RCSI

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

11 DECEMBER 2020

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CONTENTS

INTRODUCTION

RCSI has been at the forefront of healthcare education and training in Ireland since its establishment under Royal Charter in 1784 as the national training body for surgery.

Today, as an independent, not-for-profit health sciences institution, RCSI offers education and training programmes at undergraduate, postgraduate and professional training levels. Headquartered in Ireland, RCSI's activities in education, training, and research span the three continents of Europe, Asia/Middle East and Africa.

The RCSI University of Medicine and Health Sciences is ranked in the top 250 universities worldwide in the Times Higher Education World University Rankings (THE WUR) (2021). The RCSI Department of Surgical Affairs oversees postgraduate training in surgery in Ireland with 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 a surgical training collaboration with the College of Surgeons East, Central and Southern Africa (COSECSA), supported by Irish Aid.

As one of Ireland's largest indigenous services exporters, RCSI makes a significant contribution to the Irish economy every year. RCSI employs over 1,300 people in Ireland and we estimate that close to 2,000 additional indirect jobs across the Irish economy are 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 goal is to ensure robust financial stewardship, in support of our mission, "to educate, nurture and discover for the benefit of human health", recognising an increasingly competitive market environment.

The Council is pleased to present the RCSI Annual Financial Report for the year ended 30 September 2020. A review of the performance for the year is presented by the Chief Executive Officer and the Director of Finance on pages 8 and 9. The accompanying Council Report and Consolidated Financial Statements from page 14 onwards are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and are audited by the group auditors PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, Dublin. Overall, financial performance for the year ended 30 September 2020 is in line with approved plans including bank covenant requirements, despite the difficult trading pandemic environment.

In what has been an unprecedented year, disrupted by a global pandemic, I acknowledge the significant efforts of our Council and external Board members, our Senior Management Team, and all RCSI staff and students for their collaborative engagement and commitment that has enabled RCSI to deliver its educational mission and deep professional responsibility to enhance human health through endeavour, innovation, and collaboration in education, research and service.

Professor P. Ronan O'Connell, President
11 December 2020

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 Niamh Moran
Head of School of Postgraduate Studies


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


Sara McDonnell
Executive Director, Graduate 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 KEY ACTIVITIES

REVIEW OF THE YEAR

Financial performance for the year ended 30 September 2020 was in line with approved plans, despite the pandemic and ensuing difficult trading environment. RCSI focused on pivoting to deliver digitally engaged, socially distanced learning, in line with pandemic safety protocols for students and staff, while continuing to invest in the institution's post-COVID-19 future.

The following narrative provides an overview of the year's performance with highlights from the Income 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 (87%) and externally funded research (11%), supplemented by a valuable source of ancillary income from an investment and development portfolio (2%). Over 6,000 students and professional trainees attended RCSI during the year, with representation from over 80 countries. Almost half of all students and trainees attend under a sponsorship agreement or other support.

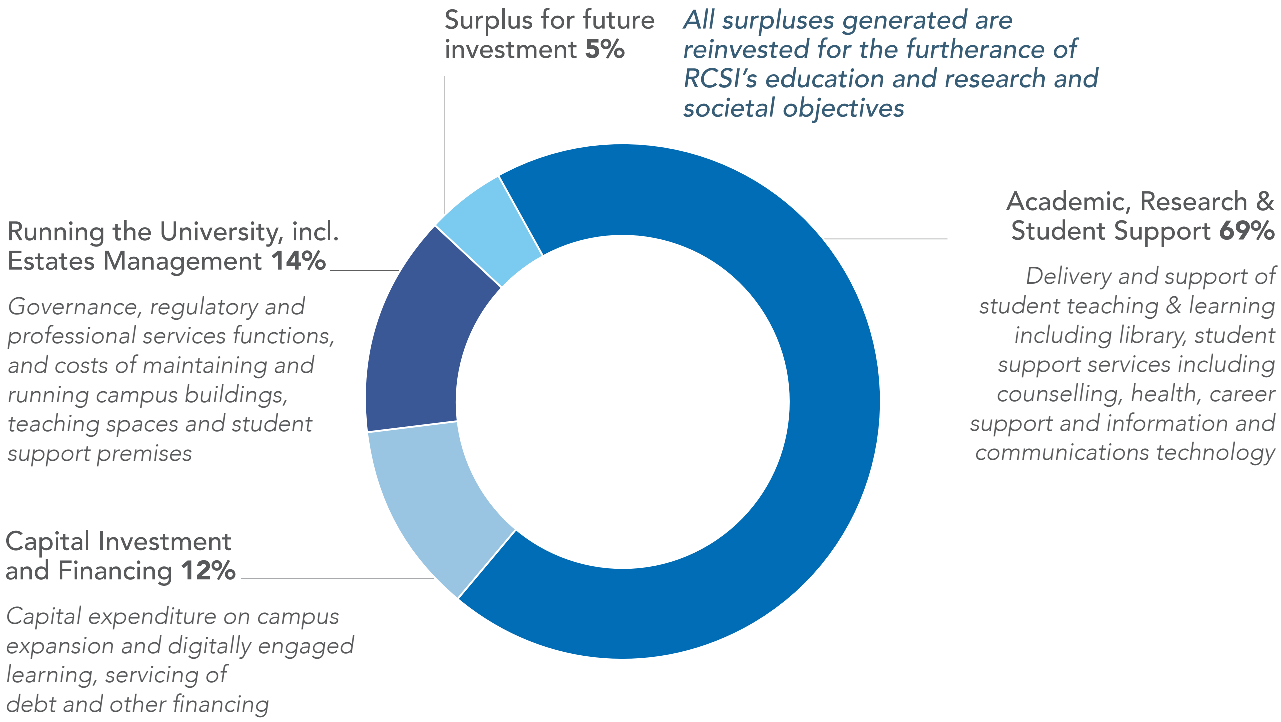
FINANCIAL MANAGEMENT

RCSI operates a primarily self-funding model with 15% of revenue derived from public sources. There is a strong focus on annual cash surplus generation 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 and the resultant surplus generated for future investment equivalent to 5% of revenue.

STAFF RELATED AND NON PAY COST

The majority of expenditure (69%) is accounted for, as expected, by academic and student related costs, and research activities. A further 14% is utilised in running the university including governance, regulatory and professional services functions and the cost of managing and maintaining the RCSI campuses, student teaching spaces and student accommodation.

UTILISATION OF REVENUE FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020



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 2020 research grants awarded to Irish institutions and maintaining the highest citation impact in Ireland ranking in the THE WUR 2021 (102nd in the world).

Overall costs remained broadly in line with prior year. Costs during the year included the continued rollout of investment initiatives under the RCSI strategic plan and expenditure related to the delivery of operations in line with safety protocols in a pandemic. Costs included expenditure in preparing the RCSI campuses for the safe return of students to the 2020/21 academic year with further significant expenditure planned. Despite the adversity, our students and staff embraced digital innovation made possible from strategic investments over the last number of years, including measures to counter cyber security risk. RCSI places significant importance on the effective use of resources, ensuring that operational delivery is underpinned by a "value for money" and continual improvement agenda, together with a sustainable environmental focus.

CAPITAL INVESTMENT AND FINANCING

The cost of debt servicing and net investment in working capital and capital expenditure amounted to €24m.

In direct response to the COVID-19 pandemic, RCSI paused all major capital projects. Notwithstanding, capital expenditure on campus infrastructure and digital transformation continued during the year.

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. During the year, a loan from the European Investment Bank in the amount of €40m was secured to part-fund RCSI's future capital programme. This funding remains undrawn.

NET ASSET VALUE

RCSI's net asset value increased by 6% year-on-year arising from a strong financial performance and an improved pension fund deficit, offset by property revaluations. The net asset value is supported by a high-quality asset base with a low level of revaluation amounts and long-term borrowings. An appropriate level of reserves is maintained to provide for continued investment in RCSI's mission and strategic plan and to enable responsiveness to general market volatility.

CONCLUSION

In a year like no other, we remain mindful of the need for healthcare leaders and the role that RCSI clinicians and researchers play in the global search to counter the effects of COVID-19. We will continue to deal with the challenges of operating in a pandemic, ensuring the safety of our students and staff, and to face the risks posed by cyber security and market competition.

We also recognise the opportunities that lie ahead as RCSI continues to evolve. As the new academic year approaches, we are grateful for investment in digital capability, the security that long-term funding provides and the dedication and commitment of all RCSI staff across the organisation.

