



ROYAL COLLEGE OF PAEDIATRICS AND CHILD HEALTH

**COUNCIL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008**

**Registered Charity Numbers:
1057744 England & Wales
SC038299 Scotland**

ROYAL COLLEGE OF PAEDIATRICS AND CHILD HEALTH
COUNCIL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2008

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ROYAL COLLEGE OF PAEDIATRICS AND CHILD HEALTH

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 31 AUGUST 2008

PRINCIPAL OFFICE

5-11 Theobalds Road, London, WC1X 8SH

Telephone: 020 7092 6000

Website: www.rcpch.ac.uk

REGISTERED CHARITY NUMBERS 1057744 England & Wales
SC038299 Scotland

COUNCIL

Members of College Council are the Trustees of the College. Council comprises the following people as at 25 February 2009 (except for those marked with asterisks; Officer positions are those held as at 25 February 2009):

The Senior Officers

Dr Patricia Hamilton	President
Professor Terence Stephenson	President-Elect and Vice President for Science and Research
Dr David Vickers	Registrar
Dr Hilary Cass**	Registrar
Dr Sue Hobbins	Honorary Treasurer
Dr Mary McGraw	Vice President for Training and Assessment
Dr Alistair Thomson	Vice President for Education
Dr Chris Verity*	Vice President for Education
Dr Simon Lenton	Vice President for Health Services

National and Other Officers

Dr Moira Stewart	Ireland
Dr Jim Beattie ++	Scotland
Dr Adrian Margerison*	Scotland
Dr Iolo Doull	Wales
Dr Gwyneth Owen*	Wales
Dr Simon Newell+++	Examinations
Dr Tom Lissauer**	Examinations
Dr Stephen Greene	International (the David Baum Fellow)
Dr David Shortland	Workforce Planning
Dr Ian Doughty	Higher Specialist Training
Dr Colin Campbell*	Assessment
Dr Rollo Clifford++	Continuing Professional Development
Dr Rosalyn Proops	Child Protection
Dr Geoffrey Lawson	Policy

Other Members of Council

Dr Barbara Bell	Dr Steve Bennett Britton	Dr Ruth Charlton	Dr Paul Dimitri
Dr Keith Dodd	Dr Mo Gnanalingham*	Dr Javed Iqbal+++	Dr Jeremy Kirk
Dr Peter MacFarlane	Dr Donald MacGregor	Dr Katherine McKay	Dr Nicholas Mann
Dr Anton-Paul Mayer+	Dr Ramesh Mehta	Dr Adrian Minford	Dr Nisar Mir
Professor Richard Olver	Dr Venkateswaran Ramesh++	Dr Ruby Schwartz	Dr Robert Scott-Jupp
Dr Rajesh Sharma+	Dr Sepideh Taheri	Dr John Trounce	Dr Russell Viner
Dr Justine Warner++	Dr Michael Webb		

All of the people named above were members of Council throughout the period 1 September 2007 to 25 February 2009 unless denoted as follows:

- * for members who retired from Council in July 2008
- ** for members who retired from Council in February 2008
- +
- ++ for members elected to Council from 19 November 2008
- +++ for members elected to Council from 02 July 2008
- ++++ for members elected to Council from 27 February 2008

ROYAL COLLEGE OF PAEDIATRICS AND CHILD HEALTH

REFERENCE AND ADMINISTRATIVE DETAILS (continued)

FOR THE YEAR ENDED 31 AUGUST 2008

SENIOR STAFF (Senior Management Team) as at 25 February 2009

Len Tyler	Chief Executive Officer
David Ennis	Director of Policy and Standards
Jacqueline Fitzgerald	Director of Operations
Michelle Macadam	Head of HR
Mike Poole	Director of Internal Services

AUDITORS Kingston Smith LLP, Chartered Accountants and Registered Auditors
Devonshire House, 60 Goswell Road, London, EC1M 7AD

SOLICITORS Hempsons, 40 Villiers Street, London WC2N 6NJ

INVESTMENT MANAGERS Lazard Asset Management Limited, 50 Stratton Street, London W1J 8LL

BANKERS The Royal Bank of Scotland plc, London WC1V 6PQ

ROYAL COLLEGE OF PAEDIATRICS AND CHILD HEALTH

REPORT OF COUNCIL FOR THE YEAR ENDED 31 AUGUST 2008

The Council, members of which are the trustees of the charity, presents its annual report and the audited financial statements of the Royal College of Paediatrics and Child Health (“the College”) for the year ended 31 August 2008. Reference and administrative information set out on pages 2 and 3 forms part of this report. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) “Accounting and Reporting by Charities” issued in 2005 in preparing the annual report and financial statements of the College.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The College is a registered charity and was incorporated by Royal Charter on 23 August 1996 when all of the assets and liabilities of the British Paediatric Association (founded in 1928) were transferred to the College. Its affairs are further managed and regulated in accordance with its Bye-Laws and Regulations.

Council

The governing body of the College is the elected Council which meets three times a year to control and manage all the affairs of the College in furtherance of its objects. In between meetings of the Council, management is carried out by its committees and in particular Executive Committee which meets six times a year to ensure that activities are progressing and co-ordinated and to advise Council how to progress important matters.

Council is constituted to number up to twenty officers plus thirty-one representatives. The names of Council members who served during the period are provided on page 2. The President, Registrar and Vice Presidents are elected by postal ballot of Ordinary Members and Fellows; National Officers are elected by postal ballot of Ordinary Members and Fellows in the relevant geographical region; Council elect all other officers including the Honorary Treasurer. Officers serve initially for a three year term which, except for the President, may be extended by a further two years by a decision of Council. Most representatives are elected by their appropriate constituency, serve initially for a three year term and can stand for re-election for a further two years.

Council members take decisions in the best interests of the College as a whole. They are expected to be objective when decision-making and a register of interests is maintained in respect of each Council member. On appointment to office, Council members receive an induction pack of written information and induction training is arranged for them which currently comprises a half day meeting where they meet each other and certain Officers and staff who give presentations.

Committees generally consist of a number of Council members plus members and others elected and co-opted by the committee itself. All committee appointments have limits to continuous service, and as a minimum are ratified by Executive Committee and reported to Council.

Council approves the five-year strategy, and each year revises the work plan and approves the annual budget. Once approved, the implementation of the work plan is delegated via Executive Committee to Officers and staff. Day-to-day budget management is delegated to staff.

Review of Governance and Structure

The review of the College’s committee structure has resulted in a plan for the forthcoming year to review committees’ terms of reference and work plans together with some redefinition of the roles of Council and Executive Committee which was agreed by Council on 19 November 2008.

ROYAL COLLEGE OF PAEDIATRICS AND CHILD HEALTH

REPORT OF COUNCIL FOR THE YEAR ENDED 31 AUGUST 2008 (continued)

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Statement of Council's Responsibilities in Respect of the Financial Statements

The members of Council are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the members of Council to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the College and of the income and expenditure of the College for that period. In preparing these financial statements, the members of Council are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The members of Council are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the College and enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the College and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Risk Management

Council has agreed processes by which it reviews, identifies and assesses major risks, ensuring that controls are put in place where necessary to mitigate those risks. Council has delegated responsibility for review of the process and the results to the Financial Governance & Audit Committee of the College and has delegated operation of the process to the Senior Management Team.

The Senior Management Team meets at least twice a year to consider the major risk issues for the College. They are charged with implementing procedures for identifying and assessing risk, both for new ventures and for established activities, and to review control mechanisms. They are also responsible for presenting a Risk Management Summary to Council via Financial Governance & Audit Committee, which documents all relevant risk issues and recommendations for action and reports of actions already taken. Procedures are periodically reviewed to ensure that they continue to meet the needs of the College.

One of the biggest risks which the College currently considers itself to be facing continues to be a number of factors which are expected to reduce the amount of time that members have available to contribute to College work and this impact is already becoming increasingly apparent. The College will therefore aim to develop ways to engage NHS Trusts to encourage them to release College members for College work and at the same time ensure it is using members' time efficiently.

