
| <b>Total Support Costs</b>       | <u>307</u>        | <u>1,366</u>      | <u>820</u>  | <u>1,497</u>       | <u>3,990</u>      | <u>3,692</u>      |

Support costs are allocated to the costs of generating funds and charitable expenditure on the basis of headcount or on the estimated service delivered by the support service or other bases if these are more appropriate.

| <b>(b) EXPENDITURE</b>                       | <b>Staff Costs</b> | <b>Support Costs</b> | <b>Other</b> | <b>Depreciation</b> | <b>Total 2018</b> | <b>Total 2017</b> |
|--|--------------------|----------------------|--------------|---------------------|-------------------|-------------------|
|  | <b>£000</b>        | <b>£000</b>          | <b>£000</b>  | <b>£000</b>         | <b>£000</b>       | <b>£000</b>       |
| <b>Expenditure on raising funds:</b>         |                    |                      |              |                     |                   |                   |
| Fundraising costs                            | 101                | 177                  | 45           | 11                  | 334               | 171               |
| Conferencing and hospitality                 | 3,425              | 1,191                | 2,023        | 550                 | 7,189             | 6,869             |
| Rental income costs                          | -                  | 52                   | 2            | 33                  | 87                | 97                |
| Interest cost                                | -                  | -                    | 39           | -                   | 39                | 47                |
|  | <u>3,526</u>       | <u>1,420</u>         | <u>2,109</u> | <u>594</u>          | <u>7,649</u>      | <u>7,184</u>      |
| <b>Expenditure on charitable activities:</b> |                    |                      |              |                     |                   |                   |
| Education: Academic programme                | 1,330              | 1,362                | 2,094        | 271                 | 5,057             | 5,087             |
| Education: Information resources             | 647                | 736                  | 1,038        | 373                 | 2,794             | 2,773             |
| Publishing                                   | 53                 | 26                   | 74           | -                   | 153               | 135               |
| Membership subscriptions                     | 386                | 446                  | 196          | 8                   | 1,036             | 1,157             |
|  | <u>2,416</u>       | <u>2,570</u>         | <u>3,402</u> | <u>652</u>          | <u>9,040</u>      | <u>9,152</u>      |
| <b>Total expenditure</b>                     | <u>5,942</u>       | <u>3,990</u>         | <u>5,511</u> | <u>1,246</u>        | <u>16,689</u>     | <u>16,336</u>     |

### Auditor's fees and expenses include the following:

|  | <b>Total 2018</b> | <b>Total 2017</b> |
|--|-------------------|-------------------|
|  | <b>£000</b>       | <b>£000</b>       |
| Fees payable to the auditors of The Royal Society of Medicine: |                   |                   |
| in respect of the charity audit                                | 22                | 21                |
| in respect of the charity audit prior year                     | 5                 | -                 |
| in respect of the subsidiary audits                            | 10                | 7                 |
| Other non-audit services:                                      |                   |                   |
| in respect of taxation compliance                              | 4                 | 4                 |
| in respect of other services                                   | 7                 | 6                 |
| <b>Total fees payable to auditor</b>                           | <u>48</u>         | <u>38</u>         |

# NOTES TO THE FINANCIAL STATEMENTS

## 6 EMPLOYEE COSTS

Members of Council do not receive remuneration. The total sum relating to reimbursement of expenses and benefits for accommodation amounted to £3,873 for 4 members (2017: £1,873 for 5 members).