Professor Cathal Kelly
Vice Chancellor &
CEO/Registrar

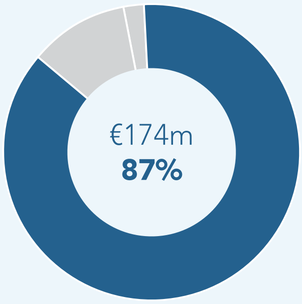
Jennifer Cullinane
Director of Finance

INCOME AND EXPENDITURE SUMMARY

REVENUE €201m ^ 2%

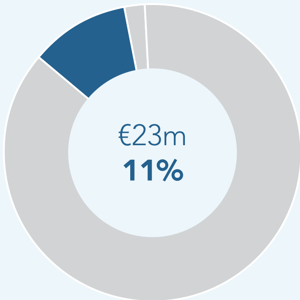
SOURCES OF REVENUE

Education and Training Programmes



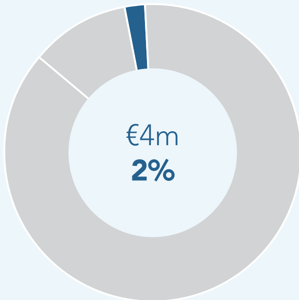
Over 6,000 undergraduate and postgraduate students and professional trainees

Externally Funded Research



Almost 500 active research grants

Investment

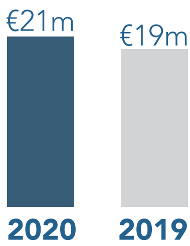


Investment and development portfolio of campus-adjacent properties

NET SURPLUS

€21m ^10%

Performance broadly in line with prior year with offsetting movements on depreciation and unrealised non-trading surpluses and deficits



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

(€166m) STAFF RELATED AND NON-PAY
Continued investment in the delivery of a world-class education with particular focus in the year on digitally engaged learning and safety protocols in a COVID-19 environment

(€15m) DEPRECIATION AND AMORTISATION
Reflects recent campus investment, required lease capitalisation (right-of-use) and a review of carrying value of assets in the year

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

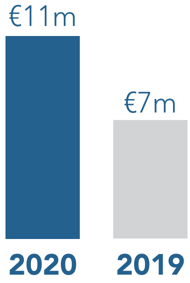
€3m UNREALISED NON-TRADING SURPLUS (NET)
Reflects year-end remeasurements recognised including currency impacts and investment property and pension scheme revaluations

CASH SUMMARY

NET CASH GENERATED

5% of Revenue

Net cash generated 5% of revenue having met debt service and ongoing 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:

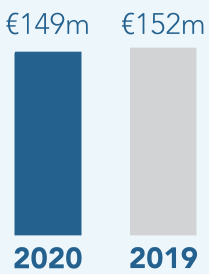
» €44m operating cash encompassing revenue, operating costs, and working capital movements,

» €7m generated from the sale of a financial asset at market value,

» (€28m) debt servicing, and

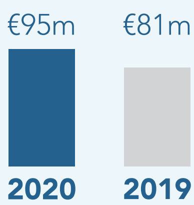
» (€12m) capital and lease expenditure.

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 €19m exists.



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 CASH

€95m	Operating Cash
(€114m)	Borrowings
(€19m)	NET BORROWINGS

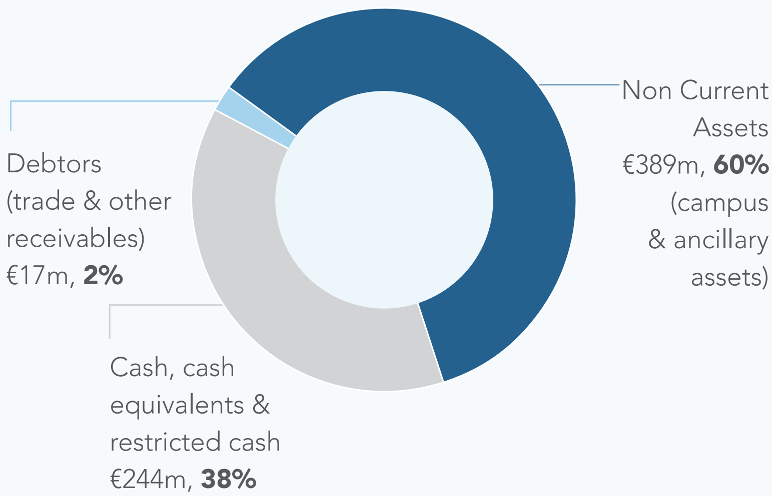
BALANCE SHEET SUMMARY

NET ASSET VALUE
€347m ^6%

6% increase in net asset value due to a strong financial performance and improved pension fund deficit, offset by property revaluations

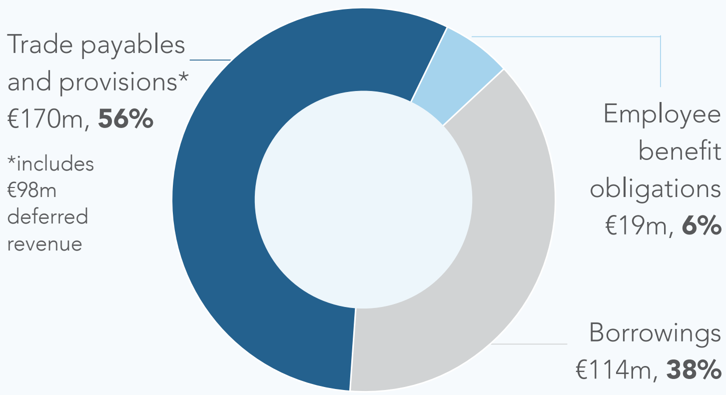
Net asset value demonstrates high-quality assets and long-term funding

Total Assets €650m
(increase €5m year-on-year)



- **Campus infrastructure** investment amounted to €12m in the year, broadly aligning to depreciation levels
- **Debtor** values remain consistent year-on-year with continued close management
- **Net cash generated** in the year amounted to €11m, 5% of revenue. All reserves are reinvested for the furtherance of our education and research and societal objectives in line with our charitable remit. Cash balance includes cash ringfenced for campus development, grant funding received in advance, and cash reserved for liquidity and working capital purposes

Total Liabilities €303m
(reduction €15m year-on-year)



- **Trade payables and provisions** remain broadly in line with prior year amounts after recognition of corresponding lease commitments on the capitalisation of right-of-use assets of €12m
- **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

2019/20

RCSI

COUNCIL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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COUNCIL AND RCSI EXECUTIVE MEMBERS

Council Members as at 30 September 2020

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

External Members on Governing Boards as at 30 September 2020

Dr G McMahon	College Advisory Board
Mr A Kelly	College Advisory Board
Mr D Deasy	College Advisory Board and Audit Committee
Ms A Maher	Chairman, 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 O O'Hagan	Finance Committee
Ms T Harrington	Finance Committee
Ms K Herbert	Audit Committee
Mr L Halpenny	Surgery and Postgraduate Faculties Board

Medicine and Health Sciences Board as at 30 September 2020

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	Dean, Faculty of Medicine and Health Sciences
Professor S Otoom	President RCSI, Medical University of Bahrain
Professor A Nicholson	Vice President Academic Affairs, RCSI, Medical University of Bahrain
Professor C Kelly	Chief Executive Officer
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
Dr S O'Neill	Elected staff representative
Ms C Behan	Elected staff representative
Mr D Smith	Representative of undergraduate students
Ms K J Genoud	Representative of postgraduate students
Professor Y Barnett	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 2020

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 2020

Directorate

Professor C Kelly	Chief Executive Officer
Professor H McGee	Dean, Faculty of Medicine and Health Sciences
Mr K Ryan	Managing Director of Surgical Affairs
Professor F O'Brien	Director of Research
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

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 N Moran	School of Postgraduate Studies
Ms S McDonnell	Institute of Leadership

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
Dr. K Strachan (acting)	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

Trowers & 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
Georges Quay
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

Standard Chartered Bahrain
Building No 180
Road 383, Block 315,
Government Road
Manama
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
Charity Number	CHY 1277

REPORT OF THE COUNCIL

The Council present their report and the audited consolidated financial statements for the year ended 30 September 2020.

Council and RCSI executive members

The names of all persons who were members of Council, other Governing Boards and RSCI executives at 30 September 2020 are set out on pages 2 to 3.

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 11 to 53 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 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.

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

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 Committees and greatly values the contribution of external members.

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 educate, nurture & discover for the benefit of human 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. As well as University activities in Ireland, RCSI also operates three medical schools overseas, one in Bahrain and two in Malaysia (Perdana and Penang), including healthcare management programmes in the United Arab Emirates. The 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), with the support of 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, running various outreach programmes with local communities and academic partner 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 ranking among the top 250 universities worldwide in the 2020 Times Higher Education (THE) World University Rankings. RCSI also makes a significant contribution to the Irish economy every year. As one of Ireland’s largest indigenous services exporters, RCSI employs over 1,300 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.

Financial Management

RCSI operates primarily a self-funding model with in the region of 15% 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.

REPORT OF THE COUNCIL - continued

Review of the year to 30 September 2020
Overall RCSI's financial performance for the year ended 30 September 2020 has remained broadly steady year-on-year and in line with approved plans including bank covenant requirements, despite the difficult trading pandemic environment.

Highlights during the year
RCSI's strategic plan 2018-2022 "Transforming Healthcare Education, Research and Service" sets out our ambition to enable our vision of "leading the world to better health" through

- delivering a transformative learning experience
- leading impactful research, and
- supporting healthcare and societal well-being in Ireland and internationally.