Approximately 30% of the College's total income is from examinations which are run by the College's Assessment Department. Candidate numbers and total income fell in both 2006/7 and in 2007/8. In response to this the College is actively considering new income generating activities and preparing to review its cost base together with a possible redeployment of staff.

The Senior Management Team has also reminded Council of the impact of potential adverse publicity arising from a number of situations including any criminal conviction for an offence involving children or a regulatory body's investigation of a member's clinical practice. The College's Head of Media, Chief Executive and Child Protection Officer will be working on a strategy to reduce any such impact.

ROYAL COLLEGE OF PAEDIATRICS AND CHILD HEALTH

REPORT OF COUNCIL FOR THE YEAR ENDED 31 AUGUST 2008 (continued)

OBJECTIVES AND ACTIVITIES

The primary purposes for which the College is established are its objects. These are stated in its Royal Charter and are as follows:

- to advance the art and science of paediatrics;
- to raise the standard of medical care provided to children;
- to educate and examine those concerned with the health of children;
- to advance the education of the public (and in particular medical practitioners) in child health which means the protection of children, the prevention of illness and disease in children and safeguarding their optimal development.

The College therefore aims to promote high quality, effective and efficient health services for children and young people, their parents and other carers, delivered by appropriately trained and experienced doctors. The College seeks to ensure that there is an evidence-base for such services' effectiveness and efficiency and it works with all health carers of children to improve the overall physical, mental and emotional health of children and young people in the UK and elsewhere.

The College's medium-term planning is steered by its five-year strategies (previously Working Together for Children: Strategy 2003-2008 and now Leading the Way in Children's Health 2009-2014) and by the Vision and Values document authored by the current President and sent to all members in September 2006. Both of these documents received the approval of Council, as have the annual work plans (each covering a College financial year) against which Council members assess the College's performance.

Over the course of the financial year 2007-8, major approaches followed in pursuit of these goals include:

- An approach to the education and training of paediatricians based on life-long learning, and the establishment of robust, educationally sound tools for use in the various stages of doctors' careers.
- A focus on the particular configuration and delivery issues arising around children's health services, with special attention to workforce issues and sensitive areas of practice such as child protection.
- The rigorous use of appropriate clinical evidence in formulating College guidelines for practice and in reviewing others' guidelines.
- A proactive approach to communicating the College's work to the relevant audiences, using (among other tools) the College website, print publications, and work with the media.
- A commitment to using the talents of the College members to improve child health practice outside the UK, where such interventions are practical, meaningful, and safe.
- An awareness of the public benefit obligations of the College's charitable status, and our particular responsibility to work with children, parents and carers on issues relating to child health.
- Careful financial planning, overseen by Financial Governance & Audit Committee and Council, to underpin these activities.
- A commitment to developing all the talents at the College's disposal (both members and staff) to their fullest, and to using members' time as efficiently as possible.

Volunteers

The College is reliant on a considerable number of people, estimated to be approximately 1,000, to achieve its objectives and it is grateful and indebted to the many volunteers who serve in many capacities (for example on committees and working parties, as examiners, tutors, regional advisers) who provide many hours work for the charitable objects of the College without remuneration. This contribution consists mainly of professional advice and expertise – either clinical or health service related. The freely given support of many universities, NHS Trusts and similar organisations is also invaluable.

ROYAL COLLEGE OF PAEDIATRICS AND CHILD HEALTH

REPORT OF COUNCIL FOR THE YEAR ENDED 31 AUGUST 2008 (continued)

ACHIEVEMENTS AND PERFORMANCE

Major College achievements in the financial year 2007-8 anticipated in the previous year's workplan include:

- Development and implementation of a process to enrol all paediatric trainees for the 2008 recruitment round.
- Development of course in Court Skills for paediatricians: first course run by the College in May 2008.
- Development and agreement of strategy for the College's international work, including examinations, and conducting training programmes in Africa, India and the Middle East.
- Publication of a major new handbook on The Physical Signs of Child Sexual Abuse, based on a comprehensive review of the evidence in the field.
- Agreement of College Research Strategy.
- Publication of a survey of UK paediatric compliance with the European Working-Time Directive.
- Launch of Adolescent Health project, an e-learning package developed with the Department of Health and hosted on their E-Learning for Health platform.
- The 2008 Spring Meeting was held at the University of York, with a significant increase in attendance on 2007.
- Revision of Level 1 and Level 2 competences completed and agreed by PMETB – to be published autumn 2008.

In addition, in January 2008 the College completed the purchase of a refurbished building at 5-11 Theobalds Road in London. After fitting out the new premises the College moved to its new location in March 2008. This move has enabled all the College's London staff to work together in one building instead of three and was a major undertaking, especially for staff in the Facilities, IT and Finance departments. The move itself took place over the Easter weekend and it is greatly to the credit of all concerned that full office services were available to all staff on the first working day after the move. The new open-plan layout has already brought considerable benefits and improvements in the College's working life.

Detailed information on the services and achievements of the College are included in the Annual Report 2008-2009 that is due to be published in March 2009 and sent to all members and supporters of the College. Further copies are available by contacting the College office.

FINANCIAL REVIEW

The Statement of Financial Activities for the year is set out on page 12 of the financial statements; the overall net movement in funds is £51,969 (2007 - £5,753,710). Excluding gains (mainly the freehold property 50 Hallam Street) the net incoming resources is £22,062 (2007 - £429,000), a decrease of £406,938. The overall net movement in unrestricted funds is a decrease of £90,831 and for restricted funds (funds received and used for a specific purpose) it is an increase of £142,800.

Net incoming resources are stated after Other Resources Expended of £208,506 (2007 - £Nil) which are non-recurring costs associated with the move to 5-11 Theobalds Road from the College's previous locations in London.

Incoming resources, at £8,852,171, are £159,305 (1.8%) higher than the previous year; this comprises an increase of £5,931 in incoming resources for unrestricted funds and a £153,373 increase in incoming resources for restricted funds.

Membership subscription income has increased by £246,048 (9.7%) reflecting the real growth in membership (by 14.6% from 9,404 to 10,774) and a 4% increase in subscription rates on 1 January 2008. Since Autumn 2007 paediatric trainees in the UK have had to enrol with the College to have their training monitored and to enable them to access certain assessment tools. As a result there has been a significant growth in the College's Junior membership from 164 to 1,132.

Assessment income has reduced by £205,972 or 8.3% from £2,486,720 to £2,280,748. This is the second year running when candidate numbers have fallen and is understood to be a result of the end of permit-free training. The College is monitoring this effect and is conscious of the increasing costs of developing and running the examination.

ROYAL COLLEGE OF PAEDIATRICS AND CHILD HEALTH

REPORT OF COUNCIL FOR THE YEAR ENDED 31 AUGUST 2008 (continued)

FINANCIAL REVIEW (continued)

Publications income includes £474,102 (2007 - £471,188) in respect of the surplus due to the College from the joint venture to publish Archives of Disease in Childhood. Most members receive this important and respected College publication as part of their membership and full access to the Archives of Disease in Childhood website is given without charge to anyone with access to the internet living in lower-income countries (as defined by the HINARI).

Publications income also includes £387,190 (2007 - £393,470) given to the College by the College's associated undertaking RCPCH Publications Limited which is equally owned by the College and the Neonatal Paediatric Pharmacists Group (NPPG). RCPCH Publications Limited is one of three parties to a joint venture to produce the British National Formulary for Children (BNFC). The aim of BNFC is to assist those who prescribe, dispense or administer medicines for children and is unusual in that it covers the off-label use of medicines and also lists unlicensed medicines necessary for the treatment of children. The fourth edition of BNFC was published in July 2008. The current year's income includes £190,000 (2007 - £180,000) to reflect the amount of grant paid to RCPCH Publications Limited to fund the development of the fourth edition and is also included in resources expended. Further details are given in note 18 on pages 24 and 25.

Note 18 also details performance of the College's wholly-owned subsidiary undertaking, British Paediatric Services Limited (BPSL). Its net profit is donated to the College as a gift aid payment and has increased slightly from £125,469 to £137,331.

