RCSI

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

9 DECEMBER 2021

RCSI.COM

CONTENTS

INTRODUCTION

RCSI, established by Royal Charter in 1784 is today an independent, not-for-profit health sciences institution, offering education and training programmes at undergraduate, postgraduate and professional levels in medicine, physiotherapy, pharmacy and health sciences in addition to its original role is as the national body responsible for postgraduate surgical training.

Headquartered in Ireland, in keeping with its mission "to educate nurture and discover for the benefit of human health", RCSI's activities in education, training, and research extend beyond Europe to the Middle East, Asia and Africa through campuses in Bahrain, Dubai and Malaysia and close affiliation with the College of Surgeons of Eastern, Central and Southern Africa (COSECSA).

The RCSI University of Medicine and Health Sciences is ranked in the top 250 universities in the Times Higher Education World University Rankings (2022) and is joint second for 'Good Health & Well-Being' in the THE Impact Rankings under the United Nations Sustainable Development Goals.

The RCSI Department of Surgical Affairs oversees postgraduate training in surgery in Ireland and maintains close links and common training curricula with sister Royal Surgical Colleges in England and Scotland. The RCSI Faculties of Radiologists, Dentistry, Nursing and Midwifery, and Sports and Exercise Medicine provide oversight, education, and examination in their respective disciplines. The Irish Institute of Pharmacy provides continuing professional development for pharmacists throughout Ireland.

Partnership is a key tenet of RCSI's delivery encompassing collaboration with other Higher Education Institutions through research, outreach programmes with local communities, clinical placements including an academic partnership with the RCSI Hospitals Group in Ireland, and collaboration in surgical training with COSECSA which is supported by Irish Aid.

RCSI makes a significant contribution to the Irish economy every year by employing over 1,200 people in Ireland with an estimated additional 2,000 indirectly employed across the Irish economy supported through the expenditure of our staff and students.

As the governing body of the institution, the RCSI Council has responsibility for the College's financial affairs with certain functions delegated to the Finance and Audit & Risk Committees. Overall, the organisation's financial objective is to ensure robust financial stewardship, recognising an increasingly competitive market environment with significant inflationary risks. RCSI is committed to responsible investment principles and has signed up to the United Nations Principles of Responsible Investing as it progresses its sustainable development (SDG) goals.

The Council is pleased to present the RCSI Annual Financial Report for the year ended 30 September 2021. A review of the performance for the year is presented by the Chief Executive Officer and the Director of Finance on pages 6 and 7. The accompanying Council Report and Consolidated Financial Statements from page 12 onwards have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and have been audited by the group auditors PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, Dublin. Overall, financial performance for the year ended 30 September 2021 is in line with approved plans including bank covenant requirements, despite the difficulties posed while trading in a pandemic environment.

P. Ronan O'Connell

Professor P. Ronan O'Connell, President
9 December 2021

2020/21 HIGHLIGHTS

Executive Director of the World Health Organisation's Health Emergencies Programme, **Dr Mike Ryan**, received the inaugural Sir Charles A. Cameron Award for Population Health in March 2021

Ireland's Chief Medical Officer **Dr Tony Holohan** received an Honorary Fellowship in June 2021 in recognition of his outstanding leadership during the COVID-19 pandemic

Ms Helen Mohan, Fellow of RCSI, was awarded the PROGRESS Women in Surgery Fellowship Feb 2021

RCSI's Professor of Medicine, **Professor Gerry McElvaney**, winner of HRB Impact Award 2021

COUNCIL MEMBERS

Professor P. Ronan O'Connell
President, RCSI; Emeritus Professor of Surgery UCD

Professor Laura Viani
Vice President, RCSI; Consultant Otolaryngologist/Neuro-otologist; Director of The National Hearing Implant and Research Centre, Beaumont Hospital/RCSI

Mr Kenneth Mealy
Immediate Past-President, RCSI; Consultant Surgeon (General), Wexford General Hospital

Professor Paul Burke
Consultant Surgeon, Chief Academic Officer, University of Limerick Hospital Group

Prof. Ronan Cahill
Professor of Surgery, UCD; Consultant Surgeon (General/ Colorectal) Mater Misericordiae University Hospital

Professor Camilla Carroll
Consultant Surgeon (Otolaryngology Head and Neck Surgeon) RVEEH Dublin; Clinical Associate Professor, TCD School of Medicine

Professor Kevin Conlon
Professor of Surgery, Trinity College Dublin; Consultant Surgeon (General/HPB), St Vincent's University Hospital and Tallaght University Hospital

Professor K. Simon Cross
Consultant Surgeon (Vascular/ General), University Hospital Waterford

Ms Bridget Egan
Consultant Surgeon (Vascular), Tallaght University Hospital

Mr James Geraghty
Consultant Surgeon (General/ Breast), St Vincent's University Hospital; Associate Professor in Surgery, UCD

Professor David Healy
Associate Clinical Professor, Consultant Surgeon (Cardiothoracic and Transplant), St Vincent's University Hospital and Mater Misericordiae University Hospital

The Hon. Mr Justice Peter Kelly
Retired President of the High Court

Mr Paddy Kenny
Consultant Surgeon (Orthopaedic), Connolly Hospital Blanchardstown and The National Orthopaedic Hospital at Cappagh

Professor Michael J. Kerin
Professor and Head of Surgery, NUI Galway; Consultant Surgeon (Breast/ Endocrine/ General), Galway University Hospital

Professor Thomas H. Lynch
Consultant Surgeon (Urological), St James's Hospital, National Lead ENT Education in Primary Care

Mr Eamon Mackle
Consultant Surgeon (General), Craigavon Area Hospital

Professor Deborah McNamara
Consultant Surgeon (General/ Colorectal), Beaumont Hospital and Co-Lead National Clinical Programme in Surgery

Mr David Moore
Consultant Surgeon (Trauma and Orthopaedics), Children's Health Ireland, Crumlin, Tallaght University Hospital and Blackrock Clinic

Ms Margaret O'Donnell
Consultant Surgeon (Plastic, Reconstructive and Aesthetic Surgery), Blackrock Clinic and St Vincent's Private Hospital, Group Clinical Director Blackrock HealthCare Group

Mr David Quinlan
Consultant Surgeon (Urology), St Vincent's Healthcare Group

Professor H. Paul Redmond
Professor and Chairman of the Department of Surgery at UCC and Cork University Hospital Group

Roderick Ryan
Chartered Accountant

Mr Keith Synnott
Consultant Surgeon (Trauma and Orthopaedic), Mater Misericordiae University Hospital; National Clinical Lead for Trauma Services.

ACADEMIC LEADS AND FACULTY DEANS

Professor Hannah McGee
Dean of the Faculty of Medicine and Health Sciences

Professor Fergal O'Brien
Director of Research and Innovation

Kieran Ryan
Managing Director of Surgical Affairs

Professor Alf Nicolson
Vice President Academic Affairs, RCSI Medical University of Bahrain

Professor Arnold Hill
Head of School of Medicine

Professor Zena Moore
Head of School of Nursing and Midwifery

Professor Tracy Robson
Head of School of Pharmacy and Biomolecular Sciences

Professor Suzanne McDonough
Head of School of Physiotherapy

Professor Darran O'Connor
Head of School of Postgraduate Studies

Professor Ciaran O'Boyle
Director of the Centre for Positive Psychology and Health

Robert McMurray
Academic Director, School of Healthcare Management

Dr Catriona Bradley
Executive Director, Irish Institute of Pharmacy

Professor Albert Leung
Dean, Faculty of Dentistry

Professor Michael Shannon
Dean, Faculty of Nursing and Midwifery

Dr Peter Kavanagh
Dean of the Faculty of Radiologists

Dr Philip Carolan
Dean of the Faculty of Sports and Exercise Medicine (RCPI and RCSI)

RCSI IN NUMBERS

Proudly ranked
Joint 2nd *for* **GOOD HEALTH** *and* **WELL-BEING**

THE IMPACT RANKINGS 2021

GOOD UNIVERSITY GUIDE 2022

THE TIMES
THE SUNDAY TIMES

UNIVERSITY OF THE YEAR FOR STUDENT ENGAGEMENT

TOP 250

TIMES HIGHER EDUCATION 2022 WORLD UNIVERSITY RANKINGS

RCSI
COMMITTED TO DELIVERING THE SUSTAINABLE DEVELOPMENT GOALS

RCSI
UNIVERSITY OF MEDICINE AND HEALTH SCIENCES

Students from more than

69 Countries

4 Overseas Campuses

Malaysia (2), Bahrain and Dubai

26,000 Alumni

94 Countries

508

SURGICAL AND EMERGENCY MEDICINE TRAINEES

REVIEW OF THE YEAR 2020/21

Overall, RCSI delivered a solid financial performance for the 12 months ending 30 September 2021, in line with approved plans and bank covenant requirements, despite operating in a global pandemic.

During the 2020/21 academic year, RCSI successfully delivered socially distanced education and graduated the class of 2021, in line with pandemic safety protocols, building an operating model to address the challenging environment conditions, while continuing to invest in the institution's post-COVID-19 future. The following is an overview of the financial performance for the year ended 30 September 2021 and the financial position at that date, with highlights from the Revenue and Expenditure, Cashflow and Balance Sheet Statements as set out in the accompanying Council Report and Consolidated Financial Statements.

REVENUE

The majority of revenue continues to be generated from those activities that are core to RCSI's mission; education and training programmes (86%) and externally funded research (12%), supplemented by a valuable source of ancillary revenue from an investment and development portfolio (2%). Student representation from over 69 countries across the RCSI Group. Almost half of all students and trainees attend under a sponsorship agreement or other support.

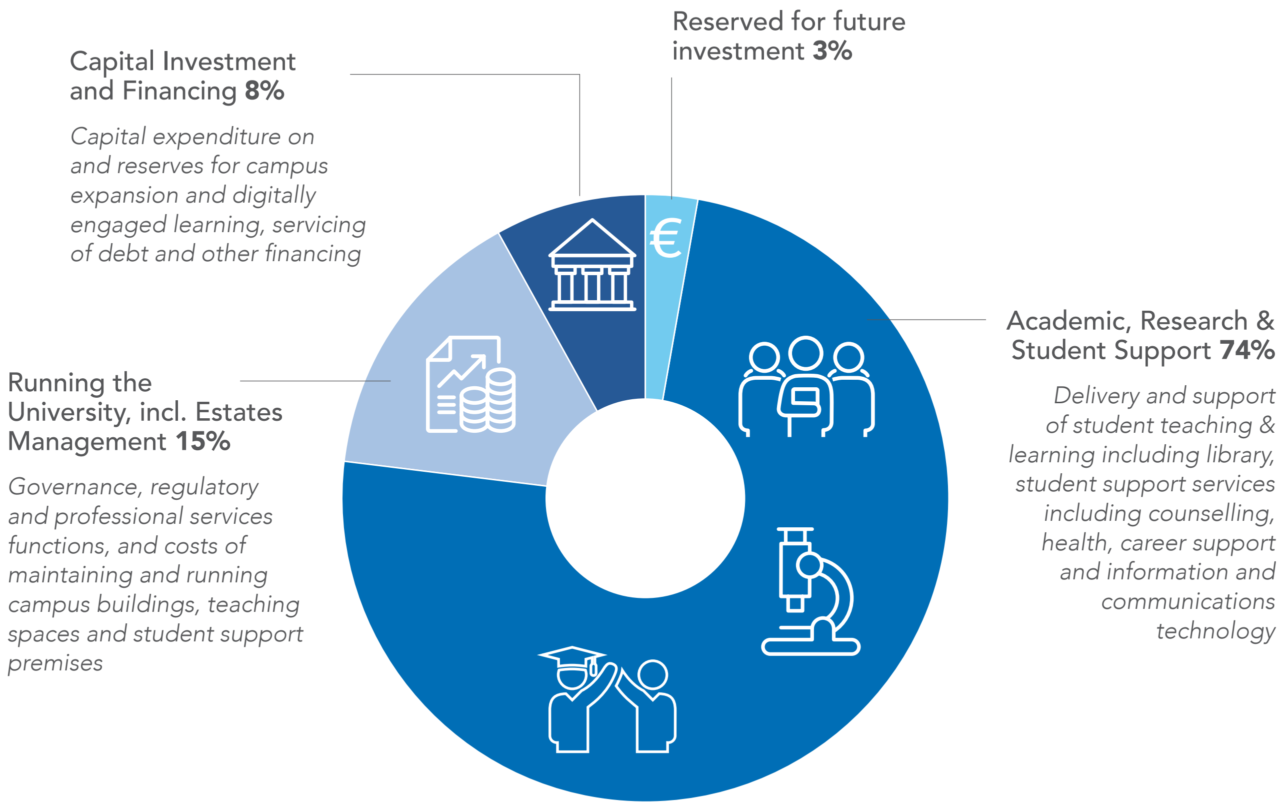
FINANCIAL MANAGEMENT

RCSI operates a primarily self-funding model with in the region of 14% of revenue derived from public sources. There is a strong focus on the annual generation of a positive cash surplus to ensure organisational commitments, both current and capital in nature, are met. In line with its charitable remit, all surpluses generated after funding day-to-day operations, investment in campus infrastructure, and servicing of debt, are reinvested for the furtherance of RCSI's education and research objectives. The graphic below outlines the utilisation of revenue during the year. Reserves of 3% of revenue were reserved for future investment to ensure the relevance of RCSI's market offering and to enable responsiveness to general environmental volatilities including inflationary pressures.

STAFF RELATED AND NON-PAY COSTS

As expected in a higher education institution, the majority of expenditure (74%) arises from academic and student related costs, and research activities. A further 15% is utilised in running the university,

UTILISATION OF REVENUE FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021



including governance, regulatory and professional services functions and the cost of managing and maintaining the RCSI campuses, student teaching spaces and student accommodation.

RCSI remains committed to its research programme with significant research expenditure funded by a mix of competitively awarded Irish and EU research grants, industry collaboration, and RCSI investment. There is a particular focus on clinical and patient-centred research that addresses important national and international health challenges. Key highlights during the year included the achievement of the highest overall success rate for Horizon Europe 2021 research grants awarded to Irish institutions and maintaining the highest citation impact in Ireland, ranking in the Times Higher Education World University Rankings 2021 (102nd in the world).

Overall, costs including depreciation, increased year on year. Significant expenditure was incurred as a direct response to COVID-19, to ensure the safety of our students and staff as we successfully delivered the 2020/21 academic year. We also continued the rollout of investment initiatives under the RCSI strategic plan despite the challenges faced. RCSI places significant importance on the effective use of resources, with costs closely monitored to ensure "value for money", with a focus on continual improvement and a sustainable environment.