The above themes are supported by key enablers of deepening organisational capabilities, increasing the quality and breadth of our partnerships, supporting our people and culture while maintaining financial performance and governance standards, underpinned by RCSI values of Respect, Collaboration, Scholarship and Innovation (RCSI).

Some of the highlights during 2020 include

- Maintained top 250 position in the Times Higher Education (THE) World University Rankings (WUR) 2021
- Achieved No. 1 in the world in the THE impact ranking 2020 for UN sustainable development goal 3 " Good Health & Wellbeing"
- Highest overall success rate for Horizon 2020 research grants awarded to Irish Institutions, maintaining the highest citation impact (THE WUR 2021) in Ireland.
- Significant cross-organisational efforts during COVID-19 to "move our students one year closer to graduation" with a socially distanced education in line with safety protocols.

Consolidated Statement of Income and Expenditure
RCSI Consolidated Statement of Income and Expenditure for the year to 30 September 2020 is set out on page 11.

Overall a strong net surplus of €12m is reported for the financial year 2019/20. Group revenue for the year at €201m increased by 2% mainly due to increased research grant funding, steady growth in education programmes including modest increases in international fee rates, and currency benefits. The majority of revenue continues to be earned from those activities that are core to the organisation's mission, with a valuable source of ancillary revenue derived from the investment portfolio. Public funding sources, including research grants account for 15% of total revenue. Student numbers stand at just under 5,500 with representation from over 80 countries. Almost half of students attending RCSI do so under a sponsorship agreement or other supports.

Total operating costs including depreciation increased by 5% to €181m with the continued rollout of investment initiatives under the RCSI strategic plan. A key focus in the year was the fast tracking of education innovations including digitisation in the current COVID-19 environment. As a higher education institution, staff related costs continue to account for the majority of operating expenditure. Underpinning operational delivery is a "value for money" focus, continual improvement under the "BetterRCSI" programme, and a sustainable environmental agenda.

Net financing costs are lower in the year following a recent refinancing, offset by lower deposit interest received on cash deposits. The results include three key market and independent valuations; an unrealised currency loss of €1.6m arising from a stronger US Dollar on loan retranslation; reduction in investment property values by €5.2m due to the uncertainties presented by the pandemic and improved defined benefit pension scheme deficit by €10m with the scheme's plan remaining "on track" under the Plan agreed with the Pension Board.

Consolidated Statement of Cash Flows
Overall having met commitments relating to debt service, capital expenditure plans and working capital movements, a cash increase of €11m equivalent to 5% of revenue was generated in the year. The net cash position improved in the year with an excess of cash over debt but recognising that a large proportion of funds relate to working capital from prepaid fees and grant monies required to be ring-fenced under research contracts. Tight management of cash reserves continues to be a focus, together with minimising the effects of a negative interest environment.

Consolidated Balance Sheet
Overall the net asset value of the organisation increased by 6% to €347m, broadly arising from strong financial performance, improved pension deficit and offset by property devaluations. The capital programme in the year amounted to €12m in respect of the digital transformation programme and campus infrastructure investments. Loan refinancing was successfully concluded in November 2019. See note 1 (b).

RCSI has a number of investments through subsidiary structures in support of its mission. In Ireland these include a clinical research centre at Beaumont Hospital (Clinical Technologies & Research Development Ltd), 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 suited to a Healthcare Education not-for-profit institution. This means we align to the principles of ESG (environmental, social and governance) by applying ethical considerations when making investments including not investing in fossil fuels, tobacco or

REPORT OF THE COUNCIL - continued

armaments. The wellbeing of RCSI's employees is safeguarded through strict adherence to health and safety standards. Health and safety legislation imposes certain requirements on employers and the institution has taken the necessary actions to ensure compliance with this legislation. 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.

Post Balance Sheet events

Other than the continued impact of COVID-19, details of which are set out in the subsequent events note 32, 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 Committee and Council. Financial risks are set out in note 22 on pages 40 to 45. COVID-19 continues to be the principal risk facing RCSI. Operationally RCSI has adapted to delivering socially distanced education in line with safety protocols in the pandemic environment. In parallel, staff seamlessly transitioned to remote working with minimal impact on business-as-usual activities. 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.

Conclusion

Overall RCSI's financial performance has remained steady, in line with approved plans and agreed bank covenant requirements. As we look forward and plan to operate in a COVID-19 environment, we remain mindful now more than ever of the need for healthcare leaders. As an organisation we have put plans in place to deal with the challenges of operating in a pandemic, to ensure the safety of our students and staff. We continue also to look to the future recognising the role that RCSI clinicians and researchers play in the global search to counter the effects of COVID-19 and for new opportunities in healthcare education. In what has been an unprecedented year, we acknowledge the significant efforts of all RCSI staff, our Council and external Board members for their collaborative engagement and commitment, to enable us to continue to deliver on our 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	• Social 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 continued compliance	• Strong control environment • Multi-year planning framework under COVID-19 conditions • Long term funding and covenant compliance • Horizon scanning of international trends including regulation and policy changes

Auditors

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

On behalf of the Council

Professor P R O'Connell
President

Mr D Moore
Chairman of the Audit 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 and financial position 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

Professor P R O'Connell
President

Mr D Moore
Chairman of the Audit Committee

pwc

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

Report on the audit of the financial statements

Opinion

In our opinion, the 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 2020 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 2020;
- the consolidated statement of income and expenditure and statement of other comprehensive income 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

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

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

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

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 8, 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.

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 13 October 2020 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 College, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers
Chartered Accountants
Dublin
11 December 2020

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE
Financial Year Ended 30 September 2020

	Notes	2020 €'000	2019 €'000
Revenue			
Education and training programmes	3	174,130	169,700
Externally funded research	3	23,104	23,334
Investment	3	3,739	3,875
Total income		200,973	196,909
Expenditure			
Staff related costs	4	(108,067)	(101,975)
Non pay costs	4	(57,820)	(61,906)
Depreciation and amortisation	4	(14,917)	(8,355)
Foreign exchange on intercompany loan	4	(1,573)	1,561
Non-trading (losses)/gains	4	(5,195)	1,821
Total operating costs		(187,572)	(168,854)
Operating surplus before interest, joint venture and taxation		13,401	28,055
Finance income	7	431	641
Finance costs	7	(2,289)	(2,536)
Other financial expense	7	(240)	(430)
Net financing cost		(2,098)	(2,325)
Surplus for the financial year before joint venture and taxation		11,303	25,730
Share of operating surplus of joint venture	8	250	69
Surplus for the financial year before taxation		11,553	25,799
Taxation charge	9	-	-
Surplus for the financial year		11,553	25,799

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Financial Year Ended 30 September 2020

	Note	2020 €'000	2019 €'000
Surplus for the financial year		11,553	25,799
Other comprehensive income			
Foreign exchange (loss)/gain on translation of joint venture and foreign subsidiary		(1,267)	1,036
Gain on revaluation of other investments		157	234
Actuarial gain/(loss) in respect of pension scheme	25	10,139	(8,306)
Total comprehensive income relating to the year		20,582	18,763

CONSOLIDATED BALANCE SHEET
As at 30 September 2020

	Notes	2020 €'000	2019 €'000
ASSETS			
Non-current assets			
Property and equipment	10	270,068	275,573
Right-of-use assets	10	11,576	-
Heritage assets	11	3,898	3,881
Investment property	12	87,096	91,060
Intangible assets	13	10,485	11,232
Financial assets – available for sale investments	14	2,958	9,286
Financial assets – investments in joint ventures	15	3,007	3,084
		389,088	394,116
Current assets			
Trade and other receivables	16	16,575	17,434
Cash and cash equivalents	17	239,986	212,575
Restricted cash	17	4,439	20,792
		261,000	250,801
Total assets		650,088	644,917
LIABILITIES			
Non-current liabilities			
Other non-current payables	18	(30,571)	(22,902)
Provisions	19	(16,448)	(15,712)
Borrowings	20	(108,490)	(50,000)
Employee benefit obligations	25	(18,760)	(29,389)
	18	(174,269)	(118,003)
Current liabilities			
Borrowings	20	(5,427)	(89,223)
Trade and other payables	21	(123,018)	(111,169)
	21	(128,445)	(200,392)
Total liabilities		(302,714)	(318,395)
Total net assets		**347,374**	**326,522**
EQUITY			
Restricted reserves			
Income and expenditure - restricted	26	33,354	29,487
Unrestricted reserves			
Income and expenditure - designated	26	624	648
Income and expenditure - general		313,396	296,387
Total equity		**347,374**	**326,522**