The 2008 Spring Meeting income at £333,956 is £9,121 (2.7%) below 2007 levels. Corresponding expenditure has also reduced slightly by £2,453 (0.5%) to £449,330. More people took advantage of discounts offered to Trainees and for early booking hence the lack of increased income despite the 12.5% increase in attendance from 2,562 to 2,883 "delegate days". After careful consideration and planning the 2009 meeting will follow a new format which is hoped will further improve attendance.

Restricted income has increased from £1,105,040 to £1,258,414. The College has again been particularly successful in the current financial year at attracting grant funding such income having increased to £1,135,613 (2007 - £969,366). As detailed in note 13 on page 22 over 94% of grant income emanates from the government and government agencies. Much of the grant funding for many projects has been accounted for in advance and restricted funds total £1,210,341 (2007 - £1,067,541) for the related expenditure that will be incurred in future years.

Fund-raising professionals have been engaged during the year to establish the feasibility of major fund-raising initiatives. This is considered worthwhile to capitalise on the opportunity presented by the new premises at 5-11 Theobalds Road and because the College is at a financial equilibrium and so will find it difficult to achieve much more than it already does currently. The initial work for a "case for support" has been completed and the costs of generating voluntary income have increased from £34,791 to £54,917 as a result. The College's in-house fund-raising activity has continued and mainly comprises directly employing someone to provide part-time fund-raising support and co-ordination.

Total resources expended (not including Other Resources Expended of £208,506) has increased by £357,737 from £8,263,866 to £8,621,603. The increase reflects a significant expansion across all of the College's work and particularly in Assessment, Education and Other Professional Activities. These are listed above as part of "Achievements and Performance". The increase in expenditure has been kept to a minimum again by continuing to carefully monitor and control costs.

The College has again applied its own funds, primarily the Everley Jones fund, towards Education, Training and Research initiatives which are unable to attract such external funding. The balance on the Everley Jones fund at 31 August 2008 is £424,775 of which approximately £85,000 has been committed to underwrite and ensure such Education, Training and Research initiatives go-ahead.

ROYAL COLLEGE OF PAEDIATRICS AND CHILD HEALTH

REPORT OF COUNCIL FOR THE YEAR ENDED 31 AUGUST 2008 (continued)

FINANCIAL REVIEW (continued)

Investment Policy and Objectives

The Bye-laws of the College give Council the power to employ a suitably qualified professional investment manager. The monitoring of investment performance is delegated to Finance Committee and the performance itself is reported to each meeting of Council and Executive Committee. The College approved its current "instruction to investment brokers" in July 2001 which states that "Direct investment in firms which are known to manufacture firearms, tobacco, infant milk formulae are not permitted", that "Pharmaceutical companies are not considered ethically inappropriate but investment in such companies could put the College in a difficult position" and "One possible way forward for the College would be to invest in a unit trust so that there is no direct link between the College and investment decisions. If such a trust has a policy that does not allow investment in tobacco, possibly firearms (but in particular land mines) and possibly infant milk formulae, then such investment could be considered".

Lazard Asset Management were appointed as investment manager in October 2001 and actively started investing one year later. The investment manager has a proven investment performance history and offers the benefit of diversification way beyond that which the College alone could achieve. Together with its investment manager, the College has calculated that sums in excess of £3million, which are unlikely to be required within 3 years, can be invested by the investment manager. An overall return that at least meets the Bank of England base interest rate is currently considered a sufficient target.

During the year the investment manager managed and advised on complete disposal of the remaining investments held in the Lazard Diversified Charity Fund and the Lazard Sterling High Quality Bond Fund. The disposals were advised in the context of uncertain returns given market volatility and the increasingly expected anticipation of requiring funds to purchase new premises and were all completed within the month of September 2007. Details of all fixed asset investments are given in note 2 and note 8. The investments with the investment manager achieved gains amounting to £9,195 (2007 - £180,604).

As a result of the disposal of fixed asset investments and until completion of the purchase of new premises on 15 January 2008 the College held significantly higher levels of deposits with Lazard and with the College's bankers. The average return on these investments was 5.75% (2007- 5.28%). The Bank of England base rate for the year averaged 5.34% (2007 - 5.23%)

Infrastructure

The freehold premises at 50 Hallam Street in London had for some time been far too small to accommodate all of the College's activities. More than half of the total space occupied by the College in London was rented which was considered unsustainable in the longer term. After many years of searching, the College purchased freehold premises at 5-11 Theobalds Road. It provides approximately 23,000 square feet of flexible space compared with a less flexible 9,600 square feet at 50 Hallam Street. The purchase and sale was completed on 15 January 2008 and the purchase price was £17,445,000. At the same time the College entered into a £4,000,000 mortgage loan with the Royal Bank of Scotland plc to fund the purchase. Costs associated with the purchase of the premises, fitting it out to the College's specification and irrecoverable VAT have resulted in a total cost of £19,073,363. All London-based activities transferred to the new premises over the Easter weekend 21 to 24 March 2008 with relatively little disruption to services. The building was formally opened by HRH Princess Royal on 16 October 2008. The College sold 50 Hallam Street, for £7,400,000 which, after allowing for disposal costs of £79,288 is a gain of £5,164,818 over its original purchase cost. The gain has been recognised as £20,712 in these financial statements and £5,144,106 in the previous financial year. The new freehold building will be maintained at a high standard which is why no depreciation is charged.

A significant amount of additional office space comprising the whole of 56-60 Hallam Street (next door to 50 Hallam Street) was rented until the move to 5-11 Theobalds Road took place. The lease was surrendered with effect from 31 March 2008 on payment of a premium amounting to 3 months' rental. The lease of space at Devon House, 171/177 Great Portland Street was allowed to expire on 26 April 2008 without being renewed.

The College's rented offices in Cardiff and Edinburgh continue to be rented and are larger than when they were first established.

ROYAL COLLEGE OF PAEDIATRICS AND CHILD HEALTH

REPORT OF COUNCIL FOR THE YEAR ENDED 31 AUGUST 2008 (continued)

FINANCIAL REVIEW (continued)

Reserves Policy

The General Funds represent the “free” funds of the College which are not designated for particular purposes or restricted in any way; they are essentially the College’s reserves. Such funds need to be held as reserves to permit a responsible reaction to uncertainties. The College reviews annually the level of reserves it requires. The current requirement is £1million and has been arrived at after performing a risk analysis of unrestricted income. The College has decided to aim to achieve the reserves requirement by 31 August 2014.

The purchase of 5-11 Theobald’s Road means that at 31 August 2008 most of the College’s unrestricted funds are held in the fixed asset designated fund. As a result general funds have reduced to £397,375 (2007 - £8,161,368). For the year to 31 August 2009 the College has set the annual reserves target at break-even whilst the College adapts to the effect of the move to new premises.

PLANS FOR FUTURE PERIODS

The College’s work plan to 31 August 2009 includes the following major pieces of work

- To complete “Modelling for the Future” work with publication of second and third reports on this subject.
- To agree and publish new report on Fabricated or Induced Illness (update of 2002 document).
- To run MRCPCH overseas as agreed by College Council – in particular, to run clinical exam in Egypt for the first time.
- To revise and implement College Clinical Effectiveness strategy, overseen by new Officer for Clinical Standards.
- To finalise and implement strategy for revalidation and recertification in time for full implementation in 2010; in particular, to make College CPD provision fit for purpose for revalidation.
- To deliver research projects due for completion in this financial year, including Neonatal Care Bundle and Growth Charts.
- To publish workforce census from 2007 returns.
- To reduce College’s measured carbon footprint by 10%.
- To work towards integration of the College’s various e-learning platforms with the existing College website.
- To develop new College intranet for staff, also to be remotely accessible by staff and officers.

EMPLOYEE INVOLVEMENT AND EQUAL OPPORTUNITIES

Employees have been consulted on issues of concern to them by means of regular consultative committee, health & safety committee and staff meetings and have been kept informed on specific matters directly by each Head of Department.

