



ROYAL AUSTRALASIAN  
COLLEGE OF SURGEONS

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**A.B.N. 29 004 167 766**

**FINANCIAL REPORT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

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## **REPORT FROM THE TREASURER TO FELLOWS**

**The Financial Report for the year ended 31 December 2016 is presented together with the Auditor's Report and the voluntary Code of Conduct report for the Australian Council for International Development (ACFID).**

### **Overall Performance**

It is my pleasure to present this report and highlight the financial results for 2016. We have seen continued sound financial performance across our combined activities with revenue of \$66.6M, albeit slightly lower than last year (\$67.0M in 2015). The major drivers were a lower than expected revenue from our externally funded work and a lower return from our investment portfolio, caused by market volatility. These shortfalls were addressed by an extremely pleasing financial result from our core operations (see below).

Our expenses were kept in line with the lower revenue expectations finishing at \$63.4M (\$64.1M in 2015). This essentially follows the pattern of the externally funded work, where less external project work incurs less cost for our operations. Other management actions taken through the year include a below budget result for travel costs, lower depreciation on assets and reduced expenditures around IT operations and projects.

Overall, we have achieved our Council agreed goal of ensuring a strategic surplus of \$3.2M in 2016 (\$2.9M in 2015). The surplus provides the opportunity to top-up our future funding of research, grant and advocacy activities. There have been allocations made to the Indigenous and Maori Health, RACS Scholarships, Global Health, ASC Named Lecturers and Heritage Acquisition Corpus.

### **Key Revenue Streams**

Key revenue streams for the year can be broken down into:

- Training, examination and assessment fees of \$25.4M, which included 1,253 candidates sitting the Generic Surgical Sciences Examination (GSSE) in comparison to 735 in 2015;
- Project income and management fees from external parties of \$16.0M;
- Subscriptions and entrance fees of \$15.4M with an additional 287 new Fellows in 2016; and
- Strong sponsorship of \$1.0M support for the Annual Scientific Conference (ASC) in comparison to a budget of \$0.8M.

### **Key Expenses**

Key expense streams for the year can be broken down into:

- Personnel costs of \$23.2M, with increases in salaries managed to an external market benchmark;
- External grants of \$8.1M mainly related to hospital training post payments funded under the Specialist Training Program (STP);
- Travel and accommodation of \$5.4M, which was under budget and 57% of these costs relate to revenue generating activities; and
- Specialist Society funding costs of \$4.2M and in line with the partnership agreements.

### **Core Operations**

The core operational activities of RACS include Fellowship services, education and training, the ASC and conferences and workshops with the required supporting leadership, governance and administrative structures. In 2016, the prudent management actions and reprioritisation of activities resulted in a surplus of \$1.7M (\$342k deficit in 2015). The overall revenue was \$47.2M (\$42.7M in 2015) and expenditure was \$45.5M (\$43.0M in 2015).

### **Foundation for Surgery**

The Foundation activities encompass scholarships, fellowships and research grants as well as direct oversight of our philanthropic endeavours. Scholarship commitments of \$1.8M have been made during 2016 (\$1.5M in 2015) and the overall supporting funds as at 31 December 2016 are \$22.6M (\$21.9M in 2015). This commitment is based on bequest funds of \$0.9M in 2016 (\$0.9M in 2015) and an increase in direct funding of \$0.8M (\$0.6M in 2015) from the RACS Scholarship Corpus.

### **Investments**

The investment strategy funds the ongoing long-term commitment to the Foundation. Our investment portfolio showed a positive return of 2.9% and revenue of \$2.0M in 2016 (\$3.1M in 2015). This lower than expected

result means we have had to reprioritise some of our advocacy and scholarship activities in 2017 and will continue to review subject to returns from the market.

### **Building Respect, Improving Patient Safety**

The ongoing commitment of the College to address discrimination, bullying and sexual harassment in the practice of surgery created total expenditures of \$1.0M in 2016. A large part of these costs relate to provision of resources covering additional staffing and consultancy fees. It is important to recognise that this is a multi-year program of work and further provisions have been made in 2017 to further support the program, including the running of the mandatory Foundation Skills for Surgical Educators (FSSE) courses.

### **Leading Surgical Performance**

Over 2016, Council has continued to support advocacy and investments to ensure we can better serve the Fellowship and the broader community. Activities worth noting are:

1. Recognition of achievements and presentations of awards and prizes have been distributed to the value of \$1.0M (\$0.8M in 2015).
2. An increase in the number of Fellows requesting and being supported with interest free travel loans for overseas studies and research.
3. The closure of the Digital College program, which has been a multi-year investment that has delivered an improved online learning Portfolio, CPD and website experience.
4. The on-going investments in new Examination systems capabilities allowing the GSSE to be administered to more junior doctors.

### **Summary of Financial Position**

Overall, the funds and reserves have increased by 3.8% during 2016 to \$75.2M and our current assets have increased by \$2.8M. Current liabilities decreased marginally by \$46k due mainly to a decrease in government grants received in advance.