On behalf of the Council

P. Ronan O'Connell

David P Moore

Professor P R O'Connell
President

Mr D Moore
Chairman of the Audit Committee

CONSOLIDATED STATEMENT OF CASH FLOWS
Financial Year Ended 30 September 2020

	Notes	2020 €'000	2019 €'000
Operating activities			
Cash inflow from operating activities	23(a)	43,740	26,929
Returns on investment and servicing of finance			
Interest paid		(2,289)	(2,536)
Interest received		431	641
Other financial expense		(240)	(430)
Net cash outflow from investments and servicing of finance		(2,098)	(2,325)
Investing activities			
Movement in Restricted Cash		16,353	(705)
Payments to acquire tangible fixed assets		(8,994)	(8,132)
Payments to acquire investment property		(1,262)	(191)
Proceeds on sale of financial asset		6,518	-
Net cash outflow from investing activities		12,615	(9,028)
Financing activities			
Net movement in borrowings		(25,306)	(9,788)
Transactions with joint venture		140	43
Principal payments of lease liabilities		(1,680)	-
Net cash outflow from financing activities		(26,846)	(9,745)
Increase in cash and cash equivalents in the year		27,411	5,831
Reconciliation of net cash flow to movement in net cash			
Increase in cash and cash equivalents in the year		27,411	5,831
(Decrease)/Increase in restricted cash		(16,353)	705
Movement in total cash		11,058	6,536
Cash flow from movement in borrowings		25,306	9,788
Movement in net cash in the year		36,364	16,324
Net cash at beginning of year		94,144	77,820
Net cash at end of year	23(c)	130,508	94,144

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL RESERVES
Financial Year Ended 30 September 2020

	Retained earnings €'000	Foreign operations exchange reserves €'000	Total revenue reserves €'000
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**
Opening balance sheet at 1 October 2018	308,770	(1,011)	307,759
Surplus for the year	25,799	-	25,799
Gain on revaluation of other investments	234	-	234
Actuarial loss on pension scheme	(8,306)	-	(8,306)
Unrealised gain on revaluation of joint venture	-	136	136
Unrealised loss on retranslation of foreign subsidiary	-	(902)	(902)
Other foreign operations exchange reserves movement	-	1,802	1,802
Closing balance as at 30 September 2019	**326,497**	**25**	**326,522**

INDEX FOR NOTES TO THE FINANCIAL STATEMENTS

Accounting Policies under Note 1

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Royal College of Surgeons (RSCI) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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. RCSI has also applied a number of disclosures from the Statement of Recommended Practice (SORP) (Accounting for further and higher education) for the purposes of the disclosure of enhanced information.

The financial year end of all RCSI undertakings is 30 September 2020, with the exception of Penang Medical College Sdn. Bhd. which has a year end of 30 June 2020. 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 12 indicates a total equity position of €347m (2019: €327m). The impact of the COVID-19 pandemic on the financial year 2019/20 was minimal. RCSI have assessed the potential impact of the pandemic for the next 12 months and while this is an unforeseen event, RCSI 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.

RCSI carried out extensive financial scenario modelling as part of its annual rolling five year planning process in 2020, in order to stress test its capacity to deal with the effects of the pandemic. The scenarios modelled numerous future financial outcomes based on a series of varying assumptions. These future financial scenarios were then considered in light of their impact on bank covenant compliance. The results of the scenario modelling showed that RCSI would be capable of continuing to operate as a going concern over the next 12 months. An independent review confirmed the robustness of the process.

RCSI is committed to safely delivering quality education programmes while also recognising the need to continue to invest in its post-COVID future. When developing the current approved 5-year financial plan 2020-2025, we were cognisant of the financial impact on earnings arising from these COVID-19 related commitments and also the considerable uncertainty arising from this pandemic environment. RCSI has engaged regularly with its lending banks, AIB plc and the European Investment Bank over the last number of months, keeping them appraised of actions undertaken and associated costs in delivering a socially distanced education. The financial flexibility sought has been secured and we will continue to engage, as the full effects of the pandemic become known regarding any further flexibility needed.

During the year, RCSI refinanced loan facilities with AIB based on a 15-year term expiring on 31 January 2035. The new facility agreement was signed on 29 November 2019. The Council is satisfied that the existing facilities and the refinanced facilities are sufficient to fund the working capital requirements of RCSI and to provide funding for the ongoing development of education and research at RCSI. All agreed financial covenants are targeted to be met.

RCSI successfully secured additional loan funding from the European Investment Bank in 2019 of €40m for a campus development project. This facility remains undrawn.

(c) Changes in accounting policy

The following new standards, interpretations and standard amendments became effective for the Group as of 1 October 2019.

IFRS 16 - Leases

IFRS 16, “Leases” specifies how an entity will recognise, measure, present and disclose leases. This standard became effective on 1 January 2019 and been adopted by RCSI for the 2020 financial year. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Under the new standard, the distinction between operating and finance leases is removed for lessees and almost all leases are reflected on the Balance Sheet. As a result of the application of the new standard, an asset (the right-of-use of the leased item) and a financial liability to pay rental expenses has been recognised.

RCSI has adopted the modified retrospective approach to transition permitted by the standard which allows adoption from the first day of the financial year without the need to restate comparatives

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

Upon transition, the lease liability was based on the present value of remaining lease payments, including any directly attributable costs, and a corresponding amount was recognised as a right-of-use asset. Information available at the date of transition was used to apply IFRS 16. RCSI has elected to record short-term leases of less than 12 months and leases of low-value assets as defined in IFRS 16 as an operating expense in the Consolidated Statement of Income and Expenditure on a straight-line basis over the lease term. RCSI has also elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component further increasing the lease liability.

The following tables below show the adjustment for each financial statement line item effected by the application of IFRS 16 for the year ended 30 September 2020.

Consolidated Statement of Income & Expenditure ***only lines which are impacted are presented below**	*If IAS 17 still applied €'000	*IFRS 16 impact €'000	*As presented €'000
Expenditure			
Non Pay	(1,680)	1,680	-
Depreciation	(13,290)	(1,627)	(14,917)
Operating surplus before interest, joint ventures and taxation	**13,348**	**53**	**13,401**
Finance costs	(1,973)	(316)	(2,289)
Surplus for the financial year	**11,816**	**(263)**	**11,553**

RCSI's operating surplus has decreased by €0.3m for the year ended 30 September 2020 due to the implementation of IFRS 16. Non-pay costs have decreased, as the Group, under IAS 17, previously recognised operating lease expenses in non-pay costs. The Group's operating lease expense for the year ended 30 September 2019 was €1.7m. Under the new standard, lease expenses are replaced with finance costs on the lease liability €0.3m and depreciation of the right-of-use asset €1.6m.

Consolidated Balance Sheet at 1 October 2019 ***only lines which are impacted are presented below**	*As presented €'000	*IFRS 16 impact €'000	*As adjusted €'000
ASSETS			
Non-current assets			
Right-of-use assets	-	13,247	13,247
Total assets	644,917	13,247	658,164
LIABILITIES			
Non-current liabilities			
Other non-current payables	(22,902)	(11,489)	(34,391)
Current liabilities			
Trade and other payables	(111,169)	(1,758)	(112,927)
Total Liabilities	(318,395)	(13,247)	(331,642)
Net Assets	326,522	-	326,522

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

Consolidated Balance Sheet at 30 September 2020 *only lines which are impacted are presented below	*If IAS 17 still applied €'000	*IFRS 16 impact €'000	*As presented €'000
ASSETS			
Non-current assets			
Right-of-use assets	-	11,576	11,576
Total assets	638,512	11,576	650,088
LIABILITIES			
Non-current liabilities			
Other non-current payables	(20,538)	(10,033)	(30,571)
Current liabilities			
Trade and other payables	(121,524)	(1,494)	(123,018)
Total Liabilities	(291,187)	(11,527)	(302,714)
Net Assets	347,425	49	347,374

Consolidated Balance Sheet
At transition, RCSI determined the minimum lease payments outstanding at that date and applied the appropriate discount rate to calculate the present value of the lease liability and right-of-use asset to be recognised on the Balance Sheet. Using an indicative discount rate of 1.5% in Ireland and 5% in Bahrain (the respective weighted average borrowing rates), the application of IFRS 16 has resulted in the recognition of a lease liability of €13.2m and a corresponding right-of-use asset of €13.2m.

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. During the year RCSI charged €1.6m depreciation as a result of the implementation of IFRS 16. 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.

Consolidated statement of cash flows
The presentation of cash flows in the consolidated statement of cash flows is impacted.

Under IFRS 16, lessees must present short term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of the lease liabilities as part of operating activities.

Lease liability payments are split into payments of interest and payments of principal and are presented separately in the consolidated statement of cash flows. RCSI has opted to include the element of cash flows recorded as interest as part of financing activities as permitted by IAS 7 Statement of Cash Flows. Cash payments for the principal portion have been presented as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities and consequently, as a result of the implementation of IFRS 16, the net cash outflow from financing activities has increased by €1.7m. The overall cash impact year on year is nil.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on RCSI.

(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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

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 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.

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. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through surplus or deficit are recognised in the Statement of Income and Expenditure as part of the fair value gain or loss. Translation differences on non-monetary financial assets measured at fair value, such as equities classified as available for sale, are included 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. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising 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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

(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.

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 format which seeks to highlight 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.

The tax expense for the period 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. In this case, the tax is also recognised in Other Comprehensive Income or directly in equity, respectively.