### The average number of persons employed during the period on a full-time equivalent basis was:

|   | Total 2018<br>Number | Total 2017<br>Number |
|---|----------------------|----------------------|
| Generating voluntary income                         | 1                    | 1                    |
| Generating income from conferencing and hospitality | 156                  | 154                  |
| Education: Academic programme                       | 32                   | 33                   |
| Education: Information resources                    | 16                   | 18                   |
| Membership subscriptions                            | 7                    | 6                    |
| Governance  | 2                    | 2                    |
| Support functions                                   | 21                   | 22                   |
| <b>Total number of persons</b>                      | 235                  | 236                  |

### Total employment costs were:

|   | Total 2018<br>£000 | Total 2017<br>£000 |
|---|--------------------|--------------------|
| Staff costs amounted to:                |                    |                    |
| Wages and salaries                      | 5,561              | 5,360              |
| Social security costs                   | 551                | 514                |
| Defined contribution pension costs      | 503                | 500                |
| Termination payments                    | 281                | 8                  |
| Other employment costs / life assurance | 887                | 842                |
| <b>Total employment costs</b>           | 7,783              | 7,224              |

Staff costs of £1,841,000 (2017: £1,654,000) are included within Support Costs above in note 5. All staff are employed by Royal Society of Medicine Support Services Limited and their costs are recharged to the Society. The above analysis includes the recharged amounts and represents the group costs. Wages and salaries are shown before any deduction for salary sacrifice arrangements.

Total termination payments for 2018 was £281K for the Society (2017: £8K).

The number of employees whose gross remuneration and taxable benefits but not employer pension costs who exceeded £60,000 and upwards and fell within the following ranges were:

|   | 2018<br>No. | 2017<br>No. |
|---|-------------|-------------|
| The number of employees in the following remuneration bands were as follows:  |             |             |
| £70,001 to £80,000  | -           | 3           |
| £80,001 to £90,000  | 2           | 1           |
| £90,001 to £100,000   | 2           | 3           |
| £100,001 to £110,000  | 2           | -           |
| £130,001 to £140,000  | 1           | 1           |
| £220,001 to £230,000  | 1           | -           |
| Pension contributions paid into a defined contribution scheme in respect of the above identified higher paid employees amounted to: | £000<br>135 | £000<br>119 |

There were payments for redundancies or loss of office of £210,532 (2017: £nil) to staff receiving remuneration of over £60,000.

### Key management personnel

The key management personnel are the Executive team (listed on page 15). The total employee benefits (including pension) paid to key management personnel was £1,052k (2017: £900k).

The remuneration during the year for Helen Gordon (resigned 3rd August 2018), Chief Executive, comprised remuneration payments of £225,573 (2017: £82,833). The value of employer contributions during the year to the Royal Society of Medicine defined contribution pension scheme was £27,387 (2017: £14,496).

Mark Johnstone, Finance Director, received remuneration payments of £134,144 (2017: £130,000) which included benefits in kind of £3,332 (2017: £2,990). The value of employer contributions during the year to the Royal Society of Medicine defined contribution pension scheme was £26,162 (2017: £26,000).

## 7 SUBSIDIARIES

The Society has two wholly-owned subsidiaries. It holds 1,000 ordinary shares of £1 each in Royal Society of Medicine Support Services Limited (RSMSS Ltd Company No. 2820374) which operates the catering, accommodation and conference activities on behalf of the Society. RSMSS Ltd Gift Aids its taxable profit to the Society. The Society also holds 1,000 ordinary shares of £1 each in Royal Society of Medicine International Limited (Company No. 08781651) which was incorporated in 2014. A summary of their results and summary balance sheets is provided as follows:

|   | RSMSS Ltd            |                      | RSM International Ltd |                      |
|---|----------------------|----------------------|-----------------------|----------------------|
| <b>PROFIT AND LOSS ACCOUNTS</b>           | <b>2018<br/>£000</b> | <b>2017<br/>£000</b> | <b>2018<br/>£000</b>  | <b>2017<br/>£000</b> |
| Turnover                                  | 7,309                | 7,179                | -                     | -                    |
| Cost of sales                             | (4,203)              | (4,069)              | -                     | -                    |
| Gross profit                              | 3,106                | 3,110                | -                     | -                    |
| Administrative expenses                   | (2,986)              | (2,796)              | -                     | -                    |
| Profit for the year before taxation       | 120                  | 314                  | -                     | -                    |
| Tax charge                                | (23)                 | (60)                 | -                     | -                    |
| Retained profit for the year              | 97                   | 254                  | -                     | -                    |
|   | <b>2018<br/>£000</b> | <b>2017<br/>£000</b> | <b>2018<br/>£000</b>  | <b>2017<br/>£000</b> |
| <b>BALANCE SHEETS</b>                     |                      |                      |                       |                      |
| Tangible fixed assets                     | -                    | -                    | -                     | -                    |
| Stocks                                    | 57                   | 52                   | -                     | -                    |
| Debtors                                   | 963                  | 1,010                | 1                     | 1                    |
| Bank balances                             | 5                    | 10                   | -                     | -                    |
| Creditors                                 | (765)                | (642)                | -                     | -                    |
| Net assets and share capital and reserves | 260                  | 430                  | 1                     | 1                    |