The Statement of Cash Flows indicates a net cash inflow provided from operating activities of \$3.6M and a net increase in cash held of \$1.3M above 2015. This is mainly due to the combined effects of timely receipting of annual subscription and training fees thanks to previous investments in eCommerce resulting in earlier payment.

### **In Closing**

I would like to acknowledge the services of our Honorary Advisers for which we remain indebted. I note my thanks to Mr Anthony Lewis (Audit, Investment, Finance & IT), Mr Brian Randall OAM (Investment & Foundation), Mr Stuart Gooley (Audit, Finance & IT), Mr Reg Hobbs (Property), Mr Michael Randall OAM (Investment), Mr John Craven (Information Technology), Mr Chesley Taylor (Investment) and Mr Peter Wetherall (Investment) for their generous and valued support during the year. RACS is extremely grateful to all our Honorary Advisers for their wise counsel and support in relation to finance, investment, property, IT and audit matters.

I should also thank the RACS staff and management for their ongoing hard work and commitment in pursuing our strategic and operational goals. Without their support the good work of our Fellows, and our educational, advocacy and philanthropic work would not be possible.

The College continues to maintain a strong Balance Sheet and is financially well positioned to meet its ongoing commitments and I recommend these accounts to the Fellows.

### **Associate Professor Julie Mundy – Treasurer**

### COUNCILLORS' REPORT FOR THE FINANCIAL YEAR

The Councillors as Directors of the Royal Australasian College of Surgeons submit herewith the Annual Financial Report of the College for the year ended 31 December 2016. In order to comply with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*, the Councillors' report as follows:

#### **Councillors**

The names and details of the Office Bearers and the Councillors in office during the financial year and until the date of this report are as follows. Office Bearers and Councillors were in office for this entire period unless otherwise stated. Three Council Meetings and eight Executive Committee Meetings were held in 2016. The number of meetings attended by each Councillor is noted below.

		<u>Number of meetings attended</u>		<u>Number of meetings eligible to attend</u>	
		<u>Council</u>	<u>Executive</u>	<u>Council</u>	<u>Executive</u>
President	Philip Gregory Truskett AM	3	8	3	8
Vice President	Spencer Wynyard Beasley	3	5	3	5
Treasurer	Julie Ann Mundy	3	7	3	8
Censor in Chief	John Charles Batten	3	5	3	5
Chair, Professional Development & Standards Board	Catherine Mary Ferguson	3	6	3	6
Elected Members of Council:					
Adrian Anand Anthony	Appointed - 5 May 2016	2		2	
Ruth Caroline Bollard	Appointed - 5 May 2016	2		2	
Andrew James Brooks		3		3	
Phillip James Carson		3		3	
Jennifer Lee Chambers		2		2	
John Anthony Crozier		3		3	
Kerin Ann Fielding	Appointed - 5 May 2016	2		2	
David Rowley Fletcher		3		3	
Bruce Ian Hall		3		3	
Andrew Graham Hill		3		3	
Annette Coralie Holian	Appointed - 5 May 2016	2	4	2	4
Sally Jane Langley		3		3	
Lawrence Pietro Malisano		3	1	3	1
Richard Edward Perry		3	7	3	7
Christopher Martin Pyke	Appointed - 5 May 2016	2	3	2	4
Jonathan William Serpell		3		3	
Anthony Lloyd Sparnon		3	4	3	4
Neil Anthony Vallance		3		3	
Gregory Edwin Witherow	Appointed - 5 May 2016	2		2	
Co-Opted Members of Council:					
Ruth Mitchell	Appointed - 1 January 2016	3		3	
Rob Knowles AO		3		3	
Garry Wilson KStJ		3		3	
Appointed Member of Council					
Geoffrey Blake Lyons	Appointed - 5 May 2016	2		2	
Retired Members of Council:					
Ian Craig Bennett	Retired - 5 May 2016	1		1	
Graeme John Campbell		1	3	1	3
Barry Stephen O'Loughlin		1		1	
Roger Stewart Paterson		1		1	
David Robert Theile		1		1	
Julian Anderson Smith		1	3	1	3
Marianne Vonau OAM		1	3	1	3
David Allan Watters OBE		1	3	1	3

## Councillors' and Chief Executive Officer's Qualifications and Current Experience

**Mr Adrian Anand Anthony** MB BS MSurgEd FRACS

Senior Staff Surgeon and Director Clinical Training, The Queen Elizabeth Hospital, Central Adelaide Local Health Network; Senior Lecturer Upper GI Surgery, University of Adelaide; Deputy Presiding Member, Health Advisory Council, SA Medical Education & Training

**Mr John Charles Batten** MBBS, FRACS, FAOrthA

Orthopaedic surgeon; Chair Specialist Orthopaedic Clinical Advisory Group (SOCAG) for Commonwealth Department of Health; Senior Lecturer University of Tasmania

**Professor Spencer Wynyard Beasley** MBChB, MS, FRACS

Clinical Director, Paediatric Surgery, Canterbury District Health Board; Professor of Paediatric Surgery, University of Otago; Director, Children's Specialist Centre; Director of Child Cancer and Developmental Research Trust; Director, Koru Developments Ltd