The current income tax charge 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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax
Deferred income 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 income 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 income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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 income 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 income 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 income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities 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% straight line
Minor building projects	1-10% straight line
Furniture and equipment	10% straight line
Computer hardware/software	20%-33.33% straight line
Motor vehicles	20% reducing balance

The rate of depreciation for research 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 (Policy after 1 October 2020)
Before 1 October 2019, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases under IAS 17 and their associated cost included in non-pay costs in the Statement of Income and Expenditure on a straight-line basis over the period of the lease.

On 1 October 2019, RCSI adopted IFRS 16. Under IFRS 16, a right-of-use asset and a lease liability is recognised on the balance sheet. Details of the adoption of IFRS 16 are outlined in note 1(c).

RCSI adopted IFRS 16 'Leases' using the modified retrospective approach. Accordingly, the comparative information has not been restated and continues to be accounted for in accordance with the Group's previous accounting policy under IAS 17 'Leases'.

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 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.

(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

In the consolidated Statement of Cash Flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

(q) Creditors

Trade payables 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 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.
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.

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;

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

- the risks that affect the performance of the business model (and the financial assets held within that 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.

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).

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

1 Summary of significant accounting policies - continued

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 under which RCSI pays fixed contributions into a separate entity. RCSI has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, RCSI pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. RCSI has no further payment 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 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 requires the use of accounting estimates which, by definition, will seldom equal the actual results. The Council exercises judgement in applying RCSI's accounting policies.

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 best estimate of the expected settlement amount. Changes to the best estimate of the settlement amount may result from changes in the estimated amount or timing of the outflows or changes in discount rates.

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

	2020 €'000	2019 €'000
Education and training programmes	174,130	169,700
Externally funded research	23,104	23,334
Investment	3,739	3,875
	200,973	196,909

Revenue by geographic location :

Europe	154,685	149,985
Middle East, Asia and Other	46,288	46,924
	200,973	196,909

Revenue from education and training programmes relates to student fees and other sources of revenue from undergraduate and postgraduate programmes including professional training. The investment revenue mainly relates to rental agreements.

Revenue received from Irish State bodies was €30m (*2019: €29m*) as listed below, comprising 15% of total revenue in the year. 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.

	2020 €'000	2019 €'000
Health Service Executive	10,864	9,041
Higher Education Authority	4,785	4,824
Department of Health	600	600
Irish Aid	349	484
	16,598	14,949
Research grants received from Irish State bodies (note 27)	12,919	13,747
	29,517	28,696

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Operating costs

	Education and training €'000	Research €'000	Other €'000	Total 2020 €'000	Total 2019 €'000
Staff related expenses	(71,706)	(17,498)	(18,863)	(108,067)	(101,975)
Non-pay expenses	(33,119)	(8,149)	(16,552)	(57,820)	(61,906)
Depreciation	-	-	(14,421)	(14,421)	(8,056)
Amortisation	-	-	(496)	(496)	(299)
Unrealised foreign exchange movements on intercompany loan	-	-	(1,573)	(1,573)	1,561
Non-trading (losses)/gains:					
(Loss)/gain on revaluation of investment property	-	-	(5,226)	(5,226)	1,829
Gain on revaluation of heritage assets	-	-	12	12	-
Profit on disposal of financial asset	-	-	25	25	-
Loss on disposal of fixed asset	-	-	(6)	(6)	(8)
Total non-trading (losses)/gains:	-	-	(5,195)	(5,195)	1,821
Total operating costs and other revenue	(104,825)	(25,647)	(57,100)	(187,572)	(168,854)

Education and training includes Group expenditure in relation to teaching & training and academic & student support including library running costs.

Research includes all expenditure incurred on research activities during the year.

Other includes expenditure on estates management, IT, governance, professional fees, and costs incurred on investments' activities.

The depreciation charge for the year has increased on 2018/19 levels due to a number of factors. The adoption of IFRS 16 from 1 October 2019, which capitalises and subsequently depreciates right-of-use assets, gave rise to a depreciation charge of €1.6m in the year. As RCSI adopted the modified retrospective approach to transition, comparative amounts have not been restated. In accordance with IAS 16, Property, Plant and Equipment, a review of useful lives and net book values of assets as at 1 October 2019 was carried out resulting in a credit to depreciation and amortisation during the year of €0.7m. This review also identified a change to depreciation start dates of a small number of assets which together with an increase relating to the recent capital expansion programme, accounted for the remaining €5.5m increase in the year.

5 Operating surplus

	2020 €'000	2019 €'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	(168)	(165)
Tax compliance and advisory services	(120)	(75)
Other non-audit services	(38)	(58)

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Operating surplus - continued

	2020 €'000	2019 €'000
(ii) Employee benefits expenses		
Wages and salaries	(94,495)	(89,436)
Social insurance costs	(7,243)	(6,849)
Pension costs (note 25)	(6,329)	(5,690)
	(108,067)	(101,975)

RCSI employs staff across various categories including medical consultants and other clinical roles, academic, research, technical, administrative, 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 €7.4m (*2019: €7.4m*), comprising of €6.9m pay related compensation and €0.5m pension related benefits (*2019: €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 €235k (*2019: €454k*).

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

Salary Bands	2020 Staff Number	2019 Staff Number
€0 - €100k	1,143	1,108
€101k - €200k	170	167
€201k - €300k	13	11
	1,326	1,286

6 (Loss)/gain on fair value of investment property

	2020 €'000	2019 €'000
(Loss)/gain on revaluation of investment property (note 12)	(5,226)	1,829

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).

7 Finance costs

	2020 €'000	2019 €'000
Finance income		
Interest receivable	431	641
Finance costs		
Interest expense on lease liabilities	(316)	-
Bank interest on borrowings	(1,973)	(2,536)
	(2,289)	(2,536)
Other financial expense		
Interest on pension scheme	(240)	(430)

NOTES TO THE FINANCIAL STATEMENTS - continued

8 Interests in joint venture

Set out below is the detail regarding RCSI's joint venture as at 30 September 2020. 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 2020 €'000	Carrying amount 2019 €'000
Penang Medical College Sdn. Bhd. (RCSI & UCD Malaysia Campus	Malaysia	Equity	50	Medical College	3,007	3,084

	2020 €'000	2019 €'000
Profit from continuing operations	250	69
Other comprehensive income	-	-
Total comprehensive income	250	69

During the year RCSI & UCD Malaysia Campus (RUMC) incurred expenses in excess of income on behalf of RCSI totalling €0.2m, which was payable at the period end. RUMC was advanced a loan in 2008 which remains payable at period end at a value of €0.2m *(2019: €0.2m).*

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 2020 amounted to €8.1m (*2019: €7.6m*). The tax charge in the year was Nil *(2019: 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:

	2020 €'000	2019 €'000
Surplus on ordinary activities before tax	11,553	25,799
Less: surplus on charitable activities and foreign subsidiaries	(12,113)	(26,575)
Trading loss	(560)	(776)
Loss multiplied by the average rate of Irish corporation tax 12.5%	(70)	(97)
Items taxed at non-standard rate	6	7
Loss relief surrendered / claimed	12	14
Loss relief available	52	76
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

		2020 €'000	2019 €'000
Property and equipment	(note (i))	270,068	275,573
Right-of-use assets	(note (ii))	11,576	-
		281,644	275,573

(i) Property and equipment analysis:

	Land and buildings €'000	Assets under construction €'000	Computer hardware €'000	Furniture, equipment and library €'000	Motor vehicles €'000	Total €'000
Cost or deemed cost						
At 1 October 2019	264,416	37,583	19,260	77,937	132	399,328
Additions during the year	808	4,488	996	1,615	-	7,907
Adjustments	-	-	(74)	-	(52)	(126)
Transfers	1,929	(2,324)	338	57	-	-
Foreign exchange translation	(3,748)	-	(357)	(336)	(5)	(4,446)
As at 30 September 2020	263,405	39,747	20,163	79,273	75	402,663
Depreciation						
At 1 October 2019	(46,148)	-	(16,237)	(61,337)	(33)	(123,755)
Charge during the year	(4,918)	-	(1,201)	(3,552)	(16)	(9,687)
Adjustments	-	-	(383)	-	23	(360)
Foreign exchange translation	783	-	206	217	2	1,208
As at 30 September 2020	(50,283)	-	(17,615)	(64,672)	(24)	(132,594)
Net book value						
At 30 September 2020	213,122	39,747	2,548	14,601	50	270,068
At 30 September 2019	218,268	37,583	3,023	16,600	99	275,573

	Land and buildings €'000	Assets under construction €'000	Computer hardware €'000	Furniture, equipment and library €'000	Motor vehicles €'000	Total €'000
Cost or deemed cost						
At 1 October 2018	260,156	34,893	18,294	75,062	52	388,457
Additions during the year	771	2,914	789	2,743	77	7,294
Adjustments	-	-	-	(136)	-	(136)
Transfers	224	(224)	-	-	-	-
Foreign exchange translation	3,265	-	177	268	3	3,713
As at 30 September 2019	264,416	37,583	19,260	77,937	132	339,328
Depreciation						
At 1 October 2019	(42,298)	-	(14,737)	(58,757)	(1)	(115,793)
Charge during the year	(3,286)	-	(1,328)	(2,406)	(32)	(7,052)
Foreign exchange translation	(564)	-	(172)	(174)	-	(910)
As at 30 September 2020	(46,148)	-	(16,237)	(61,337)	(33)	(123,755)
Net book value						
At 30 September 2019	218,268	37,583	3,023	16,600	99	275,573
At 30 September 2018	217,858	34,893	3,557	16,305	51	272,664

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Property and equipment – continued

Property assets with a net book value of €3.7m were pledged as contingent assets to the RCSI pension scheme *(2019: €4.0m)*. 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.