## 8 TANGIBLE FIXED ASSETS

| <b>Group</b>                               | <b>Leasehold<br/>Premises<br/>£000</b> | <b>Furnishings<br/>and Fittings<br/>£000</b> | <b>Plant, Vehicles<br/>&amp; Office Equipment<br/>£000</b> | <b>Group Total<br/>£000</b> |
|--|--|--|--|-----------------------------|
| Cost or Valuation                          |  |  |  |                             |
| At 1 October 2017                          | 27,091                                 | 600  | 10,854   | 38,545                      |
| Additions                                  | -                                      | -  | 440  | 440                         |
| Written off                                | -                                      | -  | (1,311)  | (1,311)                     |
| At 30 September 2018                       | 27,091                                 | 600  | 9,983  | 37,674                      |
| Depreciation                               |  |  |  |                             |
| At 1 October 2017                          | 5,865                                  | 575  | 8,279  | 14,719                      |
| Charge for year                            | 391                                    | 7  | 835  | 1,233                       |
| Written off                                | -                                      | -  | (1,318)  | (1,318)                     |
| At 30 September 2018                       | 6,256                                  | 582  | 7,796  | 14,634                      |
| <b>Net Book Value at 30 September 2018</b> | <b>20,835</b>                          | <b>18</b>                                    | <b>2,187</b>   | <b>23,040</b>               |
| Net Book Value at 30 September 2017        | 21,226                                 | 25   | 2,575  | 23,826                      |

The insured value of the assets (insurance brokers, Honour Point) included in Leasehold Premises as at 30 September 2018, is £74.6m (2017: £67.7m).

| <b>Charity</b>                             | <b>Leasehold<br/>Premises<br/>£000</b> | <b>Furnishings<br/>and Fittings<br/>£000</b> | <b>Plant, Vehicles &amp;<br/>Office Equipment<br/>£000</b> | <b>Charity Total<br/>£000</b> |
|--|--|--|--|-------------------------------|
| Cost or Valuation                          |  |  |  |                               |
| At 1 October 2017                          | 22,696                                 | 600  | 10,854   | 34,150                        |
| Additions                                  | -                                      | -  | 440  | 440                           |
| Written off                                | -                                      | -  | (1,311)  | (1,311)                       |
| At 30 September 2018                       | 22,696                                 | 600  | 9,983  | 33,279                        |
| Depreciation                               |  |  |  |                               |
| At 1 October 2017                          | 5,150                                  | 575  | 8,279  | 14,004                        |
| Charge for year                            | 345                                    | 7  | 835  | 1,187                         |
| Written off                                | -                                      | -  | (1,318)  | (1,318)                       |
| At 30 September 2018                       | 5,495                                  | 582  | 7,796  | 13,873                        |
| <b>Net Book Value at 30 September 2018</b> | <b>17,201</b>                          | <b>18</b>                                    | <b>2,187</b>   | <b>19,406</b>                 |
| Net Book Value at 30 September 2017        | 17,546                                 | 25   | 2,575  | 20,146                        |