The College has an equal opportunities policy which applies to staff, Officers, committee members, members, examination candidates and all College programmes of work. Full details of this policy are available from the College office. In accordance with its equal opportunities policy, the College has clarified fair employment practices in the recruitment, selection, retention and training of disabled staff.

AUDITORS

A resolution proposing that Kingston Smith LLP be re-appointed as auditors of the College will be put to the Annual General Meeting.

This report was approved by Council on 25 February 2009 and signed on its behalf.

Dr P Hamilton CBE
President

Dr S M Hobbins
Honorary Treasurer

ROYAL COLLEGE OF PAEDIATRICS AND CHILD HEALTH

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF
ROYAL COLLEGE OF PAEDIATRICS AND CHILD HEALTH**

We have audited the group and parent charity financial statements (the "financial statements") of the Royal College of Paediatrics and Child Health for the year ended 31st August 2008 which comprise the Group Statement of Financial Activities, the Group and Charity Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with regulations made under section 43 of the Charities Act 1993. Our audit work has been undertaken for no purpose other than to draw to the attention of the charity's trustees those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charity and charity's trustees as a body, for our audit work, for this report, or for the opinion we have formed.

Respective Responsibilities of Trustees and Auditors

The trustees' responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and charity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of the group's and charity's affairs as at 31st August 2008 and of the group's incoming resources and application of resources, including the income and expenditure of the group for the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

Devonshire House
60 Goswell Road
London EC1M 7AD
Date:

Kingston Smith LLP
Chartered Accountants
and Registered Auditors

Royal College of Paediatrics and Child Health
Consolidated Statement of Financial Activities
For the year ended 31 August 2008

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	2008 Total £	2007 Total £
INCOMING RESOURCES						
Incoming Resources from Generated Funds						
Voluntary income		2,833	119,654	-	122,487	164,320
Activities for generating funds		162,741	-	-	162,741	160,760
Investment income	2	390,525	23,145	-	413,670	537,544
Incoming Resources from Charitable Activities						
Assessment		2,280,748	-	-	2,280,748	2,486,720
Spring Meeting		333,956	-	-	333,956	343,077
Education	13	64,094	420,767	-	484,861	380,234
Training	13	76,309	172,185	-	248,494	212,055
Research	13	284,881	522,663	-	807,544	660,092
Members' subscriptions		2,785,938	-	-	2,785,938	2,539,890
Publications		903,769	-	-	903,769	891,541
Other income		307,963	-	-	307,963	316,633
Total Incoming Resources		7,593,757	1,258,414		8,852,171	8,692,866
RESOURCES EXPENDED						
Costs of Generating Funds						
Costs of generating voluntary income		54,917	-	-	54,917	34,791
Fundraising Trading: Costs of goods sold and other costs		48,791	-	-	48,791	44,738
Charitable Activities						
Assessment		2,128,790	-	-	2,128,790	1,980,282
Spring Meeting		449,330	-	-	449,330	451,783
Education		498,628	491,727	-	990,355	851,224
Training		687,959	181,415	-	869,374	883,178
Research		585,810	393,465	-	979,275	1,088,266
Other professional activities and standards		2,924,659	132,049	-	3,056,708	2,885,185
Governance Costs		44,063	-	-	44,063	44,419
Other Resources Expended		208,506	-	-	208,506	-
Total Resources Expended	3	7,631,453	1,198,656		8,830,109	8,263,866
Net Incoming Resources before interest in Associate and Transfers	6	(37,696)	59,758	-	22,062	429,000
Transfer between funds		(83,042)	83,042	-	(0)	-
Net Incoming Resources before other Recognised Gains and Losses		(120,738)	142,800	-	22,062	429,000
Gains on revaluation of fixed assets	7	20,712	-	-	20,712	5,144,106
Gains and losses on investment assets	8	9,195	-	-	9,195	180,604
Net Movement in Funds		(90,831)	142,800	-	51,969	5,753,710
Fund balances brought forward		16,819,284	1,067,541	14,855	17,901,680	12,147,970
Total Funds Carried Forward		16,728,453	1,210,341	14,855	17,953,649	17,901,680

All incoming resources and resources expended derive from continuing activities.

There were no recognised gains and losses for the year other than those included in the Statement of Financial Activities.

The notes on pages 15 to 28 form part of these financial statements.

Royal College of Paediatrics and Child Health

Balance Sheets as at 31 August 2008

	Note	Group		College	
		2008 £	2007 £	2008 £	2007 £
Fixed Assets					
Tangible assets	7	19,529,485	7,437,133	19,529,485	7,437,133
Investments	8	<u>2</u>	<u>2,474,920</u>	<u>102</u>	<u>2,475,020</u>
		<u>19,529,487</u>	<u>9,912,053</u>	<u>19,529,587</u>	<u>9,912,153</u>
Current Assets					
Stock of Publications and Merchandise		-	79	-	-
Debtors	9	1,070,868	1,131,464	1,168,679	1,228,204
Investments	10	-	7,996,097	-	7,996,097
Cash at bank and in hand		<u>4,075,967</u>	<u>493,736</u>	<u>3,967,857</u>	<u>381,339</u>
		5,146,835	9,621,376	5,136,536	9,605,640
Creditors: Amounts falling due within one year	11	<u>(2,423,167)</u>	<u>(1,631,749)</u>	<u>(2,412,972)</u>	<u>(1,616,117)</u>
Net Current Assets		2,723,668	7,989,627	2,723,564	7,989,523
Total Assets less current liabilities		22,253,155	17,901,680	22,253,151	17,901,676
Creditors: Amounts falling due after more than one year	12	<u>(4,299,506)</u>	<u>-</u>	<u>(4,299,506)</u>	<u>-</u>
Net Assets	17	<u><u>17,953,649</u></u>	<u><u>17,901,680</u></u>	<u><u>17,953,645</u></u>	<u><u>17,901,676</u></u>
Represented By:					
Unrestricted Funds					
Designated Funds	14	16,331,074	8,657,912	16,331,074	8,657,912
Charitable Trading Subsidiary Fund	14	4	4	-	-
General Funds	14	<u>397,375</u>	<u>8,161,368</u>	<u>397,375</u>	<u>8,161,368</u>
Total Unrestricted Funds		16,728,453	16,819,284	16,728,449	16,819,280
Restricted Funds	15	1,210,341	1,067,541	1,210,341	1,067,541
Permanent Endowments	16	<u>14,855</u>	<u>14,855</u>	<u>14,855</u>	<u>14,855</u>
Total Funds of the College		<u><u>17,953,649</u></u>	<u><u>17,901,680</u></u>	<u><u>17,953,645</u></u>	<u><u>17,901,676</u></u>

The financial statements were approved by the Council on 25 February 2009 and signed on their behalf:

.....
Dr P Hamilton CBE
President

.....
Dr S M Hobbins
Honorary Treasurer

The notes on pages 15 to 28 form part of these financial statements.

Royal College of Paediatrics and Child Health
Consolidated Cash Flow Statement
For the year ended 31 August 2008

	Notes	2008 £	2007 £
Reconciliation of Changes in Resources to Net Cash Inflow from Operating Activities			
Net incoming resources		22,062	429,000
Depreciation		109,447	53,527
Decrease in stocks of goods for resale		79	1,130
Decrease in debtors		60,512	146,642
Increase / (decrease) in creditors		1,042,403	(286,454)
Investment income received		(413,670)	(537,490)
Mortgage interest paid		154,154	-
Net cash inflow / (outflow) from operating activities		<u>974,987</u>	<u>(193,644)</u>

CASH FLOW STATEMENT

Net cash inflow / (outflow) from operating activities		974,987	(193,644)
Return on investment and servicing of finance	19	308,121	537,490
Capital expenditure	19	(10,305,439)	3,463,689
Management of liquid resources	19	7,996,097	(7,996,097)
Financing	19	<u>4,000,000</u>	<u>-</u>
Increase / (decrease) in cash		<u>2,973,766</u>	<u>(4,188,563)</u>

Reconciliation of Net Cash Flow to Movement in Net Funds

Increase / (decrease) in cash		2,973,766	(4,188,563)
Mortgage loan received		(4,000,000)	-
Cash used to decrease liquid resources		<u>(7,996,097)</u>	<u>7,996,097</u>
Movement in net funds in the year		(9,022,331)	3,807,534
Net funds at 1 September		<u>9,098,298</u>	<u>5,290,764</u>
Net funds at 31 August	20	<u>75,967</u>	<u>9,098,298</u>

The notes on pages 15 to 28 form part of these financial statements.