(ii) Right-of-use assets analysis:

	Land and buildings €'000	Total €'000
Cost or deemed cost		
At 1 October 2019	-	-
Recognition on initial adoption of IFRS 16	13,247	13,247
Foreign exchange translation	(44)	(44)
As at 30 September 2020	13,203	13,203
Depreciation		
At 1 October 2019	-	-
Charged during the year	(1,630)	(1,630)
Foreign exchange translation	3	3
As at 30 September 2020	(1,627)	(1,627)
Net book value		
At 30 September 2020	11,576	11,576
At 30 September 2019	-	-

The right-of-use asset consists of two leases with the Government in Bahrain regarding the University land, and in Ireland a student accommodation and office space lease. At 1 October 2019, on transition to IFRS 16, RCSI recognised right-of-use assets of €13.2m and lease liabilities of €13.2m.

Lease disclosures:

	2020 €'000
(a) Amounts recognised in the consolidated statement of income and expenditure:	
Depreciation charged during the financial year	1,627
Interest on lease liabilities on transition to IFRS 16	316
(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)	1,680
(c) At the balance sheet date RCSI had commitments under non-cancellable leases which fall due as follows:	
In one year or less	1,494
In more than one year, but not more than five years	5,848
In more than five years	4,185

Reconciliation of IAS 17 lease commitments and IFRS 16 lease liability:

	2020 €'000
Commitments under non-cancellable operating lease as at 30 September 2019	19,433
Foreign exchange movements/other adjustments	(154)
Total future lease payments	19,279
Effect of discounting	(6,032)
Lease liability at 1 October 2019	13,247

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Heritage assets

	Artworks €'000	Antique furniture and effects €'000	Antiquarian books and silverware €'000	Total €'000
Cost				
At 1 October 2019	2,340	504	1,203	4,047
Additions during the year	50	3	-	53
At 30 September 2020	2,390	507	203	4,100
Depreciation				
At 1 October 2019	(120)	(22)	(24)	(166)
Amortised during the year	(21)	(4)	(11)	(36)
At 30 September 2020	(141)	(26)	(35)	(202)
Net book value				
At 30 September 2020	2,249	481	1,168	3,898
At 30 September 2019	2,220	482	1,179	3,881
Cost				
At 1 October 2018	2,180	504	1,203	3,887
Additions during the year	160	-	-	160
At 30 September 2019	2,340	504	1,203	4,047
Depreciation				
At 1 October 2018	(103)	(18)	(15)	(136)
Amortised during the year	(17)	(4)	(9)	(30)
At 30 September 2019	(120)	(22)	(24)	(166)
Net book value				
At 30 September 2019	2,220	482	1,179	3,881
At 30 September 2018	2,077	486	1,188	3,751

Heritage assets are stated at deemed cost less depreciation. In line with the RCSI accounting policy, a 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. The assets were valued 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. The valuation determined no material change to the carrying value of the heritage assets portfolio.

12 Investment properties

	2020 €'000	2019 €'000
Valuation as at 1 October	91,060	89,040
Additions to investment property	1,262	191
(Loss)/gain on revaluation of investment property	(5,226)	1,829
Valuation as at 30 September	87,096	91,060

RCSI's investment properties are measured at fair value, which reflects current market conditions. The valuation at 30 September 2020 was carried out by independent valuers, Cushman & Wakefield in accordance with IAS 40 Investment

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Investment properties – continued

Property (IAS 40) and IFRS 13 Fair Value Measurement (IFRS 13). These valuers have an appropriately recognised professional qualification and relevant experience.

The valuation as at 30 September 2020 resulted in a loss on revaluation of €5.2m 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 5.7% decrease on the prior year, of which 1.5% relates to the impact of the increase in Irish commercial stamp duty in October 2019 from 6% to 7.5%, with the remainder 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, 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 material uncertainty clause

COVID-19 and the measures employed to slow its spread have dramatically reduced the number of transactions across all sectors in the real estate market. Less transaction activity has resulted in less reliable market data on which to base valuation judgements.

Consequently, the Royal Institute of Chartered Surveyors (RICS) issued guidance to valuers at the end of March 2020 recommending the inclusion of a 'material uncertainty clause' in their reporting. Consequently, Cushman & Wakefield have included this clause in their valuation report, citing a reduced ability to rely on previous market evidence for comparison purposes, to inform opinions of value. This is not intended by the valuers to suggest that its valuations cannot be relied on but to indicate that less certainty should be ascribed to the valuations than would normally be the case. It also recommends, that given the unknown future impact that COVID-19 might have on the real estate market, property valuations are kept under frequent review.

The application of the COVID-19 material valuation uncertainty clause, since its commencement in March 2020, is regularly reviewed by Cushman & Wakefield, based on advice provided to members by the Society of Chartered Surveyors of Ireland. Since the year-end, on 21 October 2020, the clause was lifted by Cushman & Wakefield for the office property sector. The clause remains in place for all other sectors of RCSI property.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Investment properties – continued

Whilst the property valuations include an assessment of the impact of COVID-19 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.

Analysis of Level 3 investment properties

The following table outlines the key unobservable inputs utilised in the fair value calculation of RCSI investment properties at 30 September 2020, which have been identified as the Equivalent Yield and the Estimated 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 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 €4.3m and €3.1m respectively. If yields decreased by 25bps and market ERVs increased by 5%, property valuations would increase by €4.9m and €3m 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	45,100	4.60% - 5%	€43.50 - €49 per sq ft	(2,340)	2,750	(1,780)	1,880
Other property	41,996	4.40% - 5.75%	€8.50 - €40 per sq ft	(1,985)	2,160	(1,270)	1,155
	87,096			**(4,325)**	**4,910**	**(3,050)**	**3,035**
			Percentage of fair value	*(5%)*	*5.6%*	*(3.5%)*	*3.5%*

Pledged investment properties

At 30 September 2020, properties included within investment properties with a carrying amount of €85.7m (2019: €90.8m) 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 (2019: €0.1m) (see note 25).

13 Intangible assets

	Computer software €'000	Patents and trademarks €'000	Licences €'000	Total €'000
Cost				
At 1 October 2019	26,445	109	2,477	29,031
Additions	2,570	-	-	2,570
Adjustments	74	-	-	74
Foreign exchange translation	69	-	-	69
At 30 September 2020	29,158	109	2,477	31,744
Amortisation				
At 1 October 2019	(16,601)	(109)	(1,089)	(17,799)
Amortised during the year	(3,720)	-	(113)	(3,833)
Adjustments	383	-	-	383
Foreign exchange translation	(10)	-	-	(10)
At 30 September 2020	(19,948)	(109)	(1,202)	(21,259)
Net book value				
At 30 September 2020	9,210	-	1,275	10,485
At 30 September 2019	9,844	-	1,388	11,232

NOTES TO THE FINANCIAL STATEMENTS - continued

13 Intangible assets – continued

	Computer software €'000	Patents and trademarks €'000	Licences €'000	Total €'000
Cost				
At 1 October 2018	23,725	109	2,477	26,311
Additions	2,721	-	-	2,721
Foreign exchange translation	(1)	-	-	(1)
At 30 September 2019	26,445	109	2,477	29,031
Amortisation				
At 1 October 2018	(15,417)	(109)	(976)	(16,502)
Amortised during the year	(1,204)	-	(113)	(1,317)
Foreign exchange translation	20	-	-	20
At 30 September 2019	(16,601)	(109)	(1,089)	(17,799)
Net book value				
At 30 September 2019	9,844	-	1,388	11,232
At 30 September 2018	8,308	-	1,501	9,809

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.

14 Financial assets - available for sale investments

	Total €'000
Deemed cost	
At 1 October 2019	9,286
Disposals	(6,518)
Gain on revaluation of financial assets	190
At 30 September 2020	2,958
At 1 October 2018	8,953
Gain on revaluation of financial assets	333
At 30 September 2019	9,286

15 Financial assets - investments in joint ventures

	Total €'000
Deemed cost	
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
At 1 October 2018	2,922
Loan movement	(43)
Group's share of surplus	69
Foreign exchange on revaluation	136
At 30 September 2019	3,084

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Trade and other receivables

	2020 €'000	2019 €'000
Trade receivables (net of impairment provision (note 22))	9,184	8,224
Prepayments and accrued revenue	3,008	4,207
Other debtors	4,383	5,003
	16,575	17,434

17 Cash and cash equivalents

	2020 €'000	2019 €'000
Cash and cash equivalents	239,986	212,575
Restricted cash	4,439	20,792

Restricted cash refers to those amounts that are required to be held as separate funds under contractual agreements. The balance in 2020 relates to amounts required by the Higher Education Council in Bahrain relating to the number of students in RCSI Medical University of Bahrain. A covenant cash deposit of €16m held at 30 September 2019 was no longer required under the refinancing agreement with AIB during the year, accounting for the reduction in restricted cash.