CAPITAL INVESTMENT AND FINANCING

The cost of debt servicing, net investment in working capital and capital expenditure amounted to €14m.

While all major capital projects paused as a response to the COVID-19 pandemic, capital expenditure in the year continued on the digital transformation programme and campus infrastructure investments.

Significant capital expenditure projects are funded through an appropriate balance of debt and cash reserves. RCSI remains committed to continued investment in its campuses, building on the success of the simulated environment in 26 York Street and the Smurfit Education and Research Centre in Beaumont Hospital, Ireland. A €40m loan secured from the European Investment Bank to part-fund RCSI's future capital programme remained undrawn at the year end.

NET ASSET VALUE

RCSI's net asset value increased by 5% year-on-year arising from a strong financial performance and an improved defined benefit pension fund deficit. The net asset value is supported by a high-quality asset base of campus infrastructure, long-term borrowings and a low level revaluation amount. An appropriate level of reserves is maintained to provide for continued investment in strategic opportunities in line with RCSI's mission and to enable responsiveness to general market volatility.

CONCLUSION

Overall, despite the challenging pandemic environment, financial performance was delivered in line with approved plans and bank covenant requirements. In 2020/21 RCSI made significant investments in COVID-19 safety protocols to protect both students and staff of RCSI.

The organisation continues to manage risk through a Risk Framework including the implementation of mitigation measures. The principal risks and uncertainties facing RCSI include COVID-19, cyber security, market competition and inflationary pressures. RCSI operates in a market where there continues to be strong demand for healthcare education.

RCSI is proud of the role that clinicians and researchers continue to play in the global search to counter the effects of COVID-19. We acknowledge the contribution of Council, external Board members and RCSI staff in the delivery of the organisations RCSI's mission "to educate, nurture and discover for the benefit of human health" in line with the RCSI values of respect, collaboration, scholarship and innovation, in a financially sustainable manner.

9 December 2021

Cathal Kelly

Professor Cathal Kelly
Vice Chancellor &
CEO/Registrar

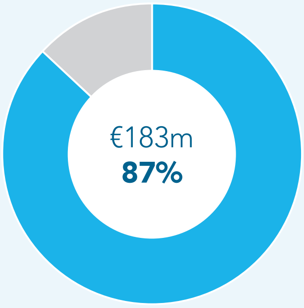
Jennifer Cullinane
Director of Finance

REVENUE AND EXPENDITURE
SUMMARY

REVENUE €211m +5%

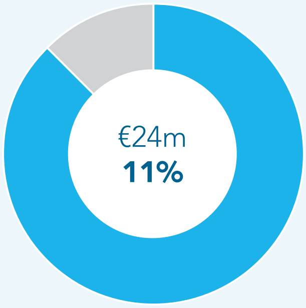
SOURCES OF REVENUE

Education and Training Programmes



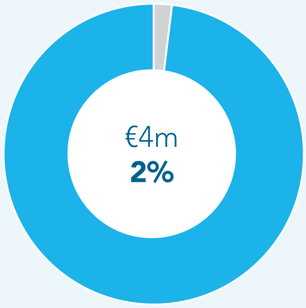
Undergraduate and postgraduate students and professional trainees

Externally Funded Research



Almost 500 active research grants

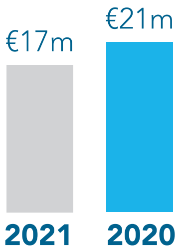
Investment Related



Investment and development portfolio of campus-adjacent properties

NET SURPLUS
€17m 16%

Performance down on prior year with increases in revenue outweighed by increased expenditure primarily as a direct response to COVID-19.



All surpluses generated are reinvested for the furtherance of our education, research and societal objectives

EXPENDITURE €201m +10%

€188m STAFF RELATED AND NON-PAY
Continued investment in the delivery of a world-class education with significant expenditure on safety protocols as a response to COVID-19 and the continued rollout of investment initiatives under the 2018-2022 strategic plan

€2m FINANCING COSTS (NET)
Loan interest costs including debt financing, offset by interest income reflecting current market conditions

€12m DEPRECIATION AND AMORTISATION
Reflects annual write down of recent campus investment and required lease capitalisation (right-of-use)

€8m UNREALISED NON-TRADING SURPLUS (NET)
Reflects year-end remeasurements recognised including currency impacts and investment property and pension scheme revaluations

CASH
SUMMARY

INCREASE IN CASH AND CASH EQUIVALENTS

Increase in Cash and Cash Equivalents balance at year end €27m, consistent with prior year.

Net cash generated 12% of revenue having met debt service and capital expenditure requirements.

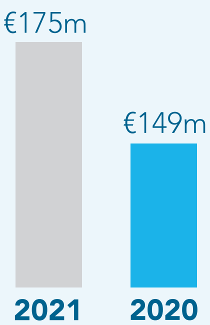
As an independent institution, the annual generation of a cash surplus for reinvestment is a key strategic enabler

The primary cash movements during the year comprise:

» €42m operating cash encompassing revenue, operating costs, and working capital movements,

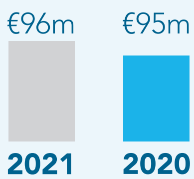
» (€15m) debt servicing, capital and lease expenditure.

Cash reserves and loans provide funding to meet both strategic investment and day-to-day commitments as they fall due.
A net borrowing requirement of €12m exists.



CASH COMMITTED/RINGFENCED

Includes third-party research grants and capital programme reserves which are unavailable for general day-to-day operational expenditure



OPERATING CASH

Cash reserved for liquidity and working capital, including prepaid fees for the upcoming academic year

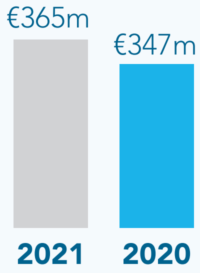
NET BORROWING POSITION

€96m	Operating Cash
(€108m)	Borrowings
(€12m)	NET BORROWINGS

BALANCE SHEET
SUMMARY

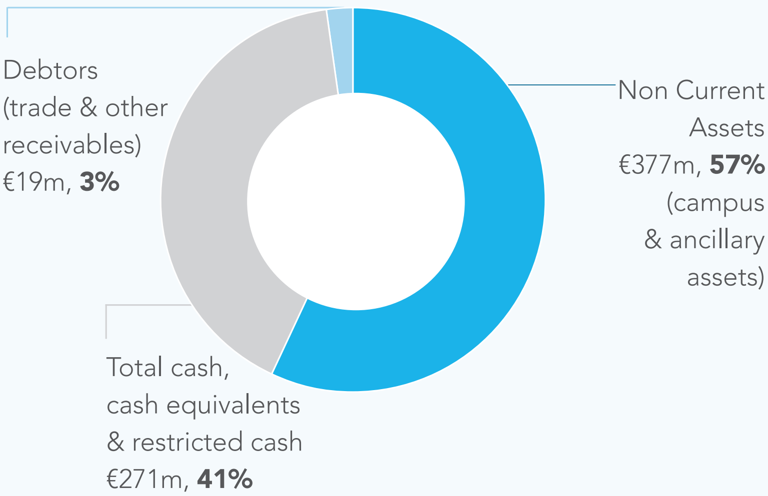
NET ASSET VALUE
€365m ^5%

5% increase in net asset value arising from a strong financial performance and improved pension fund deficit, offset by property revaluations



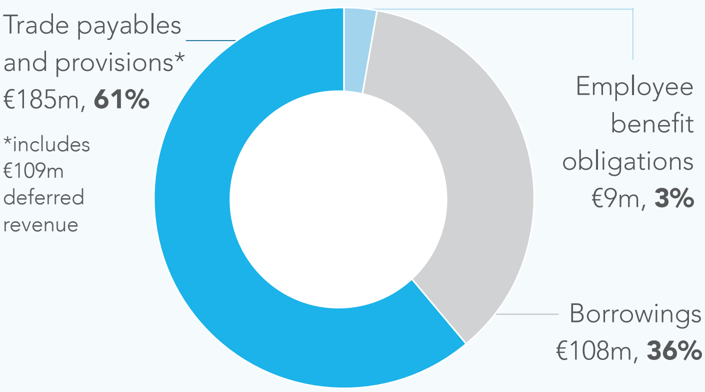
Net asset value is represented by high-quality assets and long-term funding

Total Assets €667m
(increase €17m year-on-year)



- **Campus infrastructure** investment amounted to €7m in the year.
- **Debtor** values continue to be closely monitored given current challenging environment conditions
- **Total cash** includes cash ringfenced for campus development, grant funding received in advance, and cash reserved for liquidity and working capital purposes as outlined on the previous page.

Total Liabilities €302m
(reduction €1m year-on-year)



- **Trade payables and provisions** are up on prior year driven primarily by increased levels of deferred revenue
- **Employee benefit obligations** relate to a defined benefit pension scheme, valued annually by Willis Towers Watson, and reflect conditions at the balance sheet date. Despite the accounting deficit the funding plan remains on track under an agreed 2012 restructure
- **Borrowings** comprise long-term loans with AIB and EIB at competitive cost


RCSI

RCSI

COUNCIL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED
30 SEPTEMBER 2021

CONTENTS

Council Members as at 30 September 2021

Professor P R O'Connell (President)	Professor M Kerin
Professor L Viani (Vice President)	Professor T H Lynch
Mr K Mealy (Past President)	Ms M O Donnell
Mr D Quinlan	Professor C Carroll
Mr J Geraghty	Mr P Kenny
Professor P Burke	Ms B Egan
Mr E Mackle	Professor D McNamara
Professor K Conlon	Mr K Synnott
Mr D Moore	Professor R Cahill
Professor K S Cross	Professor D Healy
Professor H P Redmond	

External Members on Governing Boards as at 30 September 2021

Dr G McMahon	College Advisory Board
Mr R Gammell	College Advisory Board
Professor G Saetar	College Advisory Board
Professor P Broe	College Advisory Board
Mr D Deasy	College Advisory Board and Audit & Risk Committee
Ms A Maher	Chair of RCSI Hospital Group
Professor A Hyland	Promotions Committee and Social and Council Engagement Committee
The Hon. Justice P Kelly	Council
Mr R Ryan	Council and Finance Committee
Ms T Harrington	Finance Committee
Ms K Herbert	Audit & Risk Committee
Mr L Halpenny	Surgery and Postgraduate Faculties Board
Ms A Colley	Surgery and Postgraduate Faculties Board

Medicine and Health Sciences Board as at 30 September 2021

Professor P R O'Connell	President and Chair
Professor L Viani	Vice President
Ms B Egan	Chair of Academic Council
Professor P Burke	Chair of Finance Committee
Professor R Cahill	Council representative
Professor S Cross	Council representative
Professor M Kerin	Council representative
Professor H McGee	Deputy Vice Chancellor for Academic Affairs
Professor S Otoom	President RCSI, Medical University of Bahrain
Professor A Nicholson	Vice President Academic Affairs, RCSI, Medical University of Bahrain
Professor C Kelly	Vice Chancellor & CEO / Registrar
Ms J Cullinane	Director of Finance
Mr B Holmes	Director of Human Resources
Professor M Sherlock	Appointed member of staff
Professor S McDonough	Appointed member of staff
Professor T Robson	Appointed member of staff
Dr H French	Elected staff representative
Professor J Harmey	Elected staff representative
Ms C Behan	Elected staff representative
Ms J Dhawan	Representative of undergraduate students
Ms K J Genoud	Representative of postgraduate students
Professor Y Barnett	Representatives from health service and educational partners
Professor G Higginbottom	Representatives from health service and educational partners
Ms T Boland	Representative of the public interest
Ms C Spillane	Representative of the public interest

COUNCIL AND RCSI EXECUTIVE MEMBERS - continued

Surgery and Postgraduate Faculties Board as at 30 September 2021

Professor P R O'Connell	President
Professor L Viani	Vice President
Professor P Burke	Chair of Finance Committee
Professor D Mc Namara	Chair of Surgical Affairs Committee
Mr K Synnott	Council representative
Professor P Redmond	Council representative
Professor T Lynch	Council representative
Professor C Kelly	Chief Executive Officer
Mr K Ryan	Managing Director of Surgical Affairs
Professor A Leung	Faculty of Dentistry
Dr P Kavanagh	Faculty of Radiologists
Dr P Carolan	Faculty of Sports and Exercise Medicine
Professor M Shannon	Faculty of Nursing & Midwifery
Dr C Bradley	Executive Director, Irish Institute of Pharmacy

Senior Management as at 30 September 2021

Directorate

Professor C Kelly	Vice Chancellor & CEO / Registrar
Professor H McGee	Deputy Vice Chancellor for Academic Affairs
Mr K Ryan	Managing Director of Surgical Affairs
Professor F O'Brien	Deputy Vice Chancellor for Research and Innovation
Ms J Cullinane	Director of Finance
Mr M McGrail	Director of Corporate Strategy
Mr B Holmes	Director of Human Resources
Mr E Friel	Managing Director of Healthcare Management
Ms A Gibbons	Director of Philanthropy
Mr J Ralph	Director of IT and Technology Transformation
Ms A Kelly	Director of International Engagement and External Relations
Professor T Robson	School of Pharmacy and Biomolecular Sciences

Heads of Schools / Executive Director

Professor A Hill	School of Medicine
Professor T Robson	School of Pharmacy and Biomolecular Sciences
Professor S McDonough	School of Physiotherapy
Professor Z Moore	School of Nursing & Midwifery
Professor D O'Connor	School of Postgraduate Studies
Ms S McDonnell	Executive Director, Graduate School of Healthcare Management
Professor R McMurray	Academic Director, Graduate School of Healthcare Management

Faculty Deans

Professor A Leung	Faculty of Dentistry
Dr. P Kavanagh	Faculty of Radiologists
Professor M Shannon	Faculty of Nursing and Midwifery
Dr. P Carolan	Faculty of Sports and Exercise Medicine

Overseas Campuses

Professor S Otoom	President, RCSI Medical University of Bahrain
Mr S Harrison-Mirfield	Chief Operating Officer, RCSI Medical University of Bahrain
Professor A Nicholson	Vice President Academic Affairs, RCSI, Medical University of Bahrain
Professor R Jester	Head of School of Nursing & Midwifery, RCSI Medical University of Bahrain
Professor S Atkins	Head of School of Postgraduate Studies, RCSI Medical University of Bahrain
Professor D Whitford	President and Chief Executive, RUMC, Malaysia
Professor M Larvin	Dean Perdana University, Malaysia

OTHER INFORMATION

Principal Solicitors

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Saint Kevins
Dublin 2
Ireland

William Fry
2 Grand Canal Square
Grand Canal Dock
Dublin 2
Ireland

Vincent & Beatty
67/68 Fitzwilliam Square
Dublin 2
Ireland

Towers & Hamlins
West Tower
Bahrain World Trade Centre
Manama
Kingdom of Bahrain

Principal Bankers

Allied Irish Bank (Ireland)
1-4 Lower Baggot Street
Dublin 2
Ireland

Barclays Bank Ireland
1 Molesworth Street
Dublin 2
Ireland

Ulster Bank Group
George's Quay
Dublin 2
Ireland

Bank of Ireland
39 St Stephens Green
Dublin 2
Ireland

The European Investment Bank
100 blvd Konrad Adenauer
Luxembourg
L-2950 Luxembourg

Ahli United Bank B.S.C. (Bahrain)
PO Box 2424 Retail & Corporate Operations
Manama Road
Kingdom of Bahrain

Group Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

Charity Reference

Charities Regulator Number	20001957
CHY No	1277

REPORT OF THE COUNCIL

The Council present the audited consolidated financial statements for the year ended 30 September 2021.