**Associate Professor Ian Craig Bennett** MBBS, FRACS, FACS

General surgeon

**Ms Ruth Caroline Bollard** MBChB, FRCS, FRCS (Gen), FRACS, MSc GAICD

Consultant General Surgeon, VMO Ballarat health services, East Grampians Health Service; Director Specialists on Drummond

**Associate Professor Andrew James Brooks** MBBS, FRACS, FAICD

Urologist; Head of Urology, Western Sydney Local Area Health Network; Director City West Day Surgery, AUSCALM Pty Ltd, Quinmark, Western Urology, BFT Holdings

**Mr Graeme John Campbell** MBBS, FRACS, FRCS (Eng), GAICD

General Surgeon; Director, Surgant Pty Ltd; Director, Scottbourne Pty Ltd

**Associate Professor Phillip James Carson** MBBS, FRACS, FRCS(Ed), FRCS, FRCS(Glasg), GAICD

General Surgeon; Chair Why Warriors Pty Ltd

**Dr Jennifer Lee Chambers** MBBS (Hons), FRACS, GAICD

Senior Vascular Surgeon, Port Macquarie Base, Kempsey and Wauchope District Hospitals; Conjoint Lecturer in Surgery UNSW Rural Clinical School; Associate of Hastings Vascular Associates

**Dr John Anthony Crozier** AM CSM MBBS, FRACS, FRCST (Hon), DDU (Vasc)

Vascular Surgeon; VMO Liverpool Hospital, Sydney; CoDirector National Alliance for Action on Alcohol

**Dr Catherine Mary Ferguson**, MBChB, FRACS

Otolaryngology Head and Neck Surgeon; Trustee Bowen Hospital Trust Board; Deputy Chair NZ Perioperative Mortality Review Committee (POMRC); Member NZ Medical Association Specialist Council; Trustee, St Michael's Vicarage Trust Board

**A/Prof Kerin Anne Fielding**, MBBS(Syd), FRACS(Orth), FAOA

Senior visiting Orthopaedic Surgeon Calvary Hospital, Wagga Wagga Rural referral Hospital; Chair Clinical Surgical training Council for Health Education and Training Institute of NSW; Clinical Leader for Surgical Education, Notre Dame University Wagga Wagga Clinical School

**Miss Annette Holian** MBBS, FRACS, FAOrthA

Orthopaedic Surgeon, Royal Darwin Hospital; Clinical Director Surgery and Perioperative Services, RAAF; Governor, Shrine of Remembrance, Melbourne; Patron, Catalina Flying Boat section, RAAFA; Consultant International Committee of The Red Cross

**Professor David Fletcher** MBBS, MD, FRACS

General Surgeon and Head of Department Fiona Stanley and Fremantle Hospitals, University West Australia

**Councillors' and Chief Executive Officer's Qualifications and Current Experience (continued)**

**Mr Bruce Ian Hall** MBBS, FRACS, CIME

Chairman of Neurosurgery Princess Alexandra Hospital; Director of Neurosurgery Greenslopes Private Hospital; Managing Director Queensland Neurosurgery & Spine Surgery

**Professor Andrew G Hill** MBChB, MD, EdD, FACS, FRACS, GAICD

Assistant Dean and Head of the South Auckland Clinical Campus, University of Auckland; Clinical Lead Research and Evaluation, Ko Awatea Middlemore Hospital, Counties Manukau Health; Member Executive Committee, International Society of Surgeons

**Hon Rob Knowles** AO, MAICD

Director, Silverchain Group of Companies, Drinkwise Australia Ltd, IPG Pty Ltd, Global Health Ltd, St John of God Healthcare; Commissioner with National Mental Health Commission; Chair, Royal Children's Hospital; Director Otway Health

**Dr Sally Jane Langley** MBChB, FRACS, GAICD

Plastic and Reconstructive Surgeon, Canterbury Health, Christchurch

**Dr Geoffrey Blake Lyons** MBBS, FRACS

Council member, Australian Society of Plastic Surgeons; Director, Australasian Foundation for Plastic Surgery; Director, GEL NSW Pty Ltd

**Dr Lawrence Malisano** MBBS, FRACS, FAOrthA, GAICD

Orthopaedic surgeon, Director Brisbane Orthopaedic and Sports Medicine Centre; First Vice President Australian Orthopaedic Association

**Associate Professor Julie Ann Mundy** MBBS, MBA, FRACS

Cardiothoracic Surgeon; Executive Member, Australian and New Zealand Society of Cardiac and Thoracic Surgeons

**Dr Ruth Anne Mitchell, BA, BSc, BMBS**

Neurosurgery Registrar, The Royal Melbourne Hospital

**Mr Barry Stephen O'Loughlin** MBBS (Qld), FRCS (Eng), FRACS, FACS, MHA (UNSW)

General Surgeon; Director of Surgery Royal Brisbane and Women's Hospital

**A/Prof Christopher Martin Pyke** PhD, FRACS, FACS

Senior Visiting Medical Officer and Head of General Surgery Mater Health Services; Chairman Foundation for Breast Cancer Care; Director CM Pyke Pty Ltd.