# NOTES TO THE FINANCIAL STATEMENTS

## 9 INTANGIBLE FIXED ASSETS

| Group and Charity                          | Software<br>£000 | Assets in course of<br>construction<br>£000 | Group and<br>Charity Total<br>£000 |
|--|------------------|---|------------------------------------|
| Cost or Valuation                          |                  |   |                                    |
| At 1 October 2017                          | 1,196            | 118   | 1,314                              |
| Additions                                  | 233              | 537   | 770                                |
| Written off                                | (175)            | -   | (175)                              |
| At 30 September 2018                       | 1,254            | 655   | 1,909                              |
| Depreciation                               |                  |   |                                    |
| At 1 October 2017                          | 802              | -   | 802                                |
| Charge for year                            | 13               | -   | 13                                 |
| Written off                                | (176)            | -   | (176)                              |
| At 30 September 2018                       | 639              | -   | 639                                |
| <b>Net Book Value at 30 September 2018</b> | <b>615</b>       | <b>655</b>                                  | <b>1,270</b>                       |
| Net Book Value at 30 September 2017        | 394              | 118   | 512                                |

## 10 INVESTMENTS

|                                       | Charity            |                    |
|---------------------------------------|--------------------|--------------------|
| Long term investments:                | Total 2018<br>£000 | Total 2017<br>£000 |
| <b>Property</b>                       |                    |                    |
| <b>Carrying value (fair value)</b>    |                    |                    |
| Market value 1 October 2017           | 9,000              | 9,000              |
| Unrealised gain                       | 200                | -                  |
| <b>Market value 30 September 2018</b> | <b>9,200</b>       | <b>9,000</b>       |

The one investment property (Chandos House) is included at valuation on an open market basis.

The valuation of the investment property is based on advice from the Society's retained Chartered Surveyors. This advice balances evidence on open market values on sale with discounted cash flow calculations on the notional market retail value of the Society's leasehold interest, discounted at 4.875% per annum.

### Investment funds

|                                       | Group and Charity  |                    |
|---------------------------------------|--------------------|--------------------|
|                                       | Total 2018<br>£000 | Total 2017<br>£000 |
| Market value 1 October 2017           | 7,472              | 6,913              |
| Additions at cost                     | -                  | 66                 |
| Transfer to unrestricted cash         | (500)              | -                  |
| Market value gains                    | 311                | 493                |
| <b>Market value 30 September 2018</b> | <b>7,283</b>       | <b>7,472</b>       |
| <b>Short term investments:</b>        |                    |                    |
| Market value 1 October 2017           | 570                | 760                |
| Additions at cost                     | 131                | 46                 |
| Disposal                              | (647)              | (55)               |
| Market value gains / (losses)         | 339                | (181)              |
| <b>Market value 30 September 2018</b> | <b>393</b>         | <b>570</b>         |

The total market value at 30 September comprises:

|  |              |              |
|--|--------------|--------------|
| Units in charity-approved multi-asset portfolio Common Investment Fund | 7,283        | 7,472        |
| Investments quoted on recognised stock exchange                        | 393          | 570          |
| <b>Total Investment Funds</b>  | <b>7,676</b> | <b>8,042</b> |

## 11 HERITAGE ASSETS

|                                | Group and Charity  |                    |
|--------------------------------|--------------------|--------------------|
| Books and manuscripts          | Total 2018<br>£000 | Total 2017<br>£000 |
| Value 1 October 2017           | 3,346              | 3,346              |
| Unrealised gains               | -                  | -                  |
| <b>Value 30 September 2018</b> | <b>3,346</b>       | <b>3,346</b>       |

The Society's heritage assets comprise its collection of books and manuscripts held in the Society's Library. They are included in the balance sheet at their external valuation most recently carried out in December 2015 by Bonhams for insurance purposes, at their estimated auction value. The valuation in December 2015 is still deemed to be appropriate as there has been minimal movement in the insurance/realisable value expected.

There have been no additions, disposals or impairments in the periods represented.

**Five year financial summary of heritage asset transactions:**

|                       | <b>2018</b><br><b>£000</b> | <b>2017</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> | <b>2015</b><br><b>£000</b> | <b>2014</b><br><b>£000</b> |
|-----------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Books and manuscripts | 3,346                      | 3,346                      | 3,346                      | 3,283                      | 3,283                      |

All heritage assets are maintained and managed through the heritage asset register which is overseen by the Director of Learning.