Royal College of Paediatrics and Child Health

Notes to the Financial Statements

For the year ended 31 August 2008

1 Accounting Policies

Basis of Preparation

The financial statements are prepared in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005 and in accordance with applicable accounting standards and the Charities Act 1993.

The financial statements are prepared under the historical cost convention except that investments held as fixed assets are carried at market value.

Consolidation

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the College and its related undertakings British Paediatric Services Limited and RCPCH Publications Limited; details of the relationship are given in notes 8 and 18. The results are consolidated on a "line-by-line basis" for a subsidiary undertaking and on a "one-line basis" (of net results or share of net assets) for an associated undertaking. No separate SOFA or cash flow statement has been presented for the College alone as permitted by paragraph 397 of the SORP.

Group

The Group is the combination of the College and its subsidiary undertaking British Paediatric Services Limited

Funds

Unrestricted funds relate to the income which is available to meet the general objectives of the College. Unrestricted general funds are unrestricted funds which have not been designated for particular purposes and which are available for use at the discretion of Council in furtherance of the general objects of the College.

Designated funds comprise unrestricted funds that have been set aside by Council for specific future purposes or projects.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the College for particular purposes.

Endowment funds are monies which have been given to the College in trust with the restriction that they are held as capital with the income generated from them to be used for specific awards.

Further explanation of the nature and purpose of each fund is included in the relevant notes to the financial statements.

Investment income and gains are allocated where appropriate to the relevant fund.

Incoming Resources

Incoming resources are included in the SOFA on a receivable basis which means when the College is entitled to the income and the amount can be quantified sufficiently reliably and with virtual certainty. Legacies are included upon notification provided these criteria are met.

Income from donations and grants, including capital grants, is therefore included in incoming resources when receivable, except as follows:

- when donors specify that donations and grants given to the College must be used in future accounting periods, the income is deferred until those periods.
- when donors impose conditions which have to be fulfilled before the College becomes entitled to use such income, the income is deferred and not included in incoming resources until the pre-conditions for use have been met.

When donors specify that donations and grants, including capital grants, are for particular restricted purposes, which do not amount to pre-conditions regarding entitlement, this income is included in incoming resources of restricted funds when receivable.

Royal College of Paediatrics and Child Health

Notes to the Financial Statements

For the year ended 31 August 2008 (Continued)

1 Accounting Policies (Continued)

Incoming Resources (Continued)

Members' subscriptions are due on 1 January each year for existing members and on date of admission for new members; income is accounted for on an accruals basis over the calendar year to which they relate.

Investment income is recognised when due except for dividends which are accounted for on receipt. No amounts are included in the financial statements for services donated by volunteers.

Resources Expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources. Note 3 of these financial statements details the method of allocation of such costs.

Costs of generating voluntary income are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Governance costs include the costs associated with the meetings of the Council, Executive Committee and Finance Committee and those incurred in connection with the statutory external audit.

Tangible Fixed Assets Depreciation

Tangible fixed assets are stated at cost or valuation to the Royal College of Paediatrics and Child Health (for the original cost to the British Paediatric Association in connection with assets transferred on 23 August 1996) less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Office equipment	Five years straight line basis
Fixtures and fittings	Ten years straight line basis
Database hardware and software	Five years straight line basis
Other computer hardware and software	Three years straight line basis

No depreciation will be charged on silverware and regalia and similar donated assets as they are expected to continue to increase in value and it is intended to have these items professionally valued every five years.

No depreciation will be charged on the freehold property as its estimated value in use exceeds the original cost. In accordance with Financial Reporting Standard 11 "Impairment of fixed assets and goodwill" an annual impairment review is carried out.

Equipment costing less than £3,500 (including VAT) is charged to expenditure and is not capitalised.

Fixed Asset Investments

Fixed asset investments are included in the balance sheet at their market value at the balance sheet date. It is the College's policy to keep valuations up-to-date such that when investments are sold there is no gain or loss arising relating to previous years. As a result the SOFA does not distinguish between the valuation adjustments relating to sales and those related to continued holdings as they are together treated as changes in the investment portfolio throughout the year.

Stock of Publications and Merchandise

Stock of publications and merchandise is stated at the lower of cost and realisable value, on a first in first out basis, after making due allowance for obsolete and slow moving stocks.

Royal College of Paediatrics and Child Health

Notes to the Financial Statements

For the year ended 31 August 2008 (Continued)

1 Accounting Policies (Continued)

Pensions

The College operates a scheme to contribute a defined amount to individual employees' pension schemes and the pension charge represents the amounts payable by the College to the various schemes in respect of the year.

For a few employees the College also participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee administered fund. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Operating Leases

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are included in the Statement of Financial Activities on a straight line basis.

Taxation

The College, but not its trading subsidiaries, by virtue of its charitable status, is exempt from Corporation Tax on any surplus of income over expenditure. Value Added Tax (VAT) charged to the College may be fully recoverable, partly recoverable or totally irrecoverable. In accordance with principles laid down by HM Revenue & Customs, all VAT which is only partly recoverable or is totally irrecoverable is included within the different types of expenditure in the Statement of Financial Activities and the proportion which is recoverable is included in other income.

2 Investment Income	Unrestricted Funds £	Restricted Funds £	2008 Total £	2007 Total £
Funds held by investment managers:				
Dividends from quoted investments	15,911	-	15,911	150,420
Interest	47,515	-	47,515	80,672
Funds managed by the College				
Interest	327,099	23,145	350,244	306,452
	<u>390,525</u>	<u>23,145</u>	<u>413,670</u>	<u>537,544</u>

3 Total Resources Expended	Staff Costs £	Other Direct Costs £	Other Allocated Costs £	2008 Total £	2007 Total £
Costs of generating voluntary income	18,437	28,507	7,973	54,917	34,791
Fundraising trading: cost of goods sold and other costs	-	48,791	-	48,791	44,738
Assessment	818,640	983,578	326,572	2,128,790	1,980,282
Spring Meeting	77,102	345,572	26,656	449,330	451,783
Education	358,696	518,710	112,949	990,355	851,224
Training	359,779	364,964	144,631	869,374	883,178
Research	532,286	265,919	181,070	979,275	1,088,266
Other professional activities and standards	1,248,729	1,396,852	411,127	3,056,708	2,885,185
Governance costs	-	44,063	-	44,063	44,419
Other Resources Expended	7,588	200,918	-	208,506	-
Total Resources Expended	<u>3,421,257</u>	<u>4,197,874</u>	<u>1,210,978</u>	<u>8,830,109</u>	<u>8,263,866</u>

Costs of generating voluntary income in 2008 includes the cost of engaging fund-raising professionals to establish the feasibility of major fund-raising initiatives as explained on page 8. Other resources expended are non-recurring costs associated with the move to 5-11 Theobalds Road from the College's previous locations in London.

Royal College of Paediatrics and Child Health
Notes to the Financial Statements
For the year ended 31 August 2008 (Continued)

3 Total Resources Expended (Continued)

Other allocated costs can be further analysed as follows:

	Premises and Facilities £	Human Resources £	Information Technology £	Finance £	Total £
Costs of generating voluntary income	3,936	521	1,485	2,031	7,973
Fundraising trading: cost of goods sold and other costs	-	-	-	-	-
Assessment	158,130	20,935	65,891	81,616	326,572
Spring Meeting	13,158	1,742	4,964	6,792	26,656
Education	55,755	7,382	21,036	28,776	112,949
Training	71,393	9,452	26,937	36,849	144,631
Research	89,381	11,833	33,723	46,133	181,070
Other professional activities and standards	199,869	26,461	81,638	103,159	411,127
Governance costs	-	-	-	-	-
Other Resources Expended	-	-	-	-	-
Total Allocated Costs	591,622	78,326	235,674	305,356	1,210,978

All allocated costs have been allocated on the basis of the headcount except £22,414 of the Information Technology cost which has been directly attributed.