**Dr Roger Stewart Paterson**, MBBS, FRACS, FAOrthA

Orthopaedic surgeon; Secretary Australian Society of Orthopaedic Surgeons

**Mr Richard Edward Perry**, MBChB, Dip Obs(Otago), FRACS, GAICD

General surgeon, Visiting Consultant Surgeon Intus Digestive and Colorectal Care, St Georges Hospital and Southern Cross Hospital, Christchurch; Director, Intus Ltd; Director, Medical Software Corporation Ltd.

**Professor Jonathan William Serpell** MBBS, MD, MEd, FRACS, FACS, GAICD

Professor and Director General Surgery Alfred Hospital; Head Breast Endocrine and General Surgery Unit Alfred Hospital; Head Breast Endocrine and Surgical Oncology Unit Frankston Hospital, Department of Surgery Monash University

**Professor Julian Anderson Smith**, MBBS, MS, MSurg Ed, FRACS, FACS, FCSANZ, FAICD

Cardiothoracic Surgeon; Professor of Surgery, Monash University; Board Member, Australasian Cardiac Research Institution; Board Member, Postgraduate Medical Council of Victoria; Council Member, Cabrini Institute

**Mr Anthony Lloyd Sparnon** MBBS, FRACS

Paediatric Surgeon; Senior Visiting Surgeon Women's and Children's Hospital, Adelaide; Adjunct Professor of Surgery, National University of Malaysia

## Councillors' and Chief Executive Officer's Qualifications and Current Experience (continued)

**Dr David R B Theile** MBBS, MS, FRACS (Plast)

Plastic and Reconstructive Surgeon; Director-Plastic and Reconstructive Surgery, Princess Alexandra Hospital, Brisbane; Ex officio Board member Australian Society of Plastic Surgeons

**Mr Philip Gregory Truskett** AM, MBBS, FACS, FRACS, FASGBI (Hon) FAICD

General Surgeon, Senior Staff Specialist, Prince of Wales Hospital Sydney

**Mr Neil Anthony Vallance**, MBBS, FRACS

Otolaryngologist; Head of Department Otolaryngology Head and Neck Surgery, Monash Health

**Professor Marianne Vonau** OAM, MBBS, MBA, MPH, FRACS, GAICD

Neurosurgeon; Executive Director Clinical Governance, Education and Research, Gold Coast Hospital and Health Service

**Professor David Allan Watters** OBE, BSc, MB ChM, FRCSEd, FRACS

General Surgeon, Professor of Surgery Deakin University, Director of Surgery Barwon Health

**Mr Garry Wilson** KStJ, BA, BSc, DPA, FNZIM

Chair, Precision Seafood Harvesting and SPATnz; Chair, Governance Oversight Group, Canterbury University Rebuild and build of the Lincoln University Hub; Chair, Risk and Assurance Board Ministry of Education; Board Member, Wellington City Mission; Board Member St John Emergency Communication Ltd; Chapter member St John New Zealand; Business and governance consultant

**Dr Gregory Edwin Witherow** MBBS, FRACS

Visiting Orthopaedic Surgeon Hollywood Private Hospital; Observer AOA Federal Board

**Chief Executive Officer**

**A/Prof David Hillis**, MBBS (Hons), DipRANZCOG, MHA, DEd, FRACGP, FRACMA, FRACS(Hon), FCHSE, FAICD

### Principal Activities

The principal activities of the College in the course of the year were promoting the study of the science and art of surgery and clinical and scientific research. During the year, there was no significant change in the nature of those activities.

### Operating and Financial Review

The total surplus of the College for the year as shown in the Statement of Comprehensive Income and note 5 was \$2,778,103 compared to 2015 surplus of \$2,853,673. The College is a company limited by guarantee, which has no share capital and is prohibited by its constitution from paying dividends.

### Significant Changes in the State of Affairs

During the year, there was no significant change in the College's state of affairs other than that referred to in the financial statements or notes thereto.

### Significant events after the Balance Date

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the College's operations, the results of those operations, or the College's state of affairs in future financial years.



### **Indemnification and Insurance of Councillors and Auditors**

During the year, the College paid a premium in respect of a contract insuring the Councillors and Officers of the College against a liability incurred as a Councillor or Officer to the extent permitted by the applicable laws and regulations. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The College has not otherwise, during or since the year end, indemnified or agreed to indemnify an officer or auditor of the College or of any related body corporate against a liability incurred as an officer or auditor.

### **Members' Guarantee**

If the College is wound up, the Constitution states that each member is required to contribute a maximum of \$50.00 towards meeting any outstanding obligations of the College.

At 31 December 2016, the number of members was 7,575 (31 December 2015 – 7,382).



**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

**Auditor's Independence Declaration**

We, the Directors, hereby declare and note that the Auditor's Independence Declaration has been received and follows this report.

Signed in accordance with a resolution of the Directors made pursuant to the *Australian Charities and Not-for-profits Commission Act 2012*.