The Council has responsibility for RCSI's financial affairs, as the governing body of the institution. It delegates certain functions to the Finance and Audit & Risk Committees and greatly values the contribution of external members.

Council and RCSI executive members

The names of all persons who were members of Council, other Governing Boards and RCSI executives at 30 September 2021 are set out on pages 2 to 3.

Background

Founded as the national training body for surgery in Ireland under Royal Charter, RCSI has been at the forefront of healthcare education since its establishment in 1784. Today RCSI is an independent, not-for-profit, international, health sciences university and research institution, offering education and training at undergraduate, postgraduate and professional levels. RCSI is a recognised College of the National University of Ireland (NUI) and its medical programmes are accredited by various bodies including Quality and Qualifications Ireland (QQI) and the Irish Medical Council. In December 2019, RCSI was granted university status as RCSI, University of Medicine and Health Sciences, having in 2010 received designation as a statutory degree awarding body. RCSI has charitable taxation exemption from the Revenue Commissioners, is a registered Charity under the Charities Act 2009, and complies with the principles of the Charities Governance Code.

Principal activities

As a registered charity, RCSI endeavours to further its education and research objectives through its various activities in line with its mission "to lead the world to better health", in a financially sustainable manner.

Although headquartered in Ireland, RCSI's education, training and research activities span the three continents of Europe, Asia and the Middle East, and Africa. RCSI operates three medical schools overseas, one in Bahrain and two in Malaysia (Perdana and Penang), and a range of healthcare management programmes. Postgraduate professional training programmes extend beyond the programmes run in Ireland and include surgical training activities supporting the College of Surgeons East, Central and Southern Africa (COSECSA), in cooperation with Irish Aid. More specifically, in addition to undergraduate courses in medicine, pharmacy and physiotherapy, RCSI offers Doctor of Philosophy (PhD), Doctor of Medicine (MD), Master of Surgery (MCh) and Master of Science (MSc) degrees by research, taught programmes, along with postgraduate training leading to fellowships in the Faculties of Radiologists, Dentistry, Nursing and Midwifery, and Sports and Exercise Medicine. Investment activities provide valuable sources of revenue for the furtherance of RCSI's education and research objectives.

Partnership is a key tenet of RCSI's delivery, encompassing collaborations with other Higher Education Institutions through research studies, various outreach programmes with local communities and academic partners of the RCSI Hospitals Group. RCSI contributes to the building of the reputation of Ireland as an international centre for education as evidenced by its world university rankings, while making a significant contribution to local economies each year. As one of Ireland's largest indigenous services exporters, RCSI employs over 1,200 people in the country. We estimate that close to 2,000 additional indirect jobs across the Irish economy are supported through the expenditure of our staff and students.

RCSI does not anticipate any major changes in the nature of its activities in the future.

Scope of the financial statements

The financial statements consolidate the results of the Royal College of Surgeons in Ireland (the "Group", "RCSI") and its wholly owned subsidiaries. The financial statements as set out on pages 12 to 56 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), as adopted by the European Union (EU). The Statements of Recommended Practice (SORPs) have been applied where appropriate in order to provide additional clarification, explanation and interpretation to IFRS and for the purpose of the disclosure of enhanced information. The measures taken by the Council to secure compliance with RCSI's obligation to keep adequate accounting records include the employment of competent persons and the use of appropriate systems and procedures. The accounting records are maintained at the Royal College of Surgeons in Ireland, St. Stephen's Green, Dublin 2, Ireland.

REPORT OF THE COUNCIL

Financial Management
RCSI operates primarily a self-funding model with in the region of 14% of revenue derived from public sources. In line with its charitable remit, all surpluses earned are reinvested for the furtherance of its education and research objectives. There is a strong focus on generating annually a positive cash flow to ensure commitments in terms of current and capital requirements can be met. These include day-to-day operations of working capital needs, debt servicing and campus infrastructure investment. Significant capital expenditure projects are funded through an appropriate balance of debt and reserves. Reserves are maintained to provide for continued investment to ensure the relevance of RCSI's market offering and to enable responsiveness to general environmental volatilities.

Overall the financial strategy adopted for the organisation is to ensure robust financial stewardship, to both underpin the sustainability of its operations and realise its mission, recognising an increasingly competitive market place.

Review of the year to 30 September 2021
RCSI's financial performance for the year was strong and in line with approved plans, including bank covenant requirements, despite operating in a global pandemic environment.

Consolidated Statement of Income and Expenditure
The RCSI Consolidated Statement of Income and Expenditure for the year to 30 September 2021 is set out on page 12.

Overall a strong net surplus is reported for the financial year 2020/21. Group revenue of €211m has grown 5% on 2019/20 primarily due to strong growth in education programmes that are core to the organisation and increased external research activity.

Total operating costs of €200m, including depreciation, increased by 10% year on year. Significant expenditure was incurred as a direct response to COVID-19, to ensure the safety of our students and staff as we successfully delivered the 2020/21 academic year. RCSI also continued the rollout of the investment initiatives under the strategic plan despite the challenges faced.

Net financing costs were lower in the year, realising the benefit of the 2020 loan refinancing and lower deposit interest earned.

Consolidated Statement of Cash Flows
Overall having met commitments relating to debt servicing, capital expenditure plans and working capital movements, a cash increase of €27m, equivalent to 12% of revenue, was generated in the year. The net cash position improved in the year with an excess of cash over debt.

Consolidated Balance Sheet
The net asset value of the organisation increased by 5% to €365m, broadly arising from strong financial performance, improved pension deficit. The capital programme in the year amounted to €7m in respect of the digital transformation programme and campus infrastructure investments.

RCSI has a number of investments through subsidiary structures in support of its mission. In Ireland these include a property management services company (West Green Management Company Ltd) and a travel company (RCSI Travel DAC) to support the delivery of programmes overseas. RCSI operates a medical university in Bahrain, and a joint venture with University College Dublin in Malaysia (formerly known as Penang Medical College).

Environmental matters, health and safety of employees
RCSI will seek to minimise any adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. RCSI has complied with all applicable legislation and regulations. The institution is committed to responsible investment principles and has signed up to the United Nations Principles of Responsible Investing as it progresses its sustainable development (SDG) goals. RCSI applies ethical considerations when making investments including not investing in fossil fuels, tobacco or armaments and this commitment is also adopted by RCSI pension schemes also. The wellbeing of RCSI's employees is safeguarded through strict adherence to health and safety standards including health and safety regulations. In compliance with the Public Health (Tobacco) Act 2002 and the Public Health (Tobacco) (Amendment) Act 2004 and 2009, RCSI is a smoke free campus.

REPORT OF THE COUNCIL

Post Balance Sheet events
There are no events since the year-end that would impact the financial statements.

Principal risks and uncertainties facing the RCSI
The Council has ultimate responsibility for ensuring that RCSI has appropriate systems of control in place. A formal risk management and internal control framework is in place which is designed to identify, manage and mitigate risks that are potentially material to the RCSI operations. The risks are categorised across four groupings of strategic, financial, legal and operational. The key risk themes cover ensuring programme quality, regulatory compliance, business continuity and financial sustainability. The risks are considered regularly by the senior management team, Audit & Risk Committee and Council. Financial risks are set out in note 22 on pages 42 to 47. COVID-19 continues to be the principal risk facing RCSI.

During the 2020/21 academic year RCSI successfully delivered socially distanced education and graduated the class of 2021, in line with pandemic safety protocols, building an operating model to address the challenging environment conditions. RCSI continues to invest in the 3 pillars of its strategy 2018-22; education, research and society, with a singular focus on its contribution to health. The Council have assessed the ability of RCSI to continue as a Going Concern and are satisfied there are sufficient resources within the Group to enable it to meet its liabilities as they fall due for the foreseeable future, including any additional liabilities arising as a direct result of COVID-19 (note 1).

Political donations and political expenditure
RCSI did not make any political donations during the year.

Future developments
It is the intention of Council to continue to develop the existing activities of RCSI as it invests in the institution's post COVID- future, having successfully managed the acute phase of the pandemic in line with safety protocols.

Conclusion
Overall, despite the ongoing global pandemic, RCSI's financial performance was delivered in line with approved plans and agreed bank covenant requirements. As RCSI enters a third academic year operating in a COVID-19 environment, Council is satisfied that measures are in place to ensure the continued safety of students and staff. RCSI is proud of the role that clinicians and researchers play in the global search to counter the effects of COVID-19 and remain mindful now more than ever of the need for healthcare leaders. We acknowledge the significant efforts of all RCSI staff, our Council and external Board members for their collaborative engagement and commitment, to enable RCSI to continue to deliver on its mission of "leading the world to better health".

Risk Theme	Mitigation Measures	Assessment Measures
Delivery of RCSI mission	Continued focus and investment to ensure business continuity, reputation enhancement and a competitive proposition in a dynamic market under pandemic conditions	• Socially distanced education in line with safety protocols • Times Higher Education World University Rankings • Student programme applications • Graduate first employment • Programme & institutional accreditations • Strategic investment in curriculum innovation • Talent management and manpower planning
Finance & Governance	Robust governance and financial stewardship including compliance	• Strong control environment • Multi-year planning framework including COVID-19 conditions • Long term funding and covenant compliance • Horizon scanning of international trends including regulation and policy changes

REPORT OF THE COUNCIL

Auditors
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office.

On behalf of the Council

Professor P R O'Connell
President

David Moore
Chairman of the Audit & Risk Committee

STATEMENT OF THE COUNCIL'S RESPONSIBILITIES

The Council are responsible for preparing the report of Council and the financial statements which give a true and fair view of RCSI's assets, liabilities and financial position as at the end of the financial year and of the surplus or deficit of RCSI for the financial year. The Council have elected to prepare the financial statements in accordance with IFRS accounting standards issued by the IASB, as adopted by the EU.

The Council shall not approve the financial statements unless they are satisfied that they give a true and fair view of RCSI's assets, liabilities, financial position and cashflows as at the end of the financial year and the surplus or deficit of RCSI for the financial year.

In preparing these financial statements, the Council are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that RCSI will continue in business.

The Council are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of RCSI;
- enable, at any time, the assets, liabilities, financial position and surplus or deficit of RCSI to be determined with reasonable accuracy; and
- enable those financial statements to be audited.

The Council is also responsible for safeguarding the assets of RCSI and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Council

P. Ronan O'Connell

Professor P R O'Connell
President

David Moore

David Moore
Chairman of the Audit & Risk Committee

Independent auditors' report to the Council members of Royal College of Surgeons in Ireland

Report on the audit of the financial statements

Opinion

In our opinion, Royal College of Surgeons in Ireland's group financial statements (the "financial statements"):

- give a true and fair view of the group's assets, liabilities and financial position as at 30 September 2021 and of its surplus and cash flows for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

We have audited the financial statements which comprise:

- the consolidated balance sheet as at 30 September 2021;
- the consolidated statement of income and expenditure for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in total reserves for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)"). Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Council members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Council with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Report of Council other than the financial statements and our auditors' report thereon. The Council members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the Council members for the financial statements

As explained more fully in the Statement of the Council's Responsibilities set out on page 9, the Council members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The Council members are also responsible for such internal control as they 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 Council members are responsible for assessing the group'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 Council members either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 auditors' 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 (Ireland) 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Council members as a body for management purposes in accordance with our engagement letter dated 26 October 2021 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the [company], save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Dublin
10 December 2021

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE
Financial Year Ended 30 September 2021

	Notes	2021 €'000	2020 €'000
Revenue			
Education and training programmes	3	182,208	174,130
Externally funded research	3	24,955	23,104
Investment	3	3,641	3,739
Total income		210,804	200,973
Expenditure			
Staff related costs	4	(114,382)	(108,067)
Non pay costs	4	(72,688)	(57,820)
Depreciation and amortisation	4	(12,482)	(14,917)
Foreign exchange on intercompany loan gain/(loss)	4	41	(1,573)
Non-trading losses	4	(2,008)	(5,195)
Total operating costs		(201,519)	(187,572)
Operating surplus before interest, joint venture and taxation		9,285	13,401
Finance income	7	244	431
Finance costs	7	(1,943)	(2,289)
Other financial expense	7	(172)	(240)
Net financing cost		(1,871)	(2,098)
Surplus for the financial year before joint venture and taxation		7,414	11,303
Share of operating surplus of joint venture	8	515	250
Surplus for the financial year before taxation		7,929	11,553
Taxation charge	9	-	-
Surplus for the financial year		7,929	11,553

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Financial Year Ended 30 September 2021

	Note	2021 €'000	2020 €'000
Surplus for the financial year		7,929	11,553
Other comprehensive income			
Foreign exchange gain/(loss) on joint venture & foreign subsidiary		271	(1,267)
Gain on revaluation of other investments		281	157
Actuarial gain in respect of pension scheme	25	8,902	10,139
Total comprehensive income relating to the year		17,383	20,582