4 Staff Costs

	2008 £	2007 £
The staff costs were:		
Wages and salaries	2,930,063	2,702,543
Employer's social security costs	292,092	273,788
Employer's pension costs	199,102	186,690
	3,421,257	3,163,021

The average number of employees employed by the College:
 Calculated on a full-time equivalent basis:

Number	Number
98	98
93	92

Full-time equivalent, analysed by activity:

Assessment	20	18
Spring Meeting	2	2
Education	7	7
Training	9	10
Research	11	13
Other professional activities and standards	25	25
Facilities, HR, Information Technology, Membership and Finance	19	17

The number of employees whose total emoluments for the year,
 as defined for taxation purposes, exceeded £60,000 were:

£60,001 - £70,000	2	1
£70,001 - £80,000	-	1
£90,001 - £100,000	1	-

Related contributions were made to pension schemes (see note 21) amounting to £25,822 (2007 - £17,664).

The relevant staff costs have been included in the costs of generating voluntary income and in the costs of charitable activities.

Royal College of Paediatrics and Child Health
Notes to the Financial Statements
For the year ended 31 August 2008 (Continued)

4 Staff Costs (Continued)

Staff costs can be further analysed by activity as follows:

	Directly Attributable £	Premises and Facilities £	Human Resources £	Information Technology £	Finance £	Total £
Costs of generating voluntary income	14,201	1,062	505	924	1,745	18,437
Fundraising trading: cost of goods sold and other costs	-	-	-	-	-	-
Assessment	627,209	42,660	20,303	58,364	70,104	818,640
Spring Meeting	62,939	3,550	1,689	3,091	5,833	77,102
Education	298,682	15,042	7,159	13,095	24,718	358,696
Training	282,931	19,260	9,167	16,770	31,651	359,779
Research	436,077	24,113	11,476	20,995	39,625	532,286
Other professional activities and standards	1,012,370	53,921	25,662	68,169	88,607	1,248,729
Governance costs	-	-	-	-	-	-
Other Resources Expended	7,588	-	-	-	-	7,588
Total Allocated Costs	2,741,997	159,608	75,961	181,408	262,283	3,421,257

All allocated staff costs have been allocated on the basis of the headcount except £39,162 of the Information Technology cost which has been directly attributed.

5 Council Members' (Trustees') Remuneration

The trustees neither received nor waived any emoluments during the year (2007 - none).

During the year the College has met expenses incurred by 40 (2007 - 46) Members of Council amounting to £114,751 (2007 - £81,019) in respect of travel, subsistence and overnight accommodation, solely necessary for attendance at meetings.

6 Net Incoming Resources

	2008 £	2007 £
The net incoming resources is stated after charging:		
Depreciation of tangible fixed assets owned by the charity	109,447	53,527
Auditors' remuneration:		
Audit fee in respect of year ended 31 August 2008	11,809	-
Audit fee in respect of year ended 31 August 2007	-	12,771
Audit fee in respect of year ended 31 August 2006	-	981
Accountancy, taxation and other services	2,452	-
Operating lease rentals: land and buildings	355,326	221,004
other	83,987	74,703

Royal College of Paediatrics and Child Health
Notes to the Financial Statements
For the year ended 31 August 2008 (Continued)

7 Tangible Fixed Assets	Fixtures, Office		
Group and College	Equipment and IT	Freehold Property	Total
Cost/Valuation	£	£	£
At 1 September 2007	501,778	7,300,000	7,801,778
Revaluation	-	20,712	20,712
Additions	428,436	19,073,363	19,501,799
Disposals	(92,648)	(7,320,712)	(7,413,360)
At 31 August 2008	<u>837,566</u>	<u>19,073,363</u>	<u>19,910,929</u>
Depreciation			
At 1 September 2007	364,645	-	364,645
Charge	109,447	-	109,447
Written back on disposals	(92,648)	-	(92,648)
At 31 August 2008	<u>381,444</u>	<u>-</u>	<u>381,444</u>
Net Book Value			
At 31 August 2008	<u>456,122</u>	<u>19,073,363</u>	<u>19,529,485</u>
At 31 August 2007	<u>137,133</u>	<u>7,300,000</u>	<u>7,437,133</u>

All fixed assets are held mainly for direct charitable use.

Fixtures, office equipment and IT includes silverware and regalia and similar donated assets which have been valued for insurance purposes and for these accounts at a value of £42,000 (2007 - £42,000). The valuation was performed in September 2006 by Keith S. Hayman (Goldsmith, Silversmith & Designer) who is qualified with a City & Guilds awarded by the Goldsmiths' Company

Contracts for the sale of the freehold property 50 Hallam Street were exchanged on 16th November 2007 and the sale was completed on 15th January 2008. The revaluation of the property reflects its actual net sales price whereas the value at 1 September was a best estimate of the agreed net sales price. The freehold property 5-11 Theobalds Road is included in the balance sheet at cost at 31 August 2008. Council expects that its value will exceed cost within the lifetime of its ownership by the College and the cost of obtaining a market valuation more than outweighs any related benefit and therefore no valuation has been obtained. Although its market valuation is considered by Council to be below cost the market value is expected to rise so this is not expected to be a permanent situation.

8 Fixed Asset Investments	Group		College	
	2008	2007	2008	2007
<u>With Investment Managers</u>	£	£	£	£
<u>Quoted Investments</u>				
Market value at 1 September	1,866,453	5,189,387	1,866,453	5,189,387
Additions at cost	-	114,269	-	114,269
Disposals at sale price	(1,875,648)	(3,617,338)	(1,875,648)	(3,617,338)
Equalisation adjustment to cost	-	(469)	-	(469)
Net investment gains	<u>9,195</u>	<u>180,604</u>	<u>9,195</u>	<u>180,604</u>
Market value at 31 August	-	1,866,453	-	1,866,453
Cash held as part of investment portfolio	<u>-</u>	<u>608,465</u>	<u>-</u>	<u>608,465</u>
Total with Investment Managers	-	2,474,918	-	2,474,918
<u>Held by the College</u>				
Net interest in Associate undertaking	2	2	-	-
Shares at cost:				
British Paediatric Services Limited	-	-	100	100
RCPCH Publications Limited	-	-	2	2
	<u>2</u>	<u>2,474,920</u>	<u>102</u>	<u>2,475,020</u>

Royal College of Paediatrics and Child Health
Notes to the Financial Statements
For the year ended 31 August 2008 (Continued)

8 Fixed Asset Investments (Continued)

The historical cost of quoted investments at 31 August 2008 was £Nil (2007 - £1,534,960).

All of the quoted investments are listed on the UK stock exchange.

At 31 August 2007 89.7% of the value of the total with Investment Managers was held in the Lazard Diversified Charity Fund, a common investment fund which invests in a balanced and diversified portfolio of UK and international equities and bonds. Its pharmaceuticals content is considered acceptable by virtue of the fact that there is no direct link between the investment decisions of the College and the Investment Managers.

These financial statements include the results of both companies (see note 18) which have been consolidated with those of the College in accordance with the accounting policy on consolidation (see note 1).

The College owns 100% of the ordinary share capital of British Paediatric Services Limited which has been consolidated as a subsidiary undertaking throughout. The College's owns 50% of the ordinary share capital of RCPCH Publications Limited and, as there is no controlling interest, it has therefore been consolidated as an associated undertaking. Both companies are registered in England and Wales.