The preservation of these assets is the responsibility of the Director of Learning.

The Society has exhibited these assets in the past through exhibitions held for public benefit.

**12 STOCKS**

|                  | <b>GROUP</b>               |                            | <b>CHARITY</b>             |                            |
|------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                  | <b>2018</b><br><b>£000</b> | <b>2017</b><br><b>£000</b> | <b>2018</b><br><b>£000</b> | <b>2017</b><br><b>£000</b> |
| Goods for resale | 59                         | 56                         | 1                          | 1                          |
|                  | 59                         | 56                         | 1                          | 1                          |

The amount of stocks recognised as an expense in cost of sales is £866k (2017: £866k).

**13 DEBTORS**

|                                |       |       |       |       |
|--------------------------------|-------|-------|-------|-------|
| Trade debtors                  | 402   | 696   | 15    | 109   |
| Other debtors                  | 249   | 202   | 247   | 202   |
| Prepayments and accrued income | 784   | 1,320 | 784   | 1,320 |
|                                | 1,435 | 2,218 | 1,046 | 1,631 |

**14 CREDITORS: Amounts due within one year**

|  |       |       |       |       |
|--|-------|-------|-------|-------|
| Bank loan  | 300   | 300   | 300   | 300   |
| Trade creditors                                  | 1,014 | 661   | 663   | 339   |
| Accrued expenses/deferred income                 | 1,284 | 1,328 | 1,035 | 1,207 |
| Membership subscription income deferred (note 4) | 1,441 | 1,580 | 1,441 | 1,580 |
| Tax and social security                          | 244   | 371   | 81    | 173   |
| Amounts due to subsidiary undertakings           | -     | -     | 576   | 424   |
| Other creditors                                  | 163   | 154   | 162   | 153   |
|  | 4,446 | 4,394 | 4,258 | 4,176 |

**15 CREDITORS: Amounts falling due after more than one year**

|  |       |       |       |       |
|--|-------|-------|-------|-------|
| Membership subscription income deferred (note 4) | 844   | 759   | 844   | 759   |
| Bank loan  | 300   | 600   | 300   | 600   |
|  | 1,144 | 1,359 | 1,144 | 1,359 |

On 15 September 2010, the Society entered into a £6m 10 year term loan with Lloyds TSB Bank plc. The loan from Lloyds TSB is secured by a fixed and floating charge over the Society's leasehold premises at 1/1A Wimpole Street and interest is payable at 2.5% over LIBOR. For this reason, it is deemed to represent a basic financial instrument under the conditions specified by FRS 102, section 11.9 'Basic Financial instruments,' and is measured using the amortised cost model.

|                            |     |     |     |     |
|----------------------------|-----|-----|-----|-----|
| Between one and two years  | 300 | 300 | 300 | 300 |
| Between two and five years | -   | 300 | -   | 300 |
|                            | 300 | 600 | 300 | 600 |

**16 PROVISIONS FOR LIABILITIES**

|           |     |     |     |     |
|-----------|-----|-----|-----|-----|
| Provision | 210 | 210 | 210 | 210 |
|           | 210 | 210 | 210 | 210 |

Following professional advice regarding a complex regulatory and legal matter concerning the Society's operations in the past, the trustees have resolved to make a provision in the event that, in the future, the Society becomes liable for an amount arising from such operations.