CONSOLIDATED BALANCE SHEET
As at 30 September 2021

	Notes	2021 €'000	2020 €'000
ASSETS			
Non-current assets			
Property and equipment	10	266,608	270,068
Right-of-use assets	10	5,152	11,576
Heritage assets	11	3,857	3,898
Investment property	12	86,255	87,096
Intangible assets	13	9,387	10,485
Financial assets – available for sale investments	14	2,022	2,958
Financial assets – investments in joint ventures	15	3,642	3,007
		376,923	389,088
Current assets			
Trade and other receivables	16	18,890	16,575
Cash and cash equivalents	17	267,078	239,986
Restricted cash	17	4,012	4,439
		289,980	261,000
Total assets		666,903	650,088
LIABILITIES			
Non-current liabilities			
Other non-current payables	18	(22,761)	(30,571)
Provisions	19	(26,649)	(16,448)
Borrowings	20	(103,028)	(108,490)
Employee benefit obligations	25	(8,995)	(18,760)
	18	(161,433)	(174,269)
Current liabilities			
Borrowings	20	(5,461)	(5,427)
Trade and other payables	21	(135,252)	(123,018)
	21	(140,713)	(128,445)
Total liabilities		(302,146)	(302,714)
Total net assets		**364,757**	**347,374**
EQUITY			
Restricted reserves			
Income and expenditure - restricted	26	49,520	33,354
Unrestricted reserves			
Income and expenditure - designated	26	577	624
Income and expenditure - general		314,660	313,396
Total equity		**364,757**	**347,374**

On behalf of the Council

Professor P R O'Connell
President

David Moore
Chairman of the Audit & Risk Committee

CONSOLIDATED STATEMENT OF CASH FLOWS
Financial Year Ended 30 September 2021

	Notes	2021 €'000	2020 €'000
Operating activities			
Cash inflow from operating activities	23(a)	42,400	43,740
Returns on investment and servicing of finance			
Interest paid		(1,943)	(2,289)
Interest received		244	431
Other financial expense		(172)	(240)
Net cash outflow from investments and servicing of finance		(1,871)	(2,098)
Investing activities			
Movement in restricted cash		427	16,353
Payments to acquire tangible fixed assets		(6,896)	(8,994)
Payments to acquire investment property		-	(1,262)
Proceeds on sale of financial asset		-	6,518
Net cash outflow from investing activities		(6,469)	12,615
Financing activities			
Net movement in borrowings		(5,427)	(25,306)
Transactions with joint venture		-	140
Principal payments of lease liabilities		(1,541)	(1,680)
Net cash outflow from financing activities		(6,969)	(26,846)
Increase in cash and cash equivalents in the year		27,092	27,411
Reconciliation of net cash flow to movement in net cash			
Increase in cash and cash equivalents in the year		27,092	27,411
Decrease in restricted cash		(427)	(16,353)
Movement in total cash		**26,665**	**11,058**
Cash flow from movement in borrowings		5,427	25,306
Movement in net cash in the year		32,092	36,364
Net cash at beginning of year		130,508	94,144
Net cash at end of year	23(c)	162,600	130,508

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL RESERVES
Financial Year Ended 30 September 2021

	Retained earnings €'000	Foreign operations exchange reserves €'000	Total revenue reserves €'000
Opening balance sheet at 1 October 2020	348,616	(1,242)	347,374
Surplus for the year	7,929	-	7,929
Gain on revaluation of other investments	281	-	281
Actuarial gain on pension scheme	8,902	-	8,902
Unrealised loss on revaluation of joint venture	-	(3)	(3)
Unrealised gain on retranslation of foreign subsidiary	-	578	578
Other foreign operations exchange reserves movement	-	(304)	(304)
Closing balance as at 30 September 2021	**365,728**	**(971)**	**364,757**
Opening balance sheet at 1 October 2019	326,497	25	326,522
Adoption of IFRS 16 as at 1 October 2019	270	-	270
Opening balance sheet at 1 October 2019 as adjusted	326,767	25	326,792
Surplus for the year	11,553	-	11,553
Gain on revaluation of other investments	157	-	157
Actuarial gain on pension scheme	10,139	-	10,139
Unrealised loss on revaluation of joint venture	-	(188)	(188)
Unrealised gain on retranslation of foreign subsidiary	-	641	641
Other foreign operations exchange reserves movement	-	(1,720)	(1,720)
Closing balance as at 30 September 2020	**348,616**	**(1,242)**	**347,374**

INDEX FOR NOTES TO THE FINANCIAL STATEMENTS

Accounting Policies under Note 1

Note 2

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

(a) Basis of preparation

The consolidated financial statements of the Royal College of Surgeons (RCSI) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Statements of Recommended Practice (SORPs), "The Charities SORP" and "The Further & Higher Education SORP" have been applied where appropriate in order to provide additional clarification, explanation and interpretation to IFRS and for purposes of the disclosure of enhanced information.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of fixed assets, available for sale financial assets, and financial assets and financial liabilities at their fair value.

The accounting policies set out below have been applied consistently to all the years presented in the consolidated financial statements.

The financial year end of all RCSI undertakings is 30 September 2021, with the exception of Penang Medical College Sdn. Bhd. which has a year end of 30 June 2021. A review of transactions in the intervening period is carried out to ensure that there are no material post Balance Sheet events which should be adjusted for in the financial statements of RCSI.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires RCSI to exercise its judgement in the process of applying RCSI accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

(b) Going concern

The financial statements have been prepared on a going concern basis. The Consolidated Balance Sheet on page 13 indicates a total equity position of €365m (2020: €347m). RCSI have managed what it believes to be the acute phase of the pandemic through strong collaboration and significant investment in safety measures. While uncertainties from the global pandemic remain, RCSI is satisfied that sufficient resources are available, under a number of key assumptions, to enable it to meet its liabilities as they fall due for the foreseeable future, as well as any additional unforeseen liabilities arising as a direct result of COVID-19. RCSI's financial planning projections, under a number of key assumptions, demonstrate its capacity to adequately manage the effects of the pandemic, while taking account of bank covenant requirements. We believe that RCSI will be capable of continuing to operate as a going concern over the next 12 months.

RCSI is committed to safely delivering high quality education programmes while recognising the need to continue to invest in its post-COVID future. RCSI regularly engages with its lending banks, AIB PLC and the European Investment Bank, keeping them appraised of actions undertaken and the associated costs of delivering a socially distanced education programme and safe environment for students and staff. The Council is satisfied that the existing bank facilities are sufficient to fund the working capital requirements of RCSI and to provide funding for the ongoing investments in education and research. All agreed banking covenants are targeted to be met. In 2019 RCSI secured loan funding from the European Investment Bank of €40m for a campus development project. This facility remains undrawn at year end.

(c) Changes in accounting policy

New standards, amendments and interpretations effective from 1 October 2020

The new / revised IFRSs, amendments and interpretations, which became effective on or after 1 January 2020, are relevant to the Group:

(i) Amendments to References to Conceptual Framework in IFRS Standards:

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2020. The adoption of this amendment had no significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

(ii) Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. The adoption of this amendment had no significant impact on the financial statements.

<u>New standards, amendments and interpretations issued but not yet effective</u>

Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional 'right to defer' settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. This assessment may require management to exercise judgement.
Further, 'a right to defer' exists only if the Company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. This new requirement may change how companies classify rollover facilities, with some becoming non-current.

The amendments state that settlement of a liability includes transferring a Company's own equity instruments to the counterparty. When classifying liabilities as current or non-current a Company can ignore only those conversion options that are recognized as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the Company's own equity instruments – e.g. convertible debt.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Company does not expect a significant impact on its financial statements.

(d) Consolidation

Subsidiaries
Subsidiaries are all entities over which RCSI has control. RCSI controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. There were no subsidiary acquisitions, disposals or changes of control during the current year or prior year.

Inter-company transactions, balances and unrealised gains on transactions between RCSI's entities are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to RCSI accounting policies.

Joint arrangements
RCSI applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. RCSI has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for using the equity method.
Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise RCSI's share of the post-acquisition profits or losses and movements in Other Comprehensive Income. When RCSI's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

long-term interests that, in substance, form part of the RCSI net investment in the joint ventures), RCSI does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between RCSI and its joint ventures are eliminated to the extent of RCSI's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by RCSI.

(e) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Euro' (€), which is the Group presentation currency. These are presented in thousands denoted as €'000.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income and Expenditure. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Income and Expenditure within 'finance income or costs'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the Statement of Income and Expenditure, and other changes in carrying amount are recognised in Other Comprehensive Income.

Subsidiaries and joint arrangements

The results and financial position of all the Group entities and joint arrangements (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet;
(ii) revenue and expenses for each Statement of Income and Expenditure are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case revenue and expenses are translated at the rate on the dates of the transactions); and
(iii) all resulting exchange differences are recognised in the Statement of Other Comprehensive Income.

(f) Revenue

Revenue from contracts with customers is recognised when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognised over time if one of the following criteria is met:

(i) the customer simultaneously receives and consumes the benefits as RCSI performs its obligations;
(ii) RCSI's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(iii) RCSI's performance does not create an asset with an alternative use to RCSI and RCSI has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point in time.

The following specific recognition criteria must also be met before revenue is recognised:

Student fee revenue

All educational services provided to students are deemed to be one single performance obligation. Revenue is recognised over time as the benefits of those services are consumed over the academic year.

Registration fee revenue is recognised at a point in time on completion of the registration process.

Externally funded income

Recurrent grants from the Higher Education Authority or other funding bodies are recognised in line with the associated expenditure incurred on a grant by grant basis, in line with the performance obligations set out in the specific grant agreement.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

Non-recurrent grants from the Higher Education Authority or other funding bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants amortised in line with depreciation over the life of the related assets. Revenue from research grants, contracts and other services rendered is included to the extent of the performance obligation of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Grant revenue is initially deferred until the performance obligations are met.

Travel agency services
RCSI also sells travel services to various external parties. Revenue is recognised immediately if it is non-refundable. For revenue from contracts that are refundable, recognition takes place as the travel, that is, the performance obligation on which the revenue is earned, takes place.

Training courses
Revenue from training courses is recognised at a point in time. The performance obligation associated with training courses is the deliverance of the course and revenue is recognised once the course has been delivered. Until this time, any revenue received for training courses is deferred.

Medical Practice
Medical Practice revenue is recognised when the medical consultation is delivered.

Donations and fundraising income
Donations are recognised on a cash receipts basis. Donations which are designated for a particular use are treated as restricted funds. Where donations are received with specific performance obligations, those donations are held in deferred revenue and released to the Statement of Income and Expenditure over the course of the performance of those obligations. Where donations are received with no such obligations, the amounts are recognised in the Statement of Income and Expenditure immediately.

Interest income
Interest income is recognised using the effective interest method. All revenue from short term deposits is credited to the Statement of Income and Expenditure in the year in which it is earned.

(g) Exceptional items
With respect to exceptional items, RCSI has applied a Statement of Income and Expenditure which highlights significant items within RCSI's results for the year. Such items may include restructuring costs, impairment of assets, and profit and loss on disposal of tangible assets and investments. RCSI exercises judgement in assessing the particular items which, by virtue of their scale and nature, should be disclosed in the Statement of Income and Expenditure and related notes as exceptional items. RCSI believes that such a presentation provides a more meaningful analysis as it highlights material items of a non-recurring nature.

(h) Taxation
Current tax
RCSI, as a registered charity, is not liable to corporation tax. Subsidiaries of RCSI registered in Ireland are liable to tax under the Irish Tax Acts. Foreign subsidiaries and joint ventures may be subject to tax in their countries of residence/incorporation and any such liability is included in the Statement of Income and Expenditure as appropriate.

Tax comprises current and deferred tax. Tax is recognised in the Statement of Income and Expenditure, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity.

Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the Balance Sheet date in the countries where RCSI and its subsidiaries operate and generate taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax
Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Balance Sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred Tax - Subsidiaries and Joint Ventures

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by RCSI and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred Tax - Offset

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred tax assets and liabilities, and they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(i) Property and equipment

Owned assets

Items of property and equipment, excluding laptop computers which are distributed to students, are stated at cost less accumulated depreciation and impairment allowances, if any. Cost includes all costs directly attributable to bringing the assets to their present location and condition for their intended use. This includes assets under construction which are reviewed on an ongoing basis for any indicators of impairment. Assets under construction are not depreciated until they are available for use.

The cost of laptops distributed to students is recognised in the Statement of Income and Expenditure in the year the student commences their course.

Subsequent measurement

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the Statement of Income and Expenditure as an expense as incurred.

Depreciation

Depreciation is charged to the Statement of Income and Expenditure at annual rates which are intended to write off the cost of property and equipment, other than those under construction, over their estimated useful lives as follows:

Rate per annum	
Buildings	1-10% straight line
Minor Building Projects	1-10% straight line
Furniture and Equipment	10% straight line
IT hardware/software	20%-33.33% straight line
Motor vehicles	20% reducing balance

The rate of depreciation for research grant funded equipment is the lesser of 10% straight line per annum or the remaining term of the grant awarded.

When an asset is sold or otherwise retired, the cost and related accumulated depreciation are removed and any resultant gain or loss is taken to the Statement of Income and Expenditure.

The residual values and useful lives of assets are reviewed and revised, if appropriate, at each Balance Sheet date.

(j) Operating Leases

IFRS 16, “Leases” specifies how an entity will recognise, measure, present and disclose leases. Under IFRS 16, a right-of-use asset and a lease liability is recognised on the balance sheet. RCSI adopted IFRS 16 ‘Leases’ using the modified retrospective approach. RCSI depreciates right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life or the end of the lease term. The carrying amounts of right-of-use assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount. Subsequent to the initial measurement, the liability will be reduced for payments made and increased for the interest applied and it is re-measured to reflect any reassessment or contract modifications. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset or in the Consolidated Statement of Income and Expenditure if the right-of-use asset is already reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

(k) Heritage assets

RCSI has heritage assets that are tangible assets with historic and artistic qualities that are held and maintained principally for their contribution to culture. RCSI recognised these at deemed cost on the date of transition to IFRS. Depreciation was applied from 1 October 2014. The rate of depreciation is calculated over one hundred years.

Heritage assets are recognised separately as fixed assets in the Balance Sheet and depreciation on these assets is recognised in the Statement of Income and Expenditure for the period in which the expense is incurred.

The policy for the acquisition, preservation, management and disposal of heritage assets (including a description of the records maintained by RCSI of its collection of heritage assets and information on the extent to which access to the assets is permitted) is maintained by RCSI. It is RCSI policy to revalue Heritage Assets every three years.

(l) Investment properties

Investment properties are independently valued every year. Investment properties are measured at fair value and realised and unrealised gains/(losses) are recognised in the Statement of Income and Expenditure.