9 Debtors

	Group		College	
	2008	2007	2008	2007
Due within one year:	£	£	£	£
Trade debtors	35,723	38,394	-	-
Amount owed from related undertakings	395,090	410,901	529,294	546,918
Other debtors	118,163	146,079	118,163	146,079
Other taxes	-	-	-	-
Grants receivable (see note 13)	75,440	25,443	75,440	25,443
Prepayments and accrued income	446,452	510,647	445,782	509,764
	<u>1,070,868</u>	<u>1,131,464</u>	<u>1,168,679</u>	<u>1,228,204</u>

10 Current Asset Investments and Cash at Bank and in Hand

Current asset investments totalling £7,996,097 as at 31 August 2007 were all held as short-term deposits within the U.K. As at 31 August 2008 no such short-term deposits were held as better investment returns were available at the time in deposits that were repayable on demand and are therefore included in "cash at bank and in hand".

11 Creditors: Amounts falling due within one year

	Group		College	
	2008	2007	2008	2007
	£	£	£	£
Trade creditors	940,768	388,425	937,342	387,213
Other creditors and deferred income	1,321,583	1,140,019	1,318,123	1,126,351
Taxation and social security	113,679	59,424	110,370	58,672
Grants income deferred (see note 13)	47,137	43,881	47,137	43,881
	<u>2,423,167</u>	<u>1,631,749</u>	<u>2,412,972</u>	<u>1,616,117</u>

Royal College of Paediatrics and Child Health

Notes to the Financial Statements

For the year ended 31 August 2008 (Continued)

12 Creditors: Amounts falling due after more than one year	Group		College	
	2008	2007	2008	2007
	£	£	£	£
Mortgage loan	4,000,000	-	4,000,000	-
Taxation and social security	299,506	-	299,506	-
	<u>4,299,506</u>	<u>-</u>	<u>4,299,506</u>	<u>-</u>
Analysis of Mortgage loan				
Not wholly repayable within 5 years by instalments				
In more than one year but not more than two years	86,956	-	86,956	-
In more than two years but not more than five years	521,736	-	521,736	-
In more than five years	<u>3,391,308</u>	<u>-</u>	<u>3,391,308</u>	<u>-</u>

The mortgage loan is secured on the freehold property 5-11 Theobalds Road. It represents 21.0% of the cost of the property and is repayable in quarterly instalments from 2010 to 2033

Interest is charged at 5.65% on the first £2,500,000 for the period until 15 January 2013. The interest on the remainder, and on the whole after this date, is charged at 0.75% above the Bank of England bank rate.

13 Grants	Balance at 1 September 2007	Received in Year	Balance at 31 August 2008	Net Income
Groups and College	(see notes 9 and 11)		(see notes 9 and 11)	
	£	£	£	£
Government & Government Agencies	(18,438)	1,033,072	13,387	1,064,897
Other grants	-	55,800	14,916	70,716
	<u>(18,438)</u>	<u>1,088,872</u>	<u>28,303</u>	<u>1,135,613</u>

Net income from grants is included in restricted funds incoming resources as follows:

	2008	2007
	£	£
Voluntary income	20,000	50,000
Education	420,766	279,673
Training	172,185	179,716
Research	522,662	459,977
Total net income from grants	<u>1,135,613</u>	<u>969,366</u>

14 Unrestricted Funds	Balance at 1 September 2007	Incoming Resources	Outgoing Resources	Transfers	Gains and Losses	Balance at 31 August 2008
	£	£	£	£	£	£
Designated Funds						
Foundation Appeal	295,201	2,833	(7,026)	(291,008)	-	-
Everley Jones Bequest	558,962	27,492	(161,679)	-	-	424,775
Health Services	140,566	-	(155)	30,729	-	171,140
Paul Polani Fund	168,892	18,263	(20,155)	-	-	167,000
Medicines Fund	78,102	-	(40,428)	-	-	37,674
General Donations Fund	43,000	-	-	-	-	43,000
Fixed Assets	<u>7,373,189</u>	<u>-</u>	<u>(102,421)</u>	<u>8,196,005</u>	<u>20,712</u>	<u>15,487,485</u>
Total Designated Funds	8,657,912	48,588	(331,864)	7,935,726	20,712	16,331,074
Charitable Trading						
Subsidiary Fund						
(see note 18)	4	187,739	(50,408)	(137,331)	-	4
General Funds	<u>8,161,368</u>	<u>7,357,430</u>	<u>(7,249,181)</u>	<u>(7,881,437)</u>	<u>9,195</u>	<u>397,375</u>
Total Unrestricted Funds	<u>16,819,284</u>	<u>7,593,757</u>	<u>(7,631,453)</u>	<u>(83,042)</u>	<u>29,907</u>	<u>16,728,453</u>

Royal College of Paediatrics and Child Health
Notes to the Financial Statements
For the year ended 31 August 2008 (Continued)

14 Unrestricted Funds (Continued)

The General Funds represent the free funds of the College which are not designated for particular purposes.

The Foundation Appeal was launched in 1997 to raise money on establishing the College for all of its objects. The balance of the appeal £291,008 has been applied towards the purchase of 5-11 Theobalds Road.

The Everley Jones Bequest was given for the general charitable objects of the College and Council has decided to designate all of the monies from this legacy into a separate fund for different developments being undertaken by Education, Training and Research departments.

The Health Services Fund comprises net royalty income from two publications which have been designated to fund work to be carried out by the Health Services Department

The Paul Polani Fund arises from a one-off donation and has been designated to encourage work in neuro-disability, possibly by funding an award.

The Medicines Fund comprises the remaining balance of net profit from RCPCH Publications Limited from when it was wholly-owned by the College after deducting any grant from the College and "Medicines for Children" publications costs incurred by the College. It is designated to fund the development of children's' pharmaceutical projects.

The General Donations Fund ensures that all voluntary gifts and donations received for the general work of the College are designated so their application can be monitored. The fund includes silverware and regalia and similar donated assets, which have been included in these financial statements at a value of £42,000 (2007 - £42,000).

The Fixed Asset Fund identifies those funds that are not free funds and it represents the net asset value of tangible fixed assets which is their net book value after deducting the remaining amount of the mortgage loan payable.

15 Restricted Funds

	Balance at 1 September 2007 £	Incoming Resources £	Outgoing Resources £	Transfers £	Balance at 31 August 2008 £
WellChild Fellowships	96,678	5,560	-	-	102,238
Other Awards and Prizes	59,765	38,085	(55,842)	-	42,008
David Baum International Foundation	264,027	32,317	(61,218)	2,900	238,026
Overseas Levy	-	66,838	(130,770)	63,932	-
Education	318,615	420,766	(374,667)	174,600	539,314
Training	9,230	172,185	(181,415)	-	-
Research	278,358	522,663	(393,465)	(158,390)	249,166
Other	40,868	-	(1,279)	-	39,589
Total Restricted Funds	1,067,541	1,258,414	(1,198,656)	83,042	1,210,341

The transfers are to make good from unrestricted funds certain individual funds that would otherwise be overdrawn

The WellChild Fellowships are scholarships awarded jointly with the Royal College of Physicians of London, normally supporting the recipients' PhD studies.

Other Awards and Prizes is the aggregate of the following: Donald Paterson Prize Fund, John Lorber Fund, Heinz Fund, Visiting Fellowship Fund and the net income from the Michael Blacow Memorial Fund and the James Spence Medal Fund.

Royal College of Paediatrics and Child Health
Notes to the Financial Statements
For the year ended 31 August 2008 (Continued)

15 Restricted Funds (Continued)

The David Baum International Foundation aims to improve the health of children in disadvantaged areas of the world. Monies for the Foundation were first received in 1999 and it was registered with the Charity Commission in September 2001 as a subsidiary charity of the College. The College holds all of the assets of this subsidiary charity as part of its current asset investments.

The Overseas Levy was first collected from the membership in January 2002 following a decision of the 2001 AGM and is restricted to fund the development of overseas activities.

The Education & Training and Research Funds are net unspent voluntary income, mainly grants, received for the development of specific education programmes and research into and audit of particular childhood illnesses and conditions.