# NOTES TO THE FINANCIAL STATEMENTS

## 17 MOVEMENT IN UNRESTRICTED FUNDS - GROUP

|                           | Balance 2017 | Transfers | Net incoming Resources | Net investment gains | Balance 2018 |
|---------------------------|--------------|-----------|------------------------|----------------------|--------------|
|                           | £000         | £000      | £000                   | £000                 | £000         |
| General                   | 4,037        | (137)     | (495)                  | 446                  | 3,851        |
| Designated Funds:         |              |           |                        |                      |              |
| Fixed Assets              | 26,784       | (19)      | 291                    | -                    | 27,056       |
| Educational Funds         | 217          | -         | 6                      | 7                    | 230          |
| Sections' funds (note 21) | 1,424        | 137       | (101)                  | -                    | 1,460        |
| Academic Fund (note 21)   | 50           | 19        | (19)                   | -                    | 50           |
|                           | 32,512       | -         | (318)                  | 453                  | 32,647       |

The Tangible Fixed Assets Fund represents the net book value of fixed and heritage assets at 30 September 2018 after deducting related loan balances.

The designated educational funds represent moneys set aside predominantly to support Sections as described in note 21. The trustees have sought legal advice with the intention of formalising policy to improve spending of designated funds and have submitted proposals to the Charity Commission to this end.

## 18 PERMANENT ENDOWMENT AND RESTRICTED FUNDS - GROUP AND CHARITY

|                                    | Permanent endowment funds |                                     |                      | Restricted funds     |                                     |                     | Balance 2018<br>£000 |
|------------------------------------|---------------------------|-------------------------------------|----------------------|----------------------|-------------------------------------|---------------------|----------------------|
|                                    | Balance 2017<br>£000      | New money/<br>gains on invt<br>£000 | Balance 2018<br>£000 | Balance 2017<br>£000 | New money/<br>gains on invt<br>£000 | Expenditure<br>£000 |                      |
| ALARM Fund                         | -                         | -                                   | -                    | 29                   | 1                                   | (9)                 | 21                   |
| Coloproctology Funds               | 40                        | 2                                   | 42                   | 49                   | 2                                   | -                   | 51                   |
| Cowley Fund                        | 101                       | 5                                   | 106                  | 25                   | 3                                   | -                   | 28                   |
| Dobson Bequest                     | -                         | -                                   | -                    | 68                   | 2                                   | (4)                 | 66                   |
| Dowling Endowment                  | 61                        | 3                                   | 64                   | 14                   | 2                                   | (11)                | 5                    |
| Ellison Cliffe Lecture             | 165                       | 8                                   | 173                  | 13                   | 5                                   | (1)                 | 17                   |
| M Feivel                           | -                         | -                                   | -                    | 44                   | 2                                   | (1)                 | 45                   |
| Finzi Bequest                      | -                         | -                                   | -                    | 342                  | 11                                  | (4)                 | 349                  |
| Louis Forman Fund                  | -                         | -                                   | -                    | 208                  | 7                                   | -                   | 215                  |
| W Gibson Research Scholarship      | 38                        | 2                                   | 40                   | 15                   | 1                                   | -                   | 16                   |
| John Glynn Young Fellows Prize     | 40                        | 2                                   | 42                   | 7                    | 1                                   | -                   | 8                    |
| International Relations            | -                         | -                                   | -                    | 127                  | 11                                  | (52)                | 86                   |
| Jephcott Lecture Fund              | 1,035                     | 53                                  | 1,088                | 134                  | 34                                  | (15)                | 153                  |
| Richard Kovacs Fund                | 156                       | 8                                   | 164                  | 75                   | 5                                   | -                   | 80                   |
| G Levene Memorial Fund             | -                         | -                                   | -                    | 88                   | 3                                   | (2)                 | 89                   |
| Library Restricted Fund            | -                         | -                                   | -                    | 51                   | 3                                   | (35)                | 19                   |
| London Clinic                      | -                         | -                                   | -                    | 35                   | 0                                   | (12)                | 23                   |
| Mental Health Initiatives          | -                         | -                                   | -                    | 25                   | 37                                  | (27)                | 35                   |
| Ophthalmology Fund                 | 50                        | 2                                   | 52                   | 14                   | 2                                   | -                   | 16                   |
| Rank Fund                          | -                         | -                                   | -                    | 281                  | 13                                  | (31)                | 263                  |
| Smith Kline French                 | 138                       | 7                                   | 145                  | 35                   | 5                                   | -                   | 40                   |
| Stevens Fund                       | -                         | -                                   | -                    | 385                  | 15                                  | (11)                | 389                  |
| Lord Soulsby                       | -                         | -                                   | -                    | 100                  | 0                                   | (31)                | 69                   |
| RSM Foundation                     | -                         | -                                   | -                    | -                    | 200                                 | -                   | 200                  |
| Various Funds of less than £30,000 | 439                       | 42                                  | 481                  | 592                  | 67                                  | 86                  | 745                  |
| <b>Totals</b>                      | <b>2,263</b>              | <b>134</b>                          | <b>2,397</b>         | <b>2,756</b>         | <b>432</b>                          | <b>(160)</b>        | <b>3,028</b>         |