(m) Intangible assets

Patents, trademarks and licenses

Patents and trademarks arising on the registration of the Group name are amortised over its useful economic life of ten years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years. Licences arising on the rights of access are amortised over the useful economic life of the asset which is estimated to be twenty five years for the Waterford Regional Hospital agreement and ten years for the Kilkenny General Hospital agreement.

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by RCSI are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development, employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

(n) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not yet ready to use are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

(o) Trade and other receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised when RCSI satisfies the performance obligations of the specific contract and are assessed for impairment at the time of recognition.

(p) Cash and cash equivalents
Cash and cash equivalents comprise cash balances held for the purpose of meeting short term cash commitments. It includes cash in hand and deposits held at call with banks. Restricted cash refers to those amounts that are required to be held as separate funds under contractual agreements.

(q) Creditors and Accruals
Trade payables and accruals are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(r) Capital grants
Capital grants are treated as deferred credits in the Balance Sheet and are credited to the Statement of Income and Expenditure on the same basis as the tangible assets are depreciated.

(s) Provisions
Provisions for operational costs, contractual obligations including legal claims are recognised when RCSI has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

(t) Bank loans and overdrafts
Bank loans and overdrafts are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Income and Expenditure over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are recognised in the Statement of Income and Expenditure.

(u) Financial instruments
RCSI's financial instruments comprise non-current financial assets, trade and other receivables, cash and cash equivalents, borrowings and trade and other payables.

Financial Assets
Financial assets are initially measured at fair value plus transaction costs except for those classified as Fair Value through Statement of Income and Expenditure (FVIE), which are initially measured at fair value.

Financial assets are initially recognised when RCSI becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

Classification of financial assets
RCSI classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through the Consolidated Statement of Other Comprehensive Income (OCI) or through the Statement of Income and Expenditure); and
- those to be measured at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVIE:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Business model assessment:
RCSI makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to RCSI's management;
- the risks that affect the performance of the business model and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVIE.

At each reporting date, RCSI assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the restructuring of a trade receivable by RCSI on terms that RCSI would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Fair value hierarchy levels
Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by RCSI is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques, which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Impairment of financial assets is recognised in the Statement of Income and Expenditure.

Assets classified as available for sale
RCSI assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit, is removed from equity and recognised in surplus or deficit. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Income and Expenditure, the impairment loss is reversed through the Statement of Income or Expenditure.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Statement of Income and Expenditure, is removed from equity and recognised in surplus or deficit. Impairment losses recognised in the Statement of Income and Expenditure on equity instruments are not reversed through the Statement of Income and Expenditure.

RCSI derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which RCSI neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any gain or loss on derecognition is shown in the Statement of Income and Expenditure.

Trade and other receivables
Trade receivables are initially recognised when they meet the specific performance criteria under IFRS 15.

A trade receivable without a significant financing component is initially measured at the transaction price.

Trade receivables, are subject to IFRS 9's expected credit loss model (ECL). The simplified approach to providing for expected credit losses has been applied to trade receivables, which requires the use of the lifetime expected loss provision.

Lifetime ECLs are those that result from all possible default events over the expected life of the financial instrument. 12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which RCSI is exposed to credit risk.

RCSI uses an allowance matrix to measure the ECLs of trade receivables from individual customers.

Loss rates are calculated using a 'roll rate (Net-flow)' method based on the probability of a receivable progressing through successive stages of delinquency to the loss bucket. Recovery from the loss bucket is also considered for computing the historical loss rates. Roll rates are calculated separately for exposures in different segments based on the customer's common credit risk characteristics.
Loss rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and RCSI's view of economic conditions over the expected lives of the receivables. The forward looking adjustment of the loss rates is based on a qualitative score card which factors management's view on the future economic and business conditions.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, RCSI considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on RCSI's historical experience and informed credit assessment including forward looking information.

RCSI considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to RCSI in full, without recourse by RCSI to actions such as realising security (if any is held); or
- trade receivables are more than 365 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which RCSI is exposed to credit risk

Cash and cash equivalents, bank loans and overdrafts
Cash and cash equivalents includes cash in hand and deposits held at call with banks.

Bank loans and overdrafts are recognised initially at fair value, net of transaction costs incurred.

RCSI assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

For bank, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Income and Expenditure. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, RCSI may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Statement of Income and Expenditure.

Impairment on bank balances has been measured on a 12 month expected loss basis and reflects the short maturities of the exposures. RCSI considers that its bank balances have low credit risk based on the external credit ratings of the counterparties. Loss allowances on bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured at 12 month ECLs ("General approach").

Trade and other payables

Financial liabilities are classified as measured at amortised cost. A financial liability is classified as at FVIE if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVIE are measured at fair value and net gains and losses, including any interest expense, are recognised in the Statement of Income and Expenditure. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the Statement of Income and Expenditure.

RCSI derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. RCSI also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the Statement of Income and Expenditure.

(v) Employee benefit obligations

Pension obligations

RCSI operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Defined Contribution Plans

A defined contribution plan is a pension plan that RCSI pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. RCSI has no further legal or constructive obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined Benefit Plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the Statement of Income and Expenditure in employee benefit expense, except where included in the cost of an asset, reflects the

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of Income and Expenditure.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in Other Comprehensive Income in the period in which they arise.

Termination benefits

Termination benefits are payable when employment is terminated by RCSI before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. RCSI recognises termination benefits at the earlier of the following dates: (a) when it can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Performance related pay

RCSI recognises a liability and an expense for performance related pay, based on a formula that takes into consideration the surplus attributable to RCSI.

RCSI recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(w) Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves represent amounts received through restricted income funds, endowments or those funds with donor conditions attached to them. Unrestricted funds represent designated or general funds. Designated funds are those funds which RCSI has set aside for a specific purpose. General funds are those remaining funds which do not fall under the classification of restricted reserves or designated unrestricted funds.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires RCSI to exercise its judgement in the process of applying RCSI accounting policies. The Council exercises judgement in applying RCSI's accounting policies and as a not-for-profit institution adopts a cautious approach.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Impairment of receivables
The Council make an assessment at the end of each financial year of whether there is objective evidence that a trade receivable or other receivable is impaired. When assessing impairment of trade and other receivables, the Council consider factors including the current credit rating of the trade receivables, the age profile of outstanding invoices, recent correspondence, trading activity and historical experience of cash collections from the trade receivable. See note 22 for the net carrying amount of the receivables and the impairment loss recognised in the financial year.

Useful economic lives of property and equipment
The annual depreciation on property and equipment, the useful economic lives and residual values are reviewed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property, plant and equipment and the accounting policies for the useful economic lives for each class of property, plant and equipment.

Provisions
The amount recognised for each provision is Council's best estimate of the expenditure to be incurred. Provisions are measured at each Balance Sheet date based on the contractual obligation and best estimate of the expected settlement amount.

Measurement of defined benefit obligations
The cost of defined benefit pension plans and the present value of pension obligations are determined using actuarial valuations. These valuations involve making various assumptions that may differ significantly from actual developments in the future. The assumptions include determination of appropriate discount rates, future salary increases, inflation, mortality rates and future pension increases. Due to the complex nature of the valuations RCSI employs an international network of professional actuaries to perform these valuations. The critical assumptions and estimates applied along with a sensitivity analysis are provided in the employee benefit obligations note 25.

Income taxes
Provisions for taxes require judgement and estimation in interpreting tax legislation, current case law and the uncertain outcomes of tax audits and appeals. Where the final outcome of these matters differs from the amounts recognised, differences will impact the tax provisions once the outcome is known. In addition, RCSI recognise deferred tax assets, mainly relating to unused tax losses, only when it is probable that the assets will be recovered through future profitability and tax planning. The assessment of recoverability involves judgement. Further information is contained in the income tax credit note 9.

Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using RCSI's judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each Balance Sheet date. Fair value disclosures are set out in the financial instruments note 22.

Joint Venture
RCSI's joint arrangement is structured as a limited company and provides RCSI and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement is classified as a joint venture.

Investment property
Investment property is independently valued on an annual basis and measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Revenue

	2021 €'000	2020 €'000
Education and training programmes	182,208	174,130
Externally funded grant research	24,955	23,104
Investments	3,641	3,739
	210,804	200,973

Revenue by geographic location:

	2021 €'000	2020 €'000
Europe	168,107	154,685
Middle East, Asia and Other	42,697	46,288
	210,804	200,973

Revenue from education and training programmes includes tuition fees from undergraduate, postgraduate and professional training programmes. The investment revenue mainly relates to rental agreements.

Revenue received from Irish State bodies was €30m (*2020: €30m*) as listed below, comprising 14% of total revenue in the year. Revenue received from Irish Aid relates to the RCSI and the College of Surgeons in East, Central and Southern Africa (COSECSA) Collaboration Programme. During the year Irish Aid gave a grant of €500k for the COSECSA Collaboration Programme. This grant is recognised as revenue in the Statements of Income and Expenditure as salary related and non-pay expenditure is incurred. The excess of Irish Aid monies received over expenditure is included in deferred grant income at the balance sheet date. Revenue relating to grants is recognised in the Statement of Income and Expenditure once RCSI has met the performance obligations set out in the specific grant agreement.

	2021 €'000	2020 €'000
Health Service Executive	11,337	10,864
Higher Education Authority	3,299	4,785
Department of Health	600	600
Irish Aid	333	349
	15,569	16,598
Research grants received from Irish State bodies (note 27)	14,034	12,919
	29,603	29,517

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Operating costs

	2021 €'000	2020 €'000
Total operating costs include:		
Staff related costs	(114,382)	(108,067)
Non Pay Costs	(72,688)	(57,820)
Total staff related and non pay costs	187,070	165,887
Total staff related and non pay costs by function:		
(i) Education & Training	(90,713)	(85,501)
(ii) Student support	(20,663)	(18,596)
(iii) Estate management	(12,739)	(10,960)
(iv) Running the University	(17,880)	(16,284)
(v) Research expenditure	(45,075)	(34,546)
Total staff related and non pay costs	(187,070)	(165,887)
Depreciation and amortisation	(12,482)	(14,917)
Unrealised foreign exchange movements on intercompany loan	41	(1,573)
Non-trading (losses)/gains		
Reduction in valuation of investment property	(2,008)	(5,226)
Gain on revaluation of heritage assets	-	12
Profit on disposal of financial asset	-	25
Loss on disposal	-	(6)
Total non-trading losses:	(2,008)	(5,195)
Total operating costs and other revenue	(201,519)	(187,572)

(i) Education & training services includes delivery and support of student teaching and learning, including library expenditure.
(ii) Student support includes all student support services, counselling, health, career advice and IT.
(iii) Estates management includes costs of maintaining and running University buildings, teaching spaces and student support premises.
(iv) Running the University costs include those costs arising from governance, regulatory and professional services functions.
(v) Research expenditure reflects investment in research

RCSI and the College of Surgeons in East, Central and Southern Africa (COSECSA) Collaboration Programme
Included in the above operating costs are €333k (2020: €349k) of salary and non-pay related spend incurred on the RCSI and the College of Surgeons in East, Central and Southern Africa (COSECSA) Collaboration Programme as funded by Irish Aid. An unspent balance of €314k is included under deferred income at 30 September 2021 *(2020: €175k).*

The total grant request from Irish Aid for the 2021-2024 period is €2m, to be disbursed at €500k per calendar year. The first tranche of €500k was received in June 2021. As at 31 December 2020, an accumulated balance of €93k remained from the 2017-2020 funds. A total of €390k was spent since January 2021, leaving an unspent balance of €203k at the date of signing the financial statements. This amount will be vital for carrying out the activities already initiated in 2021 as per the Grant Agreement with Irish Aid until the second tranche of funding will be transferred by Irish Aid.

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Operating surplus	2021 €'000	2020 €'000
Operating surplus is stated after charging:		
(i) Auditors' remuneration (including expenses) for the statutory audit of RCSI financial statements and other services		
Group audit	(166)	(168)
Tax compliance and advisory services	(98)	(120)
Other non-audit services	(30)	(38)
(ii) Employee benefits costs		
Salaries	(100,108)	(94,495)
Social insurance costs	(7,828)	(7,243)
Pension costs (note 25)	(6,446)	(6,329)
	(114,382)	(108,067)

RCSI employs staff across various categories including medical clinical staff and other clinical roles, academic, research, technical, professional services, and management. Employment contracts are benchmarked to appropriate private and public sector norms. Wages and salaries costs increased during the year as a result of planned investments in strategic initiatives including appointments to faculty and organisational capability.

Staff related costs include compensation paid to key management personnel and includes those persons having authority and responsibility for planning, directing and controlling the activities of RCSI, as listed on pages 2 to 3. During the year the cost amounted to €7.8m (*2020: €7.4m*) comprising of €7.2m pay related compensation and €0.6m pension related benefits (*2020: €6.9m, €0.5m*). It should be noted that not all key management personnel are compensated. Termination payments paid to employees during the year amounted to €503k (*2020: €235k*).

The table below shows salary bands and associated staff numbers at 30 September.

	2021 Staff Number	2020 Staff Number
Salary Bands		
€0 - €100k	1,176	1,143
€101k - €200k	169	170
€201k - €300k	18	13
	1,363	1,326

6 Reduction on fair value of investment property	2020 €'000	2020 €'000
Reduction in valuation of investment property (note 12)	(2,008)	(5,226)

Investment properties are measured at fair value and the movement is recognised in the Statement of Income and Expenditure. They are revalued annually by independent valuers, Cushman & Wakefield (see note 12).

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Finance costs

	2021 €'000	2020 €'000
Finance income		
Interest receivable	244	431
Finance costs		
Interest expense on lease liabilities	(106)	(316)
Bank interest on borrowings	(1,837)	(1,973)
	(1,943)	(2,289)
Other financial expense		
Interest on pension scheme	(172)	(240)

8 Interests in joint venture

Set out below is the detail regarding RCSI's joint venture as at 30 September 2021. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by RCSI. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business / country of incorporation	Measurement Method	% of ownership interest	Activity	Carrying amount 2021 €'000	2020 €'000
Penang Medical College Sdn. Bhd. (RCSI & UCD Malaysia Campus	Malaysia	Equity	50	Medical College	3,642	3,007

	2021 €'000	2020 €'000
Surplus from continuing operations	515	250
	-	-
Total comprehensive income	515	250

During the year RCSI & UCD Malaysia Campus (RUMC) incurred expenses in excess of income on behalf of RCSI totalling €125k, of which €98k was payable at the period end. The 2008 shareholders loan balance remains payable at period end at a value of €0.2m *(2020: €0.2m)*.The terms of the loan were renegotiated in September 2021 and the first instalment is due for repayment in January 2022.