On behalf of the Directors.

P G TRUSKETT

.....  
**President**

J A MUNDY

.....  
**Treasurer**

**MELBOURNE**  
**31 MARCH 2017**



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## Independent Auditor's Report to the Directors of Royal Australasian College of Surgeons

### Opinion

We have audited the financial report of Royal Australasian College of Surgeons (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- a. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance for the year ended on that date; and
- b. complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Australian Charities and Not-for-Profits Commission Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the Report from the Treasurer to Fellows, Councillors' Report and Directors' Report (collectively other information). The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicated with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Ernst & Young

Paul Gower  
Partner  
Melbourne  
31 March 2017

### Auditor's Independence Declaration to the Directors of Royal Australasian College of Surgeons

As lead auditor for the audit of Royal Australasian College of Surgeons for the financial year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* and *Australian Charities and Not-for-Profits Commission Act 2012* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Paul Gower  
Partner  
31 March 2017



**DIRECTORS' DECLARATION**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

Directors' declaration – *per section 60.15 of the Australian Charities and Not-for-profits Commission Regulation 2013*

The directors declare that in the directors' opinion:

- (a) there are reasonable grounds to believe that the College is able to pay all of its debts, as and when they become due and payable; and
- (b) the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

On behalf of the Directors

P G TRUSKETT

.....  
**President**

J A MUNDY

.....  
**Treasurer**

**MELBOURNE**  
**31 MARCH 2017**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	<u>Notes</u>	<u>2016</u> \$	<u>2015</u> \$
Revenue from operating activities	4(a)	64,608,682	63,853,632
Income from investments	4(a)	1,994,394	3,106,674
<b>Revenue</b>		<u>66,603,076</u>	<u>66,960,306</u>
<b>Expenditure</b>			
Personnel costs	4(c)	23,245,796	21,816,112
Consultants fees - clinical		890,338	1,023,372
Consultants fees - management		2,041,635	2,706,546
Telephone, teleconference and audio visual costs		999,095	705,620
Printing, stationery and photocopying		1,286,353	1,433,957
Postage and courier costs		677,759	583,995
Information system costs		1,287,847	1,459,938
Travel and accommodation	4(b)	5,441,328	5,319,220
Associations and library publications		1,177,728	1,082,350
Audit, legal and professional fees		442,016	588,030
Bank fees and merchant charges		718,995	682,322
Rent		1,501,321	1,596,628
Utilities and other property costs		1,012,089	1,437,318
Insurance		317,049	334,706
Project equipment purchases, hire and repairs		641,175	1,038,039
Training manuals and consumables used in education and field projects		662,271	688,151
Scholarships, fellowships and research grants		1,769,335	1,538,690
Awards, other grants, gifts and prizes		1,025,500	825,421
Grants – funded from external sources		8,083,366	8,901,659
Facilities hire and catering costs	4(b)	3,824,080	3,328,090
Depreciation expense		2,138,587	2,473,788
Specialist societies funding costs		4,182,972	4,134,497
Other expenses from operating activities		33,914	374,113
<b>Expenditure</b>		<u>63,400,549</u>	<u>64,072,562</u>
<b>Surplus for the Period</b>		<u>3,202,527</u>	<u>2,887,744</u>
<b>Other Comprehensive Income</b>			
<b>Items not to be reclassified subsequently to profit or loss:</b>			
Foreign currency translation loss		(424,424)	(34,071)
<b>Other Comprehensive Income for the Year</b>		<u>(424,424)</u>	<u>(34,071)</u>
<b>TOTAL SURPLUS</b>	5	<u>2,778,103</u>	<u>2,853,673</u>

*Notes to and forming part of the financial statements can be found from page 18.*

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	<u>Notes</u>	<u>2016</u> \$	<u>2015</u> \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and short-term deposits	6	21,001,523	19,705,231
Trade and other receivables	7	19,064,662	17,872,095
Inventories	8	218,092	248,594
Prepayments		2,154,188	2,083,443
Held for trading financial assets	9	<u>57,336,964</u>	<u>57,080,733</u>
<b>Total Current Assets</b>		<u>99,775,429</u>	<u>96,990,096</u>
<b>Non-Current Assets</b>			
Trade and other receivables	10	733,886	758,132
Property, plant and equipment	11	21,899,282	21,921,639
Other non-current assets		-	409,884
<b>Total Non-Current Assets</b>		<u>22,633,168</u>	<u>23,089,655</u>
<b>TOTAL ASSETS</b>		<u>122,408,597</u>	<u>120,079,751</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	3,181,768	3,464,423
Provisions	13	4,109,784	3,667,761
Income in advance	14	26,517,605	25,974,797
Government grants received in advance		4,502,303	5,650,739
Funds held on behalf of others	15	<u>8,509,613</u>	<u>8,109,245</u>
<b>Total Current Liabilities</b>		<u>46,821,073</u>	<u>46,866,965</u>
<b>Non-Current Liabilities</b>			
Provisions	16	<u>371,309</u>	<u>774,674</u>
<b>Total Non-Current Liabilities</b>		<u>371,309</u>	<u>774,674</u>
<b>TOTAL LIABILITIES</b>		<u>47,192,382</u>	<u>47,641,639</u>
<b>NET ASSETS</b>		<u>75,216,215</u>	<u>72,438,112</u>
<b>COLLEGE FUNDS AND RESERVES</b>			
Retained surplus		75,502,880	72,300,353
Foreign currency translation reserve		(286,665)	137,759
<b>TOTAL COLLEGE FUNDS AND RESERVES</b>		<u>75,216,215</u>	<u>72,438,112</u>