## RESOURCES EXPENDED

Details of the major funds (over £100,000) are as follows:

- Cowley Fund - To fund RSM general purposes
- Ellison-Cliffe Lecture - To fund an annual lecture on fundamental sciences in advancement of medicine
- Finzi Bequest - To fund purposes for the benefit of the Section of Radiology, including an annual lecture
- Louis Forman Fund - To fund dermatology research with a view to publication and a prize awarded by the Dermatology Section
- International Relations - To fund the advancement of medicine by promoting a closer association between members of the medical profession and allied branches throughout the world, including in the area of Global Health
- Jephcott Lecture - To fund a series of lectures on a scientific and/or medical subject. Surplus income is available to be applied for other educational purposes, with priority to science and medicine
- Rank Fund - The capital and income to be used to fund audio-visual content, in particular e-learning, including that spent by RSM Press
- Smith Kline French Fund - The income to be used for speakers' travel/accommodation expenses, and foreign business travel expenses of RSM representatives
- Stevens Fund - To fund the advancement of medical knowledge by the general public and to promote a closer understanding between the general public and the medical profession
- Lord Soulsby Fund - To fund a medical or veterinary post-doctoral student to carry out some aspect of their research by studying abroad on a topic related to the concept of "One Health" internationally.
- RSM Foundation - To fund the Hewitt and Frohlich awards, and cover costs of administration of these funds. Remaining funds can be used for the RSM's general charitable purposes of Medical Education.

## 19 ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

|  | <b>Unrestricted funds</b> | <b>Designated funds</b> | <b>Endowment funds</b> | <b>Restricted funds</b> | <b>Total funds</b> |
|--|---------------------------|-------------------------|------------------------|-------------------------|--------------------|
|  | <b>£000</b>               | <b>£000</b>             | <b>£000</b>            | <b>£000</b>             | <b>£000</b>        |
| Fixed assets and heritage assets         | -                         | 27,656                  | -                      | -                       | 27,656             |
| Fixed asset investments                  | 2,691                     | 174                     | 2,377                  | 2,041                   | 7,283              |
| Current assets                           | 6,360                     | 1,566                   | 20                     | 987                     | 8,933              |
| Current liabilities                      | (4,146)                   | (300)                   | -                      | -                       | (4,446)            |
| Liabilities due after more than one year | (844)                     | (300)                   | -                      | -                       | (1,144)            |
| Provisions for liabilities               | (210)                     | -                       | -                      | -                       | (210)              |
| <b>Group Net Assets</b>                  | <b>3,851</b>              | <b>28,796</b>           | <b>2,397</b>           | <b>3,028</b>            | <b>38,072</b>      |

## 20 FINANCIAL COMMITMENTS

### (i) Operating leases

The total of future minimum rentals payable under non-cancellable operating leases at 30 September 2018 is £10k (2017: £14k)

These are plant and machinery leases; £10k will be payable next year.

### (ii) Capital commitments

Capital expenditure contracted for, but not provided in the financial statements, was £281k (2017: £693k).

# NOTES TO THE FINANCIAL STATEMENTS

## 21 SECTION FUND BALANCES AND ACADEMIC FUND

Under the Section Finance Guidelines adopted by the Society's Council in 2009, the financial results of Sections' meeting programmes are shared with the Academic Fund (designed to fund academically strong but financially weak Sections) with the balance available to the Section to spend in accordance with the Society's educational charitable objectives.