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Taxation

The main activities of RCSI have been granted charitable tax exemption by the Revenue Commissioners under charity ('CHY') number 1277. Subsidiary companies do not have charitable tax exemption but any tax liability arising is eliminated as a result of available losses. Unutilised trading losses forward at 30 September 2021 amounted to €8m (*2020: €8.1m*). The tax charge in the year was Nil *(2020: Nil).* The current tax charge for the year is lower than the charge that would result from applying the standard rate of Irish corporation tax to surplus on ordinary activities before taxation. The differences are explained below:

	2021 €'000	2020 €'000
Surplus on ordinary activities before tax	7,929	11,553
Less: surplus on charitable activities and foreign subsidiaries	(8,311)	(12,113)
Trading loss	(382)	(560)
Loss multiplied by the average rate of Irish corporation tax 12.5%	(48)	(70)
Items taxed at non-standard rate	-	6
Loss relief surrendered / claimed	-	12
Loss relief available	48	52
Total tax charge for the year	-	-

Deferred tax assets/liabilities arise from temporary differences between the expected write down of assets through depreciation and the actual calculated benefit received through capital allowances in calculating the tax charge. A deferred tax asset of €1m on unutilised trading losses has not been recognised as, in the opinion of the Council, sufficient taxable surplus may not be earned to absorb the losses in the foreseeable future. There is no corporation tax in Bahrain. Corporation tax is charged in Malaysia on surpluses arising in the joint venture. The Group's share of this tax charge is included on an annual basis where appropriate and is included within the joint venture earnings in the Statement of Income and Expenditure.

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Property and equipment

	2021 €'000	2020 €'000
(i) Property and equipment	266,608	270,068
(ii) Right-of-use assets	5,152	11,576
	271,760	281,644

(i) Property and equipment analysis:

	Land & Buildings €'000	Assets Under Construction €'000	Information Technology €'000	Fixtures & Fittings €'000	Motor Vehicles €'000	Total €'000
At 01 October 2020						
Cost or Fair Value	263,405	39,747	20,163	79,273	75	402,663
Accumulated Depreciation	(50,283)	-	(17,615)	(64,672)	(25)	(132,595)
Net book value	213,122	39,747	2,548	14,601	50	270,068
Year ended 30 September 2021						
Opening Net Book Value	213,122	39,747	2,548	14,601	50	270,068
Foreign exchange translation	213	-	2	8	-	223
Additions	12	1,153	572	3,949	-	5,686
Transfers	-	(61)	36	25	-	-
Disposals at net carrying value/write downs	(10)	(1,000)	-	(25)	-	(1,035)
Depreciation charge	(4,038)	-	(1,436)	(2,845)	(15)	(8,334)
Closing net book value	209,299	39,839	1,721	15,713	35	266,608
At 30 September 2021						
Cost or Fair Value	259,509	40,839	10,116	69,704	75	380,243
Accumulated Depreciation	(50,210)	(1,000)	(8,394)	(53,991)	(40)	(113,635)
Net book value	209,299	39,839	1,722	15,713	35	266,608

During the year a review of the asset register was carried out which resulted in the disposal of a number of assets which are no longer held by RCSI; the net book value of assets identified for disposal was €35k. A write down of costs incurred relating to a current building project was also made to the value of €1m, as there is no longer an enduring financial benefit to these costs which extends beyond the current financial year.

Property assets with a net book value of €3.4m were pledged as contingent assets to the RCSI pension scheme *(2020: €3.7m)* (see note 25).

The foreign exchange retranslation relates to the translation of the tangible assets held in RCSI Medical University of Bahrain at the closing rate of exchange.

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Property and equipment – continued

(ii) Right-of-use assets analysis:

	Land and buildings €'000	Total €'000
Cost or deemed cost		
At 1 October 2020	13,203	13,203
Disposal / adjustment	(4,816)	(4,816)
Foreign exchange translation	15	15
As at 30 September 2021	8,402	8,402
Depreciation		
At 1 October 2020	(1,627)	(1,627)
Charged during the year	(1,620)	(1,620)
Foreign exchange translation	(3)	(3)
As at 30 September 2021	(3,250)	(3,250)
Net book value		
At 30 September 2021	5,152	5,152
At 30 September 2020	11,576	11,576

The right-of-use assets consist of two leases with the Government in Bahrain regarding the University land, and in Ireland a student accommodation lease, an office space lease and lease of space in a training hospital.

Lease disclosures:

	2021 €'000
(a) Amounts recognised in the consolidated statement of income and expenditure:	
Depreciation charged during the financial year	1,620
Interest on lease liabilities	106
(b) Amounts recognised in the consolidated statement of cashflows:	
Total cash outflow for leases during the year (including interest and principal repayments of lease liabilities)	1,541
(c) At the balance sheet date RCSI had commitments under non-cancellable leases which fall due as follows:	
In one year or less	1,593
In more than one year, but not more than five years	1,422
In more than five years	2,098

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Heritage assets

	Artworks €'000	Antique furniture and effects €'000	Antiquarian books and silverware €'000	Total €'000
At 01 October 2020				
Cost or Fair Value	2,390	507	1,203	4,100
Accumulated Depreciation	(141)	(26)	(35)	(202)
Net book value	2,249	481	1,168	3,898
Year ended 30 September 2021				
Opening Net Book Value	2,249	481	1,168	3,898
Amortised during the year	(24)	(5)	(12)	(41)
Closing net book value	2,225	476	1,156	3,857
At 30 September 2021				
Cost or Fair Value	2,390	507	1,203	4,100
Accumulated Depreciation	(165)	(31)	(47)	(243)
Net book value	2,225	476	1,156	3,857

Heritage assets are stated at deemed cost less depreciation. In line with the RCSI accounting policy, heritage assets are revalued every three years. The last valuation was carried out at 30 September 2020 in order to determine if the deemed cost is still reasonable and to value any additions acquired or received through donations since the previous valuation date. That valuation was performed by independent valuers (Adam's Fine Art Auctioneers and Valuers) who are considered to have at that date, appropriately recognised professional qualifications and relevant experience.

12 Investment properties

	2021 €'000	2020 €'000
Valuation as at 1 October	87,096	91,060
Additions to investment property	1,167	1,262
Reduction in valuation of investment property	(2,008)	(5,226)
Valuation as at 30 September	86,255	87,096

RCSI's investment properties are measured at fair value, which reflects current market conditions. The valuation at 30 September 2021 was carried out by independent valuers Cushman & Wakefield in accordance with IAS 40 Investment Property and IFRS 13 Fair Value Measurement. These valuers have an appropriately recognised professional qualification and relevant experience.

The valuation as at 30 September 2021 resulted in a loss on revaluation of €2m and this has been taken to the Statement of Income and Expenditure in accordance with IAS 40 (see note 6). The reduction in valuation equates to a 2.3% decrease on the prior year reflecting current market conditions.

Methodology
For all investment properties, the valuers assessed each of the properties' defining market value as being the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, and where the parties each act knowledgeably, prudently and without compulsion. In assessing the values of each property, the valuers had regard to comparable rents, yields and sales prices from recent market transactions on an arm's length basis

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Investment properties – continued

Methodology - continued

and market sentiment. All valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (the "Red Book"). In line with IFRS 13, all investment properties are valued on the basis of their highest and best use.

The valuation of properties is based on the market income capitalisation method which applies market-based yields to the estimated market rental values (ERVs) of each of the properties. Yields are based on current market expectations depending on the location and use of the property, current rental streams, occupancy, and timing of rent reviews. Market ERVs are based on estimated rental potential considering market comparatives and the condition of the property. Using this approach for the Group's investment properties, values of investment properties are arrived at by applying an implied growth capitalisation rate to the assumed income streams. This approach includes current estimated costs associated with any future refurbishment or development, together with the impact of any rental incentives allowed to tenants.

IFRS 13 establishes a fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into three levels (Level 1, 2 and 3). In general, Level 1 inputs are fully observable and are typically traded in an active market; Level 2 inputs are those other than Level 1 inputs that are observable either directly or indirectly; and Level 3 inputs are unobservable. A full definition is contained in note 1(u). All the RCSI investment properties are classified as Level 3 due to the fact that one or more significant inputs to the valuation are not based on observable market data. If the degree of subjectivity or nature of the measurement inputs changes, then there could be a transfer between Levels 2 and 3 of classification. Transfers into and out of hierarchy levels are recognised at the date of the change in circumstance. No changes requiring a transfer have occurred during the current or previous year.

COVID-19 and market conditions explanatory note

In their valuation report at 30 September 2021, Cushman & Wakefield have included a "market conditions explanatory note" stating its inclusion is to ensure transparency and to provide further insight as to the market context under which their valuation opinion was prepared. The COVID-19 "material uncertainty clause" in place for the prior year Cushman & Wakefield valuation at 30 September 2020 has been removed.

The explanatory note states that with the easing of COVID-19 related restrictions, at the 30 September 2021 valuation date, Irish property markets were generally functioning, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. The note highlights the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, the uncertain impact of the Brexit agreements, and the stamp duty and planning changes which may arise from the Irish Government's "Housing For All" plan. Valuations represent opinions of value at the valuation date, which are supported by comparable market transactions and an understanding of market sentiment. For this reason, the importance of the valuation date is emphasised, and it is noted that valuations may need to be reviewed on a more regular basis.

Analysis of Level 3 investment properties

RCSI has conducted a detailed review of each property valuation to ensure that appropriate assumptions have been applied, that all relevant information has been considered, and that the resulting valuations are reasonable. Valuation modelling and sensitivity analysis on movements in key assumptions was also completed. RCSI are satisfied with the valuers' conclusions.

Whilst the property valuations include an assessment of the impact of market conditions at the valuation date, RCSI consider the disclosure of a sensitivity analysis appropriate in order to capture the increased uncertainty in these key judgemental valuation assumptions in the current environment. The details of this sensitivity analysis are outlined below.

The following table outlines the key unobservable inputs utilised in the fair value calculation of RCSI investment properties at 30 September 2021, which have been identified as the Equivalent Yield and the Estimated Net Effective Rental Value (ERV). All properties were valued using a market value income capitalisation approach, utilising market-based yields and the estimated market rental values of each of the properties. In line with this approach, the ERVs listed below are estimated market rental values, based on

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Investment properties – continued

benchmarked data advised by Cushman & Wakefield, taking into account the condition, location and scale of the properties and do not represent actual rental values achieved.

The table also includes a sensitivity analysis showing the impact of a +/-25bps movement in yield or a +/-5% movement in market ERV on these valuations, all other assumptions held constant. The results of the sensitivity analysis show that if yields were to increase by 25bps and market ERVs reduced by 5%, property valuations would decrease by €4.2m and €3.1m respectively. If yields decreased by 25bps and market ERVs increased by 5%, property valuations would increase by €4.7m and €3.1m respectively.

		Key unobservable inputs		Sensitivity analysis			
	Fair Value	**Equivalent Yield**	**Market ERVs**	**+25bps Yield**	**-25bps Yield**	**-5% ERVs**	**+5% ERVs**
	€000	**Range**	**Range**	**€000**	**€000**	**€000**	**€000**
Office property	44,072	4.6% - 5%	€42.50 - €47.75 per sq ft	(2,380)	2,600	(2,042)	2,012
Other property	42,183	4.5% - 6%	€8.50 - €37.35 per sq ft	(1,840)	2,135	(1,403)	1,397
	86,255			**(4,220)**	**4,735**	**(3,445)**	**3,409**
			Percentage of fair value	*(4.9%)*	*5.5%*	*(4%)*	*4%*

Pledged investment properties

At 30 September 2021, properties included within investment properties with a carrying amount of €83.5m (2020: €85.7m) were pledged as security for loans and borrowings. Investment properties with a valuation of €0.1m were pledged as contingent assets to the RCSI pension scheme (2020: €0.1m).

13 Intangible assets

	Computer Software €'000	Patent & Trademarks €'000	Licenses €'000	Total €'000
At 01 October 2020				
Cost or Fair Value	29,158	109	2,477	31,744
Accumulated Depreciation	(19,948)	(109)	(1,202)	(21,259)
Net book value	9,210	-	1,275	10,485
Year ended 30 September 2021				
Opening Net Book Value	9,210	-	1,275	10,485
Additions	1,724	-	-	1,724
Depreciation charge	(2,709)	-	(113)	(2,822)
Closing net book value	8,225	-	1,162	9,387
At 30 September 2021				
Cost or Fair Value	19,157	109	2,477	21,743
Accumulated Depreciation	(10,932)	(109)	(1,315)	(12,356)
Net book value	8,225	-	1,162	9,387

Computer software relates to warranties and web services used across RCSI. Amortisation is charged at 20% - 33.33%. The patents and trademarks relate to the RCSI name. The licences represent access agreements to two properties. The useful economic life of these licences is 25 and 10 years.

During the year a review of the asset register was carried out which resulted in the disposal of a number of computer software assets which are no longer held by RCSI. The net book value of assets identified for disposal was Nil.

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Financial assets - available for sale investments

	Total
	€'000
Deemed cost	
At 1 October 2020	2,958
Disposals	(1,170)
Gain on revaluation of financial assets	234
At 30 September 2021	2,022
At 1 October 2019	9,286
Disposals	(6,518)
Gain on revaluation of financial assets	190
At 30 September 2020	2,958

15 Financial assets - investments in joint ventures

	Total
	€'000
Deemed cost	
At 1 October 2020	3,007
Transactions with joint venture	137
Group's share of surplus	515
Foreign exchange on revaluation	(17)
At 30 September 2021	3,642
At 1 October 2019	3,084
Transactions with joint venture	(190)
Group's share of surplus	250
Foreign exchange on revaluation	(137)
At 30 September 2020	3,007

16 Trade and other receivables

	2021	2020
	€'000	€'000
Trade receivables (net of impairment provision (note 22))	10,105	9,184
Prepayments and accrued revenue	4,392	3,008
Other debtors	4,393	4,383
	18,890	16,575

17 Cash and cash equivalents

	2021	2020
	€'000	€'000
Cash and cash equivalents	267,078	239,986
Restricted cash	4,012	4,439

Restricted cash refers to those amounts that are required to be held as separate funds under contractual agreements. The balance in 2021 relates to amounts required by the Higher Education Council in Bahrain relating to the number of students in RCSI Medical University of Bahrain. In addition, RCSI ringfences cash for specific purposes including research grant funding and donations received and amounts to fund future capital expenditure.