18 Creditors – Non-current liabilities

	2020 €'000	2019 €'000
Deferred revenue	3,218	5,172
Deferred revenue – capital grant	13,751	14,081
Lease liabilities	10,033	-
Provisions (note 19)	16,448	15,712
Bank loans (note 20)	108,490	50,000
Employee benefit obligations (note 25)	18,760	29,389
Other creditors	3,569	3,649
	174,269	118,003
Composed of :		
Provisions	16,448	15,712
Borrowings	108,490	50,000
Other non-current payables	30,571	22,902
Employee benefit obligations	18,760	29,389
	174,269	118,003

19 Provisions

	Total 2020 €'000	Total 2019 €'000
At beginning of year	15,712	14,826
Provided for during the year	975	1,593
Released in the year	(150)	(260)
Utilised in the year	(89)	(447)
At end of year	16,448	15,712

NOTES TO THE FINANCIAL STATEMENTS - continued

19 Provisions – continued

Provisions for operational costs 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 are not recognised for future operating losses.

20 Bank loans and overdrafts – maturity and security

	2020 €'000	2019 €'000
Maturity of debt :		
In one year or less, or on demand	5,427	89,223
In more than one year but not more than two years	5,461	2,500
In more than two years but not more than five years	16,589	7,500
In more than five years	86,440	40,000
	113,917	139,223

	2019 €'000	2019 €'000
Composed of :		
Current liabilities	5,427	89,223
Non-current liabilities	108,490	50,000
	113,917	139,223

The above debt is secured on a number of investment property assets (see note 12). On 29 November 2019, RCSI signed a new facility agreement with AIB, with an effective date of 31 January 2020. The terms of the new agreement included the repayment of €20m off the previous debt, leaving a new loan balance of €66m with a term of 15 years expiring on 31 January 2035. Prior to this new facility agreement, the previous AIB facility agreement was due to expire on 31 January 2020. In accordance with IAS 1 Presentation of Financial Statements, the €89m financial liability in respect of that agreement had been classified as at 30 September 2019 as loans due within one year.

21 Creditors - Current liabilities

	2020 €'000	2019 €'000
Trade creditors	5,425	1,198
Deferred revenue	80,168	81,437
Deferred revenue – capital grant	1,289	1,198
PAYE/PRSI due	2,480	2,169
VAT payable	607	141
Taxes – Professional Services Withholding Tax	121	67
Bank loans (note 20)	5,427	89,223
Lease liabilities	1,494	-
Accruals and other creditors	31,434	24,959
	128,445	200,392

	2020 €'000	2019 €'000
Composed of :		
Borrowings	5,427	89,223
Trade and other payables	123,018	111,169
	128,445	200,392

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Creditors - Current liabilities - continued

Collaborator Funding

Other creditors include an amount of €2.5m (*2019: €0.8m*) 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.

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
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

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
2019				
Available for sale investments	-	9,286	-	9,286
Trade and other receivables	-	-	13,227	13,227
Cash and cash equivalents	-	-	212,575	212,575
Restricted cash	-	-	20,792	20,792
	-	9,286	246,594	255,880

NOTES TO THE FINANCIAL STATEMENTS - continued

22 Financial instruments

	2020 €'000	2019 €'000
Financial liabilities at amortised cost		
Borrowings	113,917	139,223
Trade and other payables	188,797	179,172
	302,714	318,395

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

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

	2020		2019	
	Carrying value €'000	Fair value €'000	Carrying value €'000	Fair value €'000
Financial assets				
Available for sale investments	2,958	2,958	9,286	9,286
Trade and other receivables	13,567	13,567	13,227	13,227
Cash and cash equivalents	239,986	239,986	212,575	212,575
Restricted cash	4,439	4,439	20,792	20,792
	260,950	260,950	255,880	255,880
Financial liabilities				
Borrowings	113,917	113,917	139,223	139,223
Trade and other payables	188,797	188,797	179,172	179,172
	302,714	302,714	318,395	318,395

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 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

At 30 September 2019 Available for sale financial instruments	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Equity securities	9,286	-	-	9,286
	9,286	-	-	9,286

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

22 Financial instruments - continued

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 Committee, and Council of RCSI on a regular basis.

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:

	2020 €'000	2019 €'000
Net foreign exchange (losses)/gains included in the Statement of Income and Expenditure	(1,573)	1,561
Net (losses)/gains recognised in Other Comprehensive Income		
Translation of foreign operations	(1,267)	1,036

Sensitivity

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

NOTES TO THE FINANCIAL STATEMENTS - continued

22 Financial instruments - continued

Market risk - continued

(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.

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 that it has sufficient cash to meet operational needs while maintaining sufficient headroom on its committed borrowing facilities, at all times ensuring it does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the RCSI debt financing plans, covenant compliance, compliance with 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 cost during the year as a result of careful cash management. At the reporting date, RCSI held money market funds of €240m (2019: €213m) and other liquid assets of €4m (2019: €21m) 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 2020 contractual maturity of financial liabilities						
Borrowings	2,713	2,714	5,461	16,589	86,440	113,917
Operating leases	861	861	3,292	3,318	8,956	17,288
Trade payables	8,633	-	-	-	-	8,633
	12,201	3,575	8,753	19,907	95,396	139,838

Trade payables relate to Creditors – amounts falling due within one year as shown in note 21 excluding accruals and other creditors, deferred revenue and borrowings.

Lender covenants

During the year 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

22 Financial instruments - continued

Market risk - continued

(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.

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:

	2020 €'000	2019 €'000
At 1 October	(8,496)	(5,034)
Provision for impairment recognised during the year	(4,131)	(3,998)
Provision for impairment recovered	1,610	536
At 30 September	(11,017)	(8,496)

Past due but not impaired

As at 30 September 2020, trade receivables of €4.4m (*2019: €3.8m*) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2020 €'000	2019 €'000
Not past due	4,814	4,379
Past due		
30 - 60 days	210	492
60+ days	4,160	3,353
Total past due	4,370	3,845
Total trade receivables	9,184	8,224

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

Market risk - 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:

	2020 €'000	2019 €'000
Trade and other receivables	13,567	13,227
Cash and cash equivalents	239,986	212,575
Restricted cash	4,439	20,792
Total	257,992	246,594

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:

	2020 €'000	2019 €'000
Variable rate borrowings	63,900	89,223

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 2020, 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 €0.8m (*2019: €0.7m*), 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 €114m (*2019: €139m*). Earnings before interest, tax, depreciation and amortisation amounted to €35m (*2019: €34m*). The ratio of debt to earnings was 3.4 times (*2019: 4.1 times*). Finance costs amounted to €2.2m for the year (*2019: €2.5m*) which resulted in earnings covering interest 15 times (*2019: 14 times*).

NOTES TO THE FINANCIAL STATEMENTS - continued

23 Notes to the cash flow statement

	2020 €'000	2019 €'000
(a) Reconciliation of operating surplus		
Operating surplus before interest, joint venture and taxation	13,401	28,055
Non trading losses/(gains)	5,195	(1,821)
Operating surplus before cash related exceptional items	18,596	26,234
Depreciation charge	11,467	7,082
Amortisation of intangible assets	3,450	1,317
Net movement in pension liability	(490)	(1,118)
Increase/(decrease) in creditors	9,208	(6,540)
Increase in lease liabilities	11,240	-
Decrease in receivables	859	1,984
Other non-cash adjustments	(9,323)	(3,066)
Net cash inflow from operating activities before foreign exchange	45,007	25,893
Unrealised (loss)/gain on foreign exchange on international subsidiaries	(1,267)	1,036
Cash inflow from operating activities	43,740	26,929

	2020 €'000	2019 €'000
(b) Reconciliation of net cash flow to movement in net cash		
Increase in cash and overdrafts in the year	27,411	5,831
(Decrease)/increase in restricted cash	(16,353)	705
Movement in total cash	11,058	6,536
Cash flow from movement in borrowings	25,306	9,788
Movement in net cash in the year	36,364	16,324
Net cash at beginning of year	**94,144**	**77,820**
Net cash at end of year	**130,508**	**94,144**

	1 October 2019 €'000	Cash flow €'000	Non-cash movements €'000	30 September 2020 €'000
(c) Analysis of changes in net cash				
Total cash	233,367	11,058	-	244,425
Bank loans repayable within one year	(89,223)	25,306	58,490	(5,427)
Bank loans payable after one year	(50,000)	-	(58,490)	(108,490)
Bank loans	(139,223)	25,306	-	(113,917)
Net cash	94,144	36,364	-	130,508

NOTES TO THE FINANCIAL STATEMENTS - continued

24 Future capital expenditure not provided for in the financial statements

	2020 €'000	2019 €'000
Future capital expenditure contracted for	2,341	1,354
Future capital expenditure programme	96,000	118,000

In direct response to the COVID-19 pandemic, RCSI has paused all major capital projects and plans to review the position in 2021. 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. During the year, a loan from the European Investment Bank for an amount of €40m was secured to part fund the capital programme. This funding remains undrawn.