16 Permanent Endowment Funds

The Permanent Endowment Funds comprise the Michael Blacow Memorial Fund and the James Spence Medal Fund. They are in respect of endowments received by the British Paediatric Association transferred to the College at its inception together with a subsequent donation from Mr Peter Blacow to enable the Michael Blacow Memorial Fund to maintain the value of its awards in future. The income generated by these funds is included in Other Awards and Prizes restricted income and is used to further the charitable objectives of the College.

17 Analysis of Group Net Assets between Funds

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds £
Tangible fixed assets	19,529,485	-	-	19,529,485
Investments	2	-	-	2
Net current assets	1,498,472	1,210,341	14,855	2,723,668
Creditors: Amounts falling due after more than 1 year	(4,299,506)	-	-	(4,299,506)
	<u>16,728,453</u>	<u>1,210,341</u>	<u>14,855</u>	<u>17,953,649</u>

18 Net Income from and transactions with Related Trading Undertakings

The College has two related trading undertakings, British Paediatric Services Limited ("BPSL"; non-primary purpose) and RCPCH Publications Limited (primary purpose), further details of which are given in note 8. The related trading undertakings make gift payments to the College, usually their total net profit. All activities have been consolidated in the SOFA in accordance with the accounting policy on consolidation (see note 1) and are included in both incoming resources and resources expended within "Information and Publications", "Other Trading" and "Investment Income".

Both related trading undertakings have an accounting reference date of 31 August and summaries of their trading results are shown below.

BPSL manages the provision of exhibition space at the Spring Meeting, provides some membership information for mailing services and distributes medical publications of interest to paediatricians.

RCPCH Publications Limited publishes formularies aimed at pharmacists, paediatricians, general practitioners, nurse prescribers and other health care professionals. The aim of each formulary is to assist those who prescribe, dispense or administer medicines for children. The formularies are unusual in that they cover the off-label use of medicines and also list unlicensed medicines necessary for the treatment of children.

Royal College of Paediatrics and Child Health
Notes to the Financial Statements
For the year ended 31 August 2008 (Continued)

18 Net Income from and transactions with Related Trading Undertakings (Continued)

	2008		2007	
	RCPCH		RCPCH	
	Publications	BPSL	Publications	BPSL
	£	£	£	£
Turnover	687,558	183,860	613,960	167,279
Cost of sales and administrative expenses	<u>(22,986)</u>	<u>(50,408)</u>	<u>(22,472)</u>	<u>(46,287)</u>
Operating Profit	664,572	133,452	591,488	120,992
Interest receivable	<u>9,808</u>	<u>3,879</u>	<u>15,453</u>	<u>4,477</u>
Net Profit	<u><u>674,380</u></u>	<u><u>137,331</u></u>	<u><u>606,941</u></u>	<u><u>125,469</u></u>
Charitable Trading Funds				
Balance at 1 September	-	4	-	4
Net profit	674,380	137,331	606,941	125,469
To be gifted to College for year ended 31 August	(387,190)	(137,331)	(393,470)	(125,469)
To be gifted to NPPG for year ended 31 August	<u>(287,190)</u>	<u>-</u>	<u>(213,471)</u>	<u>-</u>
Balance at 31 August	<u><u>-</u></u>	<u><u>4</u></u>	<u><u>-</u></u>	<u><u>4</u></u>
College share				
Balance at 1 September	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>
Balance at 31 August	<u><u>-</u></u>	<u><u>4</u></u>	<u><u>-</u></u>	<u><u>4</u></u>

In respect of RCPCH Publications Limited the College charged £21,337 (2007 - £20,343) for College staff and facilities used.

The first edition of the British National Formulary for Children ("BNFC") was published in September 2005 with the website going live that month and publication of a CD rom version in October 2005. The year ended 31 August 2008 principally includes the company's share of income and costs associated with developing and publishing the fourth edition of BNFC which was published in July 2008.

The BNFC is produced as a joint venture, the arrangements for which were formalised in an agreement between RCPCH Publications Limited, The Royal Pharmaceutical Society and BMJ Publishing Group Limited dated 13 April 2005. The joint venturers then entered into a three year supply agreement with the Department of Health dated 20 September 2005 that will ensure all relevant health professionals in England will receive the BNF-C.

Royal College of Paediatrics and Child Health
Notes to the Financial Statements
For the year ended 31 August 2008 (Continued)

19 Gross Cash Flows	2008	2007
	£	£
<u>Returns on investment and servicing of finance</u>		
Investment income received	413,755	537,490
Mortgage interest paid	(105,634)	-
	<u>308,121</u>	<u>537,490</u>
<u>Capital Expenditure</u>		
Payments to acquire tangible fixed assets	19,501,799	39,849
Receipts from disposal of tangible fixed assets	(7,320,712)	
Payments to acquire investments	-	114,269
Adjustment to payments to acquire investments	-	(469)
Receipts from investments	(1,875,648)	(3,617,338)
	<u>10,305,439</u>	<u>(3,463,689)</u>
<u>Management of Liquid Resources</u>		
Net cash transferred from / (to) short term deposits	<u>7,996,097</u>	<u>(7,996,097)</u>
<u>Financing</u>		
Mortgage loan received	<u>4,000,000</u>	<u>-</u>

20 Analysis of Changes in Net Funds

	1 September 2007	Cash Flows	31 August 2008
	£	£	£
Cash at bank and in hand	493,736	3,582,231	4,075,967
Cash held as part of investment portfolio	608,465	(608,465)	-
Mortgage loan due after more than one year	-	(4,000,000)	(4,000,000)
Other current asset investments	7,996,097	(7,996,097)	-
	<u>9,098,298</u>	<u>(9,022,331)</u>	<u>75,967</u>

21 Pension Commitments

The College makes contributions to two different types of pension schemes as follows:

Individual Employees' Pension Scheme

The College operates a scheme to contribute a defined amount to individual employees' pension schemes. The assets of the various schemes are held separately from those of the College in independently administered funds. The total cost for the College of these schemes was £174,128 (2007 - £159,363). This includes £23,531 (2007 - £24,690) outstanding contributions, within other creditors, at the balance sheet date.

Universities Superannuation Scheme

The College participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

Royal College of Paediatrics and Child Health

Notes to the Financial Statements

For the year ended 31 August 2008 (Continued)

21 Pension Commitments (Continued)

Universities Superannuation Scheme (Continued)

The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality.

In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum.

In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Since 31 March 2005 the funding level of the scheme has undergone considerable volatility. The actuary has estimated that the funding level had increased to 91% at 31 March 2007 but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets in the period since 31 March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields, which are used to place a value on the scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005, adjusted to reflect the fund's actual investment performance and changes in gilt yields (ie the valuation rate of interest). On the FRS17 basis, using a AA bond discount rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%. An estimate of the funding level measured on a buy-out basis was approximately 78%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

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

The next formal triennial actuarial valuation is due as at 31 March 2008 and is expected to be published within approximately one year of that date. The contribution rate will be reviewed as part of each valuation. The total pension cost for the College was £24,974 (2007 - £27,327). This includes £3,241 (2007 - £3,018) outstanding contributions within other creditors at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

Royal College of Paediatrics and Child Health
Notes to the Financial Statements
For the year ended 31 August 2008 (Continued)

22 Other Commitments

At 31 August 2008 the College has an annual financial commitment amounting to £148,499 in respect of six non-cancellable operating lease agreements which are summarised by expiry date as follows:

	Under one year £	One to two years £	Two to five years £	Total £
Land and buildings	56,199	10,104	-	66,303
Other	-	-	82,196	82,196
	<u>56,199</u>	<u>10,104</u>	<u>82,196</u>	<u>148,499</u>

23 Contingent Liability

On 13 April 2005 the College provided a guarantee to The Royal Pharmaceutical Society and BMJ Publishing Group Limited who are the other two parties in the joint venture with RCPCH Publications Limited to produce the British National Formulary for Children. The guarantee will indemnify the other two parties for losses, damages and costs if RCPCH Publications Limited fails to meet its obligations under the joint venture contract. The guarantee is no longer expected to be called upon because the joint venture has successfully completed its initial development phase.