NOTES TO THE FINANCIAL STATEMENTS - continued

18 Creditors – Non-current liabilities

	2021 €'000	2020 €'000
Deferred revenue	384	3,218
Deferred revenue – capital grant	14,949	13,751
Lease liabilities	3,520	10,033
Provisions (note 19)	26,649	16,448
Bank loans (note 20)	103,028	108,490
Employee benefit obligations (note 25)	8,995	18,760
Other creditors	3,908	3,569
	161,433	174,269

Composed of :		
Provisions	26,649	16,448
Borrowings	103,028	108,490
Other non-current payables	22,761	30,571
Employee benefit obligations	8,995	18,760
	161,433	174,269

19 Provisions

	2021 €'000	2020 €'000
At beginning of year	16,448	15,712
Provided for during the year	11,179	975
Released in the year	(474)	(150)
Utilised in the year	(504)	(89)
At end of year	26,649	16,448

Provisions for operational costs, contractual obligations and legal claims are recognised when RCSI has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise employee termination payments. Provisions also include amounts relating to investments in Population Health.

20 Bank loans and overdrafts – maturity and security

	2021 €'000	2020 €'000
Maturity of debt :		
In one year or less, or on demand	5,461	5,427
In more than one year but not more than two years	5,495	5,461
In more than two years but not more than five years	16,694	16,589
In more than five years	80,839	86,440
	108,489	113,917

	2021 €'000	2020 €'000
Composed of :		
Current liabilities	5,461	5,427
Non-current liabilities	103,028	108,490
	108,489	113,917

Part of the above debt is secured on a number of investment property assets (see note 12).

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Creditors - Current liabilities

	2021 €'000	2020 €'000
Trade creditors	332	5,425
Deferred revenue	92,360	80,168
Deferred revenue – capital grant	1,236	1,289
PAYE/PRSI due	2,496	2,480
VAT payable	352	607
Taxes – Professional Services Withholding Tax	85	121
Bank loans (note 20)	5,461	5,427
Lease liabilities	1,593	1,494
Accruals and other creditors	36,798	31,434
	140,713	128,445

	2021 €'000	2020 €'000
Composed of :		
Borrowings	5,461	5,427
Trade and other payables	135,252	123,018
	140,713	128,445

Collaborator Funding

Other creditors include an amount of €2.4m (*2020: €2.5m*) in respect of collaborator grant funding to be distributed to research partners outside RCSI. National funding agencies and European Union projects often involve collaborations in a consortium between universities based nationally and internationally. RCSI as the lead institution on these grants receives all the funding from the Funding Agency on behalf of the consortium and distributes it to the collaborators in accordance with the consortium/collaboration and grant agreement. Although the co-ordinator receives the funding, it must be ring-fenced until it is distributed to the collaborator.

Trade payables

Trade and other payables are payable at various dates in the next three months in accordance with the suppliers' usual and customary credit terms.

Tax and social insurance are payable at various dates over the coming months in accordance with the applicable statutory provisions.

NOTES TO THE FINANCIAL STATEMENTS - continued

22 Financial instruments

Financial instruments by category
The accounting policies for financial instruments have been applied to the line items below:

Financial assets:	Financial assets at FVIE €'000	Financial assets at FVOCI €'000	Financial assets at amortised cost €'000	Total €'000
2021				
Available for sale investments	-	2,022	-	2,022
Trade and other receivables	-	-	14,498	14,498
Cash and cash equivalents	-	-	267,078	267,078
Restricted cash	-	-	4,012	4,012
	-	2,022	285,588	287,610

FVIE - Fair value through the Statement of Income and Expenditure.
FVOCI - Fair value through Other Comprehensive Income.
Trade and other receivables are as shown in note 16 excluding prepayments and accrued revenue.

Financial assets:	Financial assets at FVIE €'000	Financial assets at FVOCI €'000	Financial assets at amortised cost €'000	Total €'000
2020				
Available for sale investments	-	2,958	-	2,958
Trade and other receivables	-	-	13,567	13,567
Cash and cash equivalents	-	-	239,986	239,986
Restricted cash	-	-	4,439	4,439
	-	2,958	257,992	260,950

Financial liabilities at amortised cost	2021 €'000	2020 €'000
Borrowings	108,489	113,917
Trade and other payables	193,656	188,797
	302,145	302,714

Trade and other payables equates to total liabilities as shown in notes 18 and 21, less borrowings.

NOTES TO THE FINANCIAL STATEMENTS - continued

22 Financial instruments - continued

Fair value

The following table sets out the fair value of RCSI's principal financial assets and liabilities.

	2021 Carrying value €'000	2021 Fair value €'000	2020 Carrying value €'000	2020 Fair value €'000
Financial assets				
Available for sale investments	2,022	2,022	2,958	2,958
Trade and other receivables	14,498	14,498	13,567	13,567
Cash and cash equivalents	267,078	267,078	239,986	239,986
Restricted cash	4,012	4,012	4,439	4,439
	287,610	287,610	260,950	260,950
Financial liabilities				
Borrowings	108,489	108,489	113,917	113,917
Trade and other payables	193,656	193,656	188,797	188,797
	302,145	302,145	302,714	302,714

Fair value hierarchy

This section explains the judgements and estimates made in determining fair values of the financial instruments that are measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, RCSI has classified its financial instruments into three levels as prescribed under the accounting standards. An explanation of each level is included in note 1(u). Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for instruments.

Recurring fair value measurements

At 30 September 2021 Available for sale financial instruments	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Equity securities	2,022	-	-	2,022
	2,022	-	-	2,022

At 30 September 2020 Available for sale financial instruments	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Equity securities	2,958	-	-	2,958
	2,958	-	-	2,958

There were no transfers between the fair value levels for recurring fair value measurements during the year. RCSI's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the date of the change in circumstance.

Financial risk management

RCSI financial risk factors

RCSI activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. RCSI's overall risk management programme seeks to minimise potential adverse effects on financial performance. The Council have ultimate responsibility for ensuring that RCSI have appropriate systems of control in place. A formal risk management and internal control framework is in place. The framework is designed to identify, manage and mitigate risks that are potentially material to the operations of RCSI. The risks are considered by senior management as listed on page 3, Audit & Risk Committee, and Council of RCSI on a regular basis.

NOTES TO THE FINANCIAL STATEMENTS - continued

22 Financial instruments - continued

This note presents information about RCSI's exposure to each of the above risks and the RCSI objectives, policies and processes for measuring and managing the risk. Further quantitative disclosures are included throughout this note.

Market risk

(i) Foreign exchange risk

RCSI operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Bahraini Dinar and US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

RCSI primarily operates in the Republic of Ireland and the majority of its activities are conducted in Euro. Management has set up a policy to require RCSI entities to manage their foreign exchange risk against their functional currency. An element of RCSI's operations are carried out in Bahraini Dinar. As a result RCSI is exposed to structural currency fluctuations in respect of Bahraini Dinar which is pegged to the US Dollar. To the extent that the non-Euro denominated assets and liabilities of RCSI do not offset, RCSI is exposed to structural currency risk. Such movements are reported through the Statement of Other Comprehensive Income.

The Euro is the principal currency of RCSI's Irish business and Bahraini Dinar is the principal currency of the RCSI Medical University of Bahrain. RCSI actively monitors the level of foreign exchange exposure and ensures that its net exposure is kept at an acceptable level. At the year-end, RCSI had no contracts or options in place to buy foreign currency.

Amounts recognised in the Statement of Income and Expenditure and Other Comprehensive Income

During the year, the following foreign exchange related amounts were recognised in the Statement of Income and Expenditure and Other Comprehensive Income:

	2021 €'000	2020 €'000
Net foreign exchange gains/(losses) included in the Statement of Income and Expenditure	41	(1,573)
Net gains/(losses) recognised in Other Comprehensive Income		
Translation of foreign operations	271	(1,267)

Sensitivity

The sensitivity of surplus/deficit to changes in the exchange rates arise mainly from US Dollar/Bahraini Dinar denominated financial instruments.

(ii) Liquidity risk

RCSI requires access to cash to operate on a daily basis. A lack of availability to sufficient liquid resources might adversely affect RCSI. RCSI manages liquidity risk through maintaining sufficient cash and cash equivalents to meet obligations when due, credit facilities, monitoring and managing the maturity of borrowings and regular review of ageing of customers and bank credit ratings.

RCSI monitors the maturity of RCSI's borrowings and other obligations. RCSI forecast cash flows expected to meet RCSI's obligations and actively monitor the level of cash and facilities available to settle RCSI's obligations as they fall due. Forecasts of cash flows to settle trade and other payables is generally carried out at local level in the Group's operating entities in accordance with good practice and the limits set up by RCSI.

NOTES TO THE FINANCIAL STATEMENTS - continued

22 Financial instruments - continued

(ii) Liquidity risk - continued

Cash flow forecasting is performed in the operating entities of RCSI by their respective finance teams. Rolling forecasts of RCSI liquidity requirements are monitored to ensure there is sufficient cash to meet operational needs while maintaining sufficient headroom on committed borrowing facilities, at all times ensuring there is no breach of borrowing limits or covenants (where applicable) on borrowing facilities. Such forecasting takes into consideration the RCSI debt financing plans, compliance with covenants and internal Balance Sheet ratio targets and, if applicable, external regulatory or legal requirements.

Surplus cash held by the operating entities over and above the balance required for working capital requirements is managed by the Group finance function. Surplus cash is invested in interest bearing term deposits where possible, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above mentioned forecasts. Despite the current environment of negative interest rates, RCSI incurred negligible costs during the year as a result of careful cash management. Towards the second half of the year, cash was placed on deposit with the least costly negative interest rate available. At the reporting date, RCSI held money market funds of €267m (2020: €240m) and other liquid assets of €4m (2020: €4m) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses RCSI's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 6 months €'000	6 to 12 months €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000	Over 5 years €'000	Total contractual cash flows €'000
At 30 September 2021 contractual maturity of financial liabilities						
Borrowings	2,726	2,735	5,495	16,694	80,839	108,489
Operating leases	860	860	1,334	661	6,716	10,431
Trade payables	3,265	-	-	-	-	3,265
	6,851	3,595	6,829	17,355	87,555	122,185

Trade payables relate to Creditors – amounts falling due within one year as shown in note 18 excluding accruals and other creditors, deferred revenue and borrowings.

Lender covenants

In November 2019 RCSI signed a new banking facility agreement with AIB Plc. The new facility is subject to leverage, interest cover, minimum EBITDA and maximum capital expenditure covenants and there is no longer a requirement to hold covenant cash. The European Investment Bank (Luxembourg) facility is subject to covenants in respect of interest cover, debt service cover and debt to equity ratio.

(iii) Credit risk

Credit risk arises from credit to customers, loans to students, loans to subsidiaries, as well as cash and cash equivalents including deposits with banks and financial institutions.

A credit risk is the risk of a payment default on amounts owing to RCSI. As part of normal trading, RCSI provides credit to students and other customers. From time to time, there is a risk that the outstanding balances will remain unpaid. All debts are actively managed with a low incidence of bad debts. Appropriate measures are in place to collect the outstanding debts.

NOTES TO THE FINANCIAL STATEMENTS - continued

22 Financial instruments - continued

(iii) Credit risk - continued

Trade receivables

Individual receivables which are known to be uncollectible are written down by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been realised. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. RCSI considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor; and
- probability that the debtor will enter bankruptcy or financial reorganisation.

Receivables for which an impairment provision was recognised are written down against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in the Statement of Income and Expenditure. Subsequent recoveries of amounts previously written down are credited against the Statement of Income and Expenditure.

Movements in the provision for the impairment of trade receivables, which are assessed for impairment collectively are as follows:

	2021 €'000	2020 €'000
At 1 October	(11,017)	(8,496)
Provision for impairment recognised during the year	(3,799)	(4,131)
Provision for impairment recovered	1,699	1,610
At 30 September	(13,117)	(11,017)

Past due but not impaired

As at 30 September 2021, trade receivables of €4m (*2020: €4.4m*) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2021 €'000	2020 €'000
Not past due	6,081	4,814
Past due		
30 - 60 days	222	210
60+ days	3,802	4,160
Total past due	4,024	4,370
Total trade receivables	10,105	9,184

Cash and cash equivalents

RCSI's exposure to credit risk relating to cash and short term deposits is managed by investing funds with a number of different financial institutions with strong credit ratings. The level of deposits with each financial institution and the credit ratings of financial institutions are reviewed regularly.

NOTES TO THE FINANCIAL STATEMENTS - continued

22 Financial instruments - continued

(iii) Credit risk - continued

The carrying amount of financial assets, net of impairment provisions, represents the maximum exposure of RCSI. The maximum exposure to credit risk at year end was as follows:

	2021 €'000	2020 €'000
Trade and other receivables	14,498	13,567
Cash and cash equivalents	267,078	239,986
Restricted cash	4,012	4,439
Total	285,588	257,992

Trade and other receivables are as shown in note 16 excluding prepayments and accrued revenue.

(iv) Interest rate risk

RCSI's fixed rate borrowings and receivables are carried at amortised cost.

The exposure of RCSI's borrowings to interest rate changes are as follows:

	2021 €'000	2020 €'000
Variable rate borrowings	60,639	63,900

Cash flow and fair value interest rate risk

RCSI's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose RCSI to cash flow interest rate risk which is partially offset by cash held at variable rates. During 2020, RCSI borrowings at variable rate were denominated in Euro.

At 30 September 2021, if interest rates on Euro-denominated borrowings at that date had been 0.5% higher/lower with all other variables held constant, the movement to the Statement of Income and Expenditure for the year would have been higher/lower by €0.7m (*2020: €0.8m*), mainly as a result of increased/decreased interest expense on floating rate borrowings.

(v) Price risk

RCSI exposure to price risk arises from investments held by RCSI and classified in the Balance Sheet as available for sale. The available for sale equity investments are measured at fair value through the Statement of Other Comprehensive Income.

RCSI's exposure to equity securities price risk is limited because of the nature of the investments held which are classified on the consolidated Balance Sheet either as available for sale or at fair value through surplus or deficit. RCSI is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, RCSI diversifies its portfolio. Diversification of the portfolio is carried out in accordance with the principles set by RCSI.

(vi) Capital management

RCSI's objective when managing capital is to safeguard its ability to continue as a going concern, maintain an optimal capital structure at an appropriate cost of capital, and continue to provide a reasonable return.