*Certain lines of items required in the ACFID Code of Conduct reporting including but not limited to Assets held for sale, Investment property, Intangibles, Borrowings and Current tax liabilities have nil balances for both reporting periods covered.*

*Notes to and forming part of the financial statements can be found from page 18.*





**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Retained Surplus		Foreign Currency Translation Reserve	Total College Funds and Reserves
	Operating	Investment		
	\$	\$	\$	\$
<b>At 1 January 2015</b>	68,205,701	1,206,908	171,830	69,584,439
Surplus for the year	2,667,627	220,117	-	2,887,744
Other comprehensive income	-	-	(34,071)	(34,071)
<b>At 31 December 2015</b>	70,873,328	1,427,025	137,759	72,438,112
Surplus for the year	2,908,919	293,608	-	3,202,527
Other comprehensive income	-	-	(424,424)	(424,424)
<b>At 31 December 2016</b>	73,782,247	1,720,633	(286,665)	75,216,215

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	<u>Note</u>	<u>2016</u> \$	<u>2015</u> \$
<b>Operating activities</b>			
Subscriptions and entrance fees		15,587,003	14,920,893
Training, examination and assessment fees		24,189,490	25,220,410
Sponsorship and donations		2,979,843	4,531,045
Conference registrations		2,397,763	1,696,277
Property rental and recoveries		1,087,066	903,842
Project income and associated fees		14,850,949	16,783,173
Interest income		103,497	74,032
Other income		3,817,352	1,636,684
Payments to suppliers and employees		<u>(61,418,017)</u>	<u>(60,659,356)</u>
<b>Net cash flows from operating activities</b>	<b>6</b>	<u>3,594,946</u>	<u>5,107,000</u>
<b>Investing activities</b>			
Net movement from investment securities		(290,472)	1,818,597
Payments for property plant and equipment		(2,088,575)	(3,574,594)
Net proceeds from sale – fixed assets		1,400	33,415
<b>Net cash flows used in investing activities</b>		<u>(2,377,647)</u>	<u>(1,722,582)</u>
<b>Net increase in cash and short-term deposits</b>		1,217,299	3,384,418
<b>Net foreign exchange difference</b>		78,993	(45,284)
<b>Cash and short-term deposits at 1 January 2016</b>		19,705,231	16,366,097
<b>Cash and short-term deposits at 31 December 2016</b>		<u>21,001,523</u>	<u>19,705,231</u>

*Notes to and forming part of the financial statements can be found from page 18.*

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

**1. CORPORATE INFORMATION**

The financial report of the Royal Australasian College of Surgeons for the year ended 31 December 2016 was authorised for issue in accordance with a resolution of Council on 31 March 2017.

The Royal Australasian College of Surgeons (College) is a company limited by guarantee incorporated in Australia and operating in Australia and New Zealand. Principal Registered Office and Place of Business is:

Royal Australasian College of Surgeons, College of Surgeons Gardens, 250-290 Spring Street, East Melbourne, Victoria 3002, telephone 03 9249 1200.

The nature of the operations and the principal activities of the College are described in the Councillors' Report.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for 'Held for trading' financial assets, employee provisions and operating leases which are measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

**(b)(i) Statement of Compliance**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board.

For the purposes of preparing the financial statements, the College is a not-for-profit entity. The financial statements were authorised for issue by the directors on 31 March 2017.

**(b)(ii) New Accounting Standards and Interpretations**

**Changes in accounting policy and disclosures**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle - adoption date – 1 January 2016
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 – adoption date – 1 January 2016

The adoption of these amending standards does not have any material impact on the financial statements.

**Accounting standards issued but not yet effective**

Standard	Title	Description	Application Date
AASB 9	Financial Instruments	AASB (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting.	1 January 2018