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 €6.3m (*2019: €5.7m*), comprising defined contribution scheme costs of €4.4m (*2019: €4.1m*) and a current service cost of €1.9m (*2019: €1.6m*) relating to the defined benefit scheme. The net finance costs resulting from the defined benefit scheme deficit is €0.2m (*2019: €0.4m*). Included in accruals and other payables is an amount of €607k (*2019: €534k*) 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 2019. 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 €3.7m, *2019: €4.5m*).

An updated actuarial valuation for the purposes of International Accounting Standards 19 "Employee Benefits" (IAS 19) was carried out as at 30 September 2020 by, Willis Towers Watson, qualified independent actuaries, in respect of the RCSI defined benefit pension scheme.

Financial instruments held by the defined benefit scheme

At 30 September 2020 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	
	2020 €'000	2019 €'000
Equities	23,725	27,427
Bonds	44,604	39,338
Property	9,899	10,093
Multi Asset / Infrastructure	20,459	20,816
Cash	764	966
	99,451	98,640

NOTES TO THE FINANCIAL STATEMENTS - continued

25 Employee benefit obligations - continued

	2020 %	2019 %

Principal actuarial assumptions at the Balance Sheet date

The main financial assumptions used were:

	2020 %	2019 %
Rate of increase in pensionable salaries	N/A	N/A
Rate of increase in pensions in payment	0.80%	1.15%
Rate of revaluation of members' benefits	1.10% - 1.25%	1.15% - 1.30%
Discount rate	0.90%	0.80%
Inflation rate	1.10%	1.15%

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:

		2020	2019
Member retiring in 10 years' time:	Male	22.9	22.8
	Female	25.1	25.0
Member retiring now:	Male	21.7	21.5
	Female	24.1	24.0

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

	2020 €'000	2019 €'000
Present value of scheme liabilities	(118,211)	(128,029)
Fair value of scheme assets	99,451	98,640
Pension liability	(18,760)	(29,389)

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

	2020 €'000	2019 €'000
Charged to operating surplus		
Service cost	1,938	1,635
Defined contribution scheme costs	4,391	4,055
	6,329	5,690
Charged to other finance cost		
Interest on pension scheme assets	789	1,748
Interest on pension scheme liabilities	(1,029)	(2,178)
Net finance cost	(240)	(430)

The actual return on scheme assets for the year was €2m (*2019: €7m*).

NOTES TO THE FINANCIAL STATEMENTS - continued

25 Employee benefit obligations - continued

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

	2020	2019
	€'000	€'000
Analysis of amount recognised in Statement of Comprehensive Income		
Actual return less amounts included in interest and expense	1,268	5,389
Experience gains arising on the scheme liabilities	1,713	138
Actuarial gains/(losses) arising from changes in financial assumptions underlying the present value of the scheme liabilities	7,158	(13,833)
Actuarial gain/(loss)	10,139	(8,306)

The expected RCSI and member defined benefit contributions for the year ended 30 September 2021 are €3m.

	Pension assets	Pension liabilities	Pension deficit
	€'000	€'000	€'000
Movement in scheme assets and liabilities			
At 1 October 2018	92,053	(114,254)	(22,201)
Current service cost	-	(1,635)	(1,635)
Return on plan assets greater/(less) than interest income	5,389	-	5,389
Contributions by RCSI	3,183	-	3,183
Contributions by members	263	(263)	-
Interest on scheme liabilities	-	(2,178)	(2,178)
Interest on scheme assets	1,748	-	1,748
Actuarial gain/(loss) arising from:			
- Experience	-	138	138
- Financial assumption changes	-	(13,833)	(13,833)
Benefits (paid)/settled	(3,996)	3,996	-
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/(loss) arising from:			
- Experience	-	1,713	1,713
- Financial assumption changes	-	7,158	7,158
Benefits (paid)/settled	(4,167)	4,090	(77)
At 30 September 2020	99,451	(118,211)	(18,760)

NOTES TO THE FINANCIAL STATEMENTS - continued

25 Employee benefit obligations - continued

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

	2020 €'000	2019 €'000
Amounts for the current and previous years:		
Present value of scheme liabilities	(118,211)	(128,029)
Fair value of scheme assets	99,451	98,640
Pension deficit	(18,760)	(29,389)
Experience gains/(losses) on scheme liabilities:		
Amount (€'000)	1,713	138
Percentage of the present value of the scheme liabilities	1%	< 1%
Difference between the actual and expected return on scheme assets:		
Amount (€'000)	1,268	5,389
Percentage of scheme assets	1%	6%

	2020	2019
Average duration		
Average duration of defined benefit obligation	17 years	19 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 2020 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 4.5%
Price inflation	Increase by 0.25%	Increase by 2.9%
Life expectancy	Increase by 1 year	Increase by 4.3%

NOTES TO THE FINANCIAL STATEMENTS - continued

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.

	2020 €'000	2019 €'000
Restricted funds include research grants and other funds	33,354	29,487

Income & Expenditure Reserve – Designated

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

	2020 €'000	2019 €'000
Designated funds include library antiquarian funds.	624	648

27 Irish exchequer funds relating to research grants

Research grant income received during the year from the Irish Exchequer is listed below. An amount of €12.9m has been recognised as revenue in the Statement of Income and Expenditure. The balance of €10.2m research revenue comes from a range of funding bodies including the European Commission.

	Government Department	Grant Deferred / (Due) 01/10/2019 €'000	Cash Received €'000	Expenditure €'000	Grant Deferred / (Due) 30/09/2020 €'000
Science Foundation Ireland	Dept of Business, Enterprise & Innovation	363	7,571	5,405	2,529
Health Research Board	Dept of Health	2,962	4,164	4,699	2,427
Health Service Executive	Dept of Health	265	49	196	118
Irish Research for Science	Dept of Education & Skills	563	1,336	1,114	785
Higher Education Authority	Dept of Education & Skills	451	194	129	516
Enterprise Ireland	Dept of Jobs, Enterprise & Innovation	(81)	1,893	983	829
Pobal	Dept of Health	-	420	365	55
Capital expenditure net of depreciation		-	-	28	
Total Exchequer Research Grants		**4,523**	**15,627**	**12,919**	**7,259**

The balance of €7.3m at 30 September 2020 is included in restricted reserves at 30th September 2020.

NOTES TO THE FINANCIAL STATEMENTS - continued

27 Irish exchequer funds relating to research grants - continued

Capital Grants

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.

Additionally, two significant HEA awards were granted for drawdown in the next financial year, €7.8m under the HEA Human Capital Initiative and €2m for COVID-19 related research costed extensions.

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.

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

	2020 €'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	(190)
Balance: Amounts payable at year end in respect of transactions	(223)
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			
Clinical Technologies and Research Development Ltd.	Ireland	Research	100
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
Joint venture arrangements			
Trading entities			
Penang Medical College Sdn. Bhd. (RUMC)	Malaysia	Medical College	50

NOTES TO THE FINANCIAL STATEMENTS - continued

30 Significant subsidiary undertakings and joint venture arrangements - continued

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

31 Reclassification of comparative amounts

Certain comparative amounts have been reclassified in the current year financial statements to reflect the updated disclosure of income amounts.

32 Subsequent Events

During the year, the outbreak of the Coronavirus (COVID-19) has rapidly evolved globally and across Ireland. Governments in the countries in which we operate have taken a series of measures to contain the spread of the virus, including the implementation of travel restrictions, social distancing and quarantine measures. These measures, combined with government policies have disrupted certain activities of many entities, including RCSI and this is expected to continue into 2021. In addition, the anticipated indirect effects of the pandemic, together with the resultant global economic slowdown have yet to fully unfold.

As a healthcare institution we recognise the need to protect our students and staff from the virus, while supporting front line workers through continuing to educate the next generation of medical professionals. RCSI has implemented a number of measures to monitor and mitigate the effects of COVID-19, with a focus on health and safety measures to ensure the delivery of socially distanced education in line with safety protocols. RCSI has also provided remote working supports to staff to allow them carry out their roles from home. The cross organisational efforts have enabled effective management of operations recognising the challenges of working in a COVID-19 environment.

RCSI will continue to follow Governmental policies and advice relating to the coronavirus and, in parallel, will do our utmost to continue our operations in the most safe and effective manner possible, while prioritising the health of our students and staff. As the outbreak continues to evolve, it is challenging at this juncture, to predict the full extent and duration of its operational and economic impact. RCSI Council and senior management continue to monitor the situation and its impact on the Group's operational and financial position. We have seen continued strong demand for healthcare education programmes nationally and internationally. We believe RCSI is well positioned to deal with the uncertainties and challenges presented by COVID-19 including building the organisation's post-COVID future.

33 Approval of financial statements

The financial statements were approved on 10 December 2020.

RCSI

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