In managing its capital structure, the debt servicing ability of the organisation is monitored. Debt at year-end was €108m (*2020: €114m*). Earnings before interest, tax, depreciation and amortisation amounted to €24m (*2020: €35m*). The ratio of debt to earnings was 4.5 times (*2020: 3.4 times*). Finance costs amounted to €1.9m for the year (*2020: €2.2m*) which resulted in earnings covering interest 13 times (*2020: 15 times*).

NOTES TO THE FINANCIAL STATEMENTS - continued

23 Notes to the cash flow statement

	2021 €'000	2020 €'000
(a) Reconciliation of operating surplus		
Operating surplus before interest, joint venture and taxation	9,285	13,401
Non trading losses	2,008	5,195
Operating surplus before cash related exceptional items	11,293	18,596
Depreciation charge	9,660	11,467
Amortisation of intangible assets	2,822	3,450
Net movement in pension liability	(862)	(490)
Increase in creditors	20,471	9,208
(Decrease)/increase in lease liabilities	(4,816)	11,240
(Increase)/decrease in receivables	(2,315)	859
Other non-cash adjustments	5,877	(9,323)
Net cash inflow from operating activities before foreign exchange	42,130	45,007
Unrealised gain/(loss) on foreign exchange on international subsidiaries	270	(1,267)
Cash inflow from operating activities	42,400	43,740

	2021 €'000	2020 €'000
(b) Reconciliation of net cash flow to movement in net cash		
Increase in cash and overdrafts in the year	27,092	27,411
Decrease in restricted cash	(427)	(16,353)
Movement in total cash	26,665	11,058
Cash flow from movement in borrowings	5,427	25,306
Movement in net cash in the year	32,092	36,364
Net cash at beginning of year	**130,508**	**94,144**
Net cash at end of year	**162,600**	**130,508**

	1 October 2020 €'000	Cash flow €'000	Non-cash movements €'000	30 September 2021 €'000
(c) Analysis of changes in net cash				
Total cash	244,425	26,664	-	271,089
Bank loans payable within one year	(5,427)	-	-	(5,427)
Bank loans payable after one year	(108,490)	5,428	-	(103,062)
Bank loans	(113,917)	5,428	-	(108,489)
Net cash	130,508	32,092	-	162,600

NOTES TO THE FINANCIAL STATEMENTS - continued

24 Future capital expenditure not provided for in the financial statements

	2021 €'000	2020 €'000
Future capital expenditure contracted for	878	2,341
Future capital expenditure programme	124,663	96,000

In 2020, as a direct response to the COVID-19 pandemic, RCSI paused all major capital projects. RCSI remains committed to continued investment in its campus, building on the success of the simulated environment in 26 York Street and the Smurfit Education and Research Centre in Beaumont Hospital and at the balance sheet date planned to recommence the capital programme. A €40m loan from the European Investment Bank to part fund the capital programme was secured in 2020 and remains undrawn at the balance sheet date.

25 Employee benefit obligations

RCSI operates defined benefit and defined contribution schemes. The assets of the schemes are held in separate trustee administered funds. The trustees are required by law to act in the interest of the members. The trustees are responsible for the investment policy with regard to the assets and are also responsible for the administration of the schemes. The level of defined benefits available to members depends on length of service and their salary partially averaged over their period of employment.

The pension charge for the year is €6.4m (*2020: €6.3m*), comprising defined contribution scheme costs of €4.8m (*2020: €4.4m*) and a current service cost of €1.6m (*2020: €1.9m*) relating to the defined benefit scheme. The net finance costs resulting from the defined benefit scheme deficit is €0.2m (*2020: €0.2m*). Included in accruals and other payables is an amount of €0.7m (*2020: €0.6m*) due in relation to the defined contribution schemes.

Defined benefit pension scheme
The funding requirements in relation to the RCSI defined benefit scheme are assessed in accordance with the advice of independent qualified actuaries and valuations are prepared at triennial intervals. The most recent triennial actuarial valuation of the scheme was carried out at 30 September 2021. Actuarial valuation reports (the most recent one of which used the Attained Age method) are available for inspection by scheme members but are not available for public inspection. RCSI's defined benefit scheme is also assessed annually against the Funding Standard (the statutory minimum funding requirement). A funding proposal was put in place during 2012 with the Irish Pensions Board up to 2022 to address the deficit on the scheme. As part of this plan, a number of properties were pledged as contingent assets to the scheme (net book value €3.4m, *2020: €3.7m*).

An updated actuarial valuation for the purposes of International Accounting Standards 19 "Employee Benefits" (IAS 19) was carried out as at 30 September 2021 by, Willis Towers Watson, qualified independent actuaries, in respect of the RCSI defined benefit pension scheme.

NOTES TO THE FINANCIAL STATEMENTS - continued

25 Employee benefit obligations - continued

Financial instruments held by the defined benefit scheme

At 30 September 2021 the scheme's assets were invested in a diversified portfolio that consisted primarily of equity, debt securities, multi-asset funds, property and infrastructure. Scheme assets do not include any of RCSI's own financial instruments, nor any property occupied by RCSI. The fair values of the scheme's assets at the Balance Sheet date are shown as follows:

	Fair value	
	2021	2020
	€'000	€'000
Equities	27,170	23,725
Bonds	54,698	44,604
Property	8,892	9,899
Multi Asset / Infrastructure	18,207	20,459
Cash	752	764
	109,719	99,451

	2021	2020
	%	%

Principal actuarial assumptions at the Balance Sheet date

The main financial assumptions used were:

	2021 %	2020 %
Rate of increase in pensionable salaries	N/A	N/A
Rate of increase in pensions in payment	1.15%	0.80%
Rate of revaluation of members' benefits	1.85% - 1.90%	1.10% - 1.25%
Discount rate	1.25%	0.90%
Inflation rate	1.90%	1.10%

The future life expectancy at age 65 for males and females retiring now and in 10 years' time inherent in the mortality tables used are as follows:

		2021	2020
Member retiring in 10 years' time:	Male	23.0	22.9
	Female	25.2	25.1
Member retiring now:	Male	21.8	21.7
	Female	24.2	24.1

The following amounts at the Balance Sheet dates were measured in accordance with the requirements of IAS 19:

	2021	2020
	€'000	€'000
Present value of scheme liabilities	(118,715)	(118,211)
Fair value of scheme assets	109,719	99,451
Pension liability	(8,996)	(18,760)

NOTES TO THE FINANCIAL STATEMENTS - continued

25 Employee benefit obligations - continued

The amounts recognised in the Statement of Income and Expenditure are as follows:

	2021 €'000	2020 €'000
Charged to operating surplus		
Service cost	1,610	1,938
Defined contribution scheme costs	4,836	4,391
	6,446	6,329
Charged to other finance cost		
Interest on pension scheme assets	893	789
Interest on pension scheme liabilities	(1,066)	(1,029)
Net finance cost	(172)	(240)

The actual return on scheme assets for the year was €12m (*2020: €2m*).

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2021 €'000	2020 €'000
Actual return less amounts included in interest and expense	11,130	1,268
Experience (losses)/gains arising on the scheme liabilities	(1,267)	1,713
Actuarial (losses)/gains arising from changes in financial assumptions underlying the present value of the scheme liabilities	(961)	7,158
Actuarial gain	8,902	10,139

NOTES TO THE FINANCIAL STATEMENTS - continued

25 Employee benefit obligations - continued

The expected RCSI and member defined benefit contributions for the year ended 30 September 2022 are €3.6m.

	Pension assets €'000	Pension liabilities €'000	Pension deficit €'000
Movement in scheme assets and liabilities			
At 1 October 2019	98,640	(128,029)	(29,389)
Current service cost	-	(1,861)	(1,861)
Return on plan assets greater/(less) than interest income	1,268	-	1,268
Contributions by RCSI	2,668	-	2,668
Contributions by members	253	(253)	-
Interest on scheme liabilities	-	(1,029)	(1,029)
Interest on scheme assets	789	-	789
Actuarial gain arising from:			
- Experience	-	1,713	1,713
- Financial assumption changes	-	7,158	7,158
Benefits (paid)/settled	(4,167)	4,090	(77)
At 1 October 2020	99,451	(118,211)	(18,760)
Current service cost	-	(1,610)	(1,610)
Return on plan assets greater/(less) than interest income	11,130	-	11,130
Contributions by RCSI	2,645	-	2,645
Contributions by members	234	(234)	-
Interest on scheme liabilities	-	(1,066)	(1,066)
Interest on scheme assets	893	-	893
Actuarial loss arising from:			
- Experience	-	(1,267)	(1,267)
- Financial assumption changes	-	(961)	(961)
Benefits (paid)/settled	(4,634)	4,634	-
At 30 September 2021	109,719	(118,715)	(8,996)

All of the scheme liabilities arise from schemes that are wholly or partly funded.

	2021 €'000	2020 €'000
Amounts for the current and previous years:		
Present value of scheme liabilities	(118,715)	(118,211)
Fair value of scheme assets	109,719	99,451
Pension deficit	(8,996)	(18,760)
Experience gains/(losses) on scheme liabilities:		
Amount (€'000)	(1,267)	1,713
Percentage of the present value of the scheme liabilities	1%	1%
Difference between the actual and expected return on scheme assets:		
Amount (€'000)	11,130	1,268
Percentage of scheme assets	10%	1%

NOTES TO THE FINANCIAL STATEMENTS - continued

25 Employee benefit obligations - continued

	2021	2020
Average duration		
Average duration of defined benefit obligation	17 years	17 years

Sensitivity of results to actuarial assumptions

The table below shows the impact on the present value of the scheme liabilities of changes to the assumed discount rate, price inflation, and life expectancy.

In each case, the impact on the defined benefit obligation at 30 September 2021 is calculated on the basis that only one assumption is changed with all other assumptions remaining unchanged.

Assumption	Change in assumptions	Impact on liabilities
Discount rate	Decrease by 0.25%	Increase by 5.3%
Price inflation	Increase by 0.25%	Increase by 3.3%
Life expectancy	Increase by 1 year	Increase by 5.0%

26 Reserves

Income & Expenditure Reserve – Restricted

Restricted funds represent amounts received with donor conditions attached and includes externally funded research grants and other funds committed including development campaign funds.

	2021 €'000	2020 €'000
Restricted funds include research grants and other funds	49,520	33,354

Income & Expenditure Reserve – Designated

Designated funds are those funds which RCSI has allocated for a specific purpose.

	2021 €'000	2020 €'000
Designated funds include library antiquarian funds.	577	624

NOTES TO THE FINANCIAL STATEMENTS - continued

27 Research grants – Irish exchequer funds

Research grant income received during the year from the Irish Exchequer is listed below. An amount of €14m has been recognised as revenue in the Statement of Income and Expenditure. The balance of €10.9m research revenue comes from a range of funding bodies including the European Commission.

	Government Department	Grant Deferred / (Due) 01/10/2020 €'000	Cash Received €'000	Expenditure €'000	Grant Deferred / (Due) 30/09/2021 €'000
Science Foundation Ireland	Dept of Business, Enterprise & Innovation	2,529	5,645	6,705	1,469
Health Research Board	Dept of Health	2,427	4,834	4,665	2,596
Health Service Executive	Dept of Health	118	51	54	115
Irish Research for Science	Dept of Education & Skills	785	1,061	1,003	843
Higher Education Authority	Dept of Education & Skills	516	2,100	661	1,955
Enterprise Ireland	Dept of Jobs, Enterprise & Innovation	829	1,834	1,952	711
Pobal	Dept of Health	55	395	481	(31)
Capital expenditure net of depreciation		-	-	(1,487)	-
Total Exchequer Research Grants		**7,259**	**15,920**	**14,034**	**7,658**

The balance of €7.7m at 30 September 2021 is included in restricted reserves at 30th September 2021.

Capital Grants

RCSI did not receive HEA Capital Grants in the current financial year. Depreciation includes an amount for equipment purchased under past HEA PRTLI programmes, which were managed in accordance with the terms and conditions of the award and also in line with Government policies and guidelines.

RCSI received €7.8m under the HEA Human Capital Initiative including approximately €0.5m in equipment costs and an additional €2m for COVID-19 related research costed extensions in October 2020.

28 Post balance sheet events

There have been no events since the Balance Sheet date that warrant disclosure or adjustment of the accounts.

29 Related party transactions

IAS 24 Related Party Disclosures requires RCSI to disclose in its financial statements details of material transactions it had with those who are charged with governance of RCSI, with key management, with connected parties or subsidiary or joint venture undertakings.

NOTES TO THE FINANCIAL STATEMENTS - continued

29 Related party transactions - continued

Transactions with subsidiaries of RCSI have been eliminated on consolidation and no disclosure of these transactions has therefore been given.

	2021 €'000
Transactions between the Group and the equity accounted joint venture	
Penang Medical College Sdn. Bhd. (RUMC)	
Transactions: Expenses incurred on behalf of RCSI and recharges of student fees	(125)
Payments: Amounts paid by RCSI in respect of recharges owing to RUMC	262
Balance: Amounts payable at year end in respect of transactions	(98)
Loan balance: Amounts receivable at year end in respect of loans advanced	152

30 Significant subsidiary undertakings and joint venture arrangements

Subsidiary entities	Place of incorporation	Activity	Shareholding %
Trading entities			
RCSI Travel D.A.C.	Ireland	Travel agency	100
West Green Management Company Ltd.	Ireland	Property management	100
Royal College of Surgeons in Ireland, Medical University of Bahrain S.P.C.	Bahrain	University	100
Dormant entities			
Clinical Technologies and Research Development Ltd.	Ireland	Research	100
Joint venture arrangements			
Trading entities			
Penang Medical College Sdn. Bhd. (RUMC)	Malaysia	Medical College	50

In the case of entities where the Group has greater than 50% shareholding, these have been consolidated in the Group financial statements, based on the controlling interest in these companies. As the RCSI holding in PMC is 50%, it does not control the voting rights or the board of RUMC and as such this investment is accounted for as a joint venture.

Details of registered offices are listed below:

Incorporated in Republic of Ireland	Registered office
All Irish incorporated companies	Royal College of Surgeons in Ireland 121 - 123 St. Stephen's Green Dublin 2 Ireland

Incorporated in Bahrain	Registered office
Royal College of Surgeons in Ireland, Medical University of Bahrain S.P.C.	Building 2441 Road 2835, Block 228 Al Sayh, Manama Kingdom of Bahrain

NOTES TO THE FINANCIAL STATEMENTS - continued

31 Approval of financial statements

The financial statements were approved on 9th December 2021.

RCSI

Royal College of Surgeons in Ireland
123 St Stephen's Green, Dublin 2, Ireland

www.rcsi.com/dublin