**Accounting standards issued but not yet effective (continued)**

Standard	Title	Description	Application Date
AASB 15	Revenue from Contracts with Customers	AASB 15 replaces the existing revenue recognition standards AASB 111 <b>Construction Contracts</b> , AASB 118 <b>Revenue</b> and related Interpretations. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	1 January 2018
AASB 15-6	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities (AASB10, AASB 124 & AASB 1049)	This Standard makes amendments to AASB 124 <i>Related Party Disclosures</i> to extend the scope of that Standard to include not-for-profit public sector entities.	1 July 2016
AASB 15-7	Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities (AASB 13)	This Standard makes amendments to AASB 13 <i>Fair Value Measurement</i> to exempt not-for-profit public sector entities from certain requirements of the Standard.	1 July 2016
AASB 16	Leases	The key features of AASB 16 are as follows: Lessee accounting <ul style="list-style-type: none"> <li>➤ Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</li> <li>➤ Assets and liabilities arising from a lease are initially measured on a present value basis.</li> </ul> Lessor accounting <ul style="list-style-type: none"> <li>➤ AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.</li> <li>➤ AASB 16 also requires enhanced disclosures.</li> </ul>	1 January 2019
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 <b>Statement of Cash Flows</b> (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	
AASB 2016-4	Amendments to Australian Accounting Standards – Recoverable Amount of Non- Cash-Generating Specialised Assets of Not-for-Profit Entities [AASB 136]	This Standard amends AASB 136 to remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities and clarify that not-for-profit entities holding non-cash-generating specialised assets at fair value in accordance with AASB 13 [under the revaluation model in AASB 116 and AASB 138] no longer need to consider AASB 136. Not-for-profit entities holding such assets at cost will determine recoverable amounts using current replacement cost in AASB 13.	1 January 2017
AASB 1058	Income of Not-for-Profit Entities	AASB 1058 and AASB 2016-8 <b>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</b> will defer income recognition in some circumstances for NFP entities, particularly where there is a performance obligation or any other liability. In addition, certain components in an arrangement, such as donations, may be separated from other types of income and recognised immediately. AASB 1004 <b>Contributions</b> is also amended, with many of its requirements being revised and relocated AASB 1058. The scope of AASB 1004 is effectively limited to address issues specific to government entities and contributions by owners in a public sector entity context.	

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Investments**

Investments are classified as ‘Held for trading’ financial assets and are reflected in the Statement of Financial Position at fair value. These financial assets have been acquired for the purpose of selling in the near term with the intention of making a profit.

All movements in the fair value of marketable investments are brought to account in the Statement of Comprehensive Income in the financial period in which they arise.

Dividends and other distributions from investments are taken to income on an accruals basis.

**(d) Foreign Currency Translation**

Both the functional and presentation currency of the College’s Australian operations is Australian dollars (AUD\$). The functional currency of the New Zealand operations is New Zealand dollars (NZD\$).

**(i) Foreign Currency Transactions**

Transactions in currencies other than functional currency (“foreign currencies”) are initially recorded in the functional currencies using the exchange rate as at the date of the transaction. At each reporting date, monetary items denominated in foreign currencies are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**(ii) Foreign Operations**

As at the reporting date, results and financial position of the foreign operation, New Zealand National Office are translated into the presentation currency of the College as follows:

- a) Assets and liabilities are translated at the closing rate prevailing at the reporting date;
- b) Income and expenses are translated at average exchange rates for the year;
- c) All the resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity under foreign currency translation reserve.

**(e) Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and/or any accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	40 years
Plant & Equipment	3–5 years
Land	not depreciated

The assets residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate at each financial year end. Project assets are written off in the year incurred.

Independent valuers are engaged for valuation purposes of property assets. The timing of valuations are performed every 3-5 years or undertaken in accordance with banking facility agreements.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and depreciable replacement cost. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasures (antique furniture, silverware and artwork) donated to the College, are recorded at their fair value as determined by the Councillors, and accounted for as donation income.

The Gordon Craig Library, Great Mace and Treasures, which are not replaceable and subject to proper maintenance, are considered to have indefinite useful lives and their recoverable value is not expected to diminish overtime. Accordingly, these assets are not depreciated.

### (f) Inventories

Inventories are valued at the lower of cost and current replacement cost. Costs are assigned to 'inventory on hand' comprise all the costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

### (g) Employee Benefits

Provision is made for benefits accruing to employees in respect of annual leave, leave in lieu and long service leave when management has a present obligation as a result of a past event and it is probable that settlement will be required and capable of being measured reliably. Provisions made in respect of annual leave, leave in lieu and long service leave expected to be settled within 12 months are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All short-term employee benefits – wages, salaries, annual leave, leave in lieu and sick leave for current employees have not been discounted to present value. In accordance with College policy, the entitlement for leave in lieu expires annually on the 31st January and the provision is written down for any unused entitlement accrued up to the 31st December of the prior year.

Provision made in respect of long service leave, which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the College in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience, employee departures and period of service. In determining the present value of future cash outflow the market yield as at the reporting date on Australian corporate bond rates, which have a maturity approximating the terms of the related liability, are used.

### (h) Taxation

#### (i) Income Tax

The College is exempt from income tax as it is considered an income tax exempt charitable entity under Subdivision 50-B of the Income Tax Assessment Act 1997.

#### (ii) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the College and the revenue can be reliably measured, regardless of when payment is being made. The rendering of services performed during the year pertained to subscriptions, training fees, examination fees, registration fees, assessment fees and sponsorship. The following specific recognition criteria must also be met before revenue is recognised:

- **Subscriptions, Fees and Sponsorship**

Revenue is recognised when at the reporting date the stage of completion of the transaction can be reliably measured and the costs incurred for the transaction and costs to complete for the transaction can be measured reliably.