All such balances are held as designated funds, as scheduled below.

| Section                                  | Year end balance<br>£ | Section                       | Year end balance<br>£ |
|--|-----------------------|-------------------------------|-----------------------|
| Anaesthesia                              | 38,996                | Oncology                      | 13,080                |
| Cardiology                               | 50,343                | Occupational Medicine         | 9,208                 |
| Cardiothoracic                           | 15,048                | Open                          | 4,275                 |
| Catastrophes and Conflict                | 0                     | Ophthalmology                 | 86,078                |
| Clinical Forensic & Legal Medicine       | 12,811                | Oral & Maxillofacial Surgery  | 9,608                 |
| Clinical Immunology & Allergy            | 28,728                | Orthopaedics                  | 79,064                |
| Clinical Neurosciences                   | 11,172                | Otology                       | 23,966                |
| Coloproctology                           | 15,969                | Paediatrics & Child Health    | 103,947               |
| Comparative Medicine                     | 291                   | Pain Medicine                 | 17,112                |
| Critical Care                            | 23,630                | Palliative Care               | 32,511                |
| Dermatology                              | 59,789                | Pathology                     | 20,807                |
| Digital Health                           | 37,074                | Patient Safety                | 18,268                |
| Emergency Medicine                       | 22,130                | Plastic Surgery               | 14,089                |
| Endocrinology & Diabetes                 | 38,070                | Psychiatry                    | 28,770                |
| Epidemiology & Public Health             | (5,594)               | Quality in Healthcare         | (659)                 |
| Food & Health Forum                      | 19,568                | Radiology                     | 98,188                |
| Gastroenterology & Hepatology            | 26,441                | Respiratory Medicine          | 56,827                |
| General Practice with Primary Healthcare | 30,390                | Retired Fellows               | 24,475                |
| Geriatrics & Gerontology                 | 11,516                | Rheumatology & Rehabilitation | 6,243                 |
| Histopathology                           | 0                     | Sexuality & Sexual Health     | 7,004                 |
| History of Medicine                      | 12,893                | Sleep Medicine                | 17,318                |
| Hypnosis & Psychosomatic Medicine        | 10,009                | Sport & Exercise Medicine     | 4,178                 |
| Intellectual Disability Forum            | 818                   | Student Members               | 31,549                |
| Laryngology & Rhinology                  | 30,143                | Surgery                       | 10,876                |
| Lipids, Metabolism & Vascular Risk       | 17,603                | Trainees                      | 16,909                |
| Maternity and the Newborn Forum          | 12,891                | Urology                       | 90,116                |
| Medical Genetics                         | 13,229                | Vascular Medicine & Lipids    | 12,316                |
| Military Medicine                        | 22,743                | Venous Forum                  | 30,360                |
| Nephrology                               | 25,676                | <b>Total Section Funds</b>    | <b>1,459,649</b>      |
| Obstetrics & Gynaecology                 | 22,061                | <b>Total Academic Fund</b>    | <b>50,000</b>         |
| Odontology                               | (11,272)              |                               |                       |

## 22 CONTINGENT LIABILITIES

There were no contingent liabilities requiring disclosure.

## 23 POST BALANCE SHEET EVENTS

There were no post balance sheet events requiring disclosure.

## 24 RELATED PARTY TRANSACTIONS

The Society has considered the disclosure requirements of the SORP for charities and FRS 102 'Related Party Disclosures' and believes that there are such transactions during this financial year.

During the year, sales of £779k (2017: £776k) were made on normal trading terms by RSM Support Services, a wholly owned subsidiary of the Royal Society of Medicine, to the parent Charity. Management charges of £1,730k (2017: £1,729k) were paid by RSM Support Services Limited to the parent Charity. As at 30 September 2018, £576k (2017: £424k) was owed to this company by the parent Charity.