- **College Projects (refer note 2 (j))**

Revenue from projects is recognised by reference to the stage of completion. Stage of completion is measured by reference to costs incurred to date as a percentage of total cost to completion for each project. When the project outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

- **Rental Income**

Rental income arising on College properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

- **Interest**

Revenue is recognised as the interest accrues.

### (j) Government Grants Received in Advance

Funding from the Commonwealth and State Governments are received for a wide range of projects carried out by the College in the areas of overseas medical aid, rural and regional medicine, trauma, procedural registers and audits of breast cancer, mortality and morbidity. These funds are deferred for activities in future periods. Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

These projects are mostly won by competitive tender. These projects are accounted for according to Note 2 (i).

### (k) Income in Advance

Subscriptions, training and course fees billed in advance are recorded as Income in Advance. Subscriptions are recognised as income on a straight line basis in the related year. Training and courses income is deferred and recognised once the service has been provided.

### (l) Contributions of Assets

The College receives 'in kind' sponsorship in the form of specific equipment and materials for use in the College's education programmes. These contributions are recognised as income when all the following conditions have been met:

- i. the College obtains control of the contribution
- ii. it is probable economic benefits comprising the contribution will flow to the College
- iii. the amount of the contribution can be reliably measured.

### (m) Cash and Short-term Deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of generally 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash short-term deposits as defined above.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off when identified.

### (o) Operating Leases

Operating lease payments are recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit.

Incentives given by the lessor to a lessee as an incentive to enter into a new or renewed operating lease agreement are recognised as a reduction of rental expense over the lease term, on a straight-line basis, unless another systematic basis is representative of the time pattern of the lessee's benefit from use of the leased asset.

### (p) Comparatives

Where necessary, comparative figures have been reclassified and repositioned for consistency with current year disclosures.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The College bases its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market conditions or circumstances arising beyond the control of the College. Such changes are reflected in the assumptions when they occur.

### Significant accounting judgements

#### *Impairment of assets*

The College carries out impairment assessment at each reporting date by evaluating conditions specific to the College and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

#### *Estimation of useful lives of assets*

The estimation of the useful lives of assets has been on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

#### *Allowance for doubtful debts*

An estimate for doubtful debts is made when collection of the full amount is no longer probable.

#### *Long service leave*

In determining the level of provision required for long service, the College has made judgements in respect of anticipated future wage and salary levels, employee departures, periods of service and discount rates.



**4. REVENUES AND EXPENSES**

	<u>2016</u>	<u>2015</u>
	\$	\$
<b>(a) Revenue</b>		
Subscriptions and entrance fees	15,417,396	14,093,989
Training, examination and assessment fees	25,412,776	23,470,755
Sponsorship and donations	2,843,470	4,556,428
Contribution (in kind sponsorship)	180,000	180,000
Conference registrations	2,325,810	1,721,915
Property rental and recoveries	1,078,089	974,742
Project income and management fees	16,029,365	17,878,470
Bank account interest	103,497	74,032
Advertising, royalties and rebates	462,103	438,069
Income from investments	1,994,394	3,106,674
Other	756,176	465,232
<b>Total</b>	<u>66,603,076</u>	<u>66,960,306</u>
<b>(b) Expenditure</b>		
Travel and accommodation costs		
- Skills training courses	1,239,649	1,117,630
- Examinations	1,214,688	1,118,668
- Externally funded projects – domestic & international	658,081	1,111,887
- Other	2,328,910	1,971,035
<b>Total</b>	<u>5,441,328</u>	<u>5,319,220</u>
Facilities hire and catering costs		
- Skills training courses	1,253,648	1,322,879
- Annual scientific congress	990,989	749,558
- Other	1,579,443	1,255,653
<b>Total</b>	<u>3,824,080</u>	<u>3,328,090</u>
Annual accounts audit – Ernst & Young	78,732	58,160
Project audits – Ernst & Young	10,208	19,770
Internal audits – Protiviti	72,561	76,955
Increase to provisions for employee entitlements	375,118	247,521
<b>(c) Personnel Costs</b>		
Wages and salaries expense	20,009,400	18,742,540
Workers' compensation costs	92,526	83,095
Superannuation costs	1,775,572	1,685,561
Other staffing costs	1,368,298	1,304,916
<b>Total</b>	<u>23,245,796</u>	<u>21,816,112</u>
<b>(d) Other Comprehensive Income</b>		
Foreign currency translation loss	<u>(424,424)</u>	<u>(34,071)</u>
<b>Total</b>	<u>(424,424)</u>	<u>(34,071)</u>

In 2015, the College translated the New Zealand operations non-monetary items using the exchange rate at the date of the initial transaction and had recognised the foreign currency translation loss of \$34,071. During 2016, the College has updated its foreign currency translation policy which is in accordance with note 2 (d). New Zealand operations assets and liabilities are translated as at 31 December 2016 closing rate and the exchange loss of \$424,424 arising on this retranslation has been taken to the Statement of Comprehensive Income.

**5. REVENUE AND EXPENDITURE BY FUNCTION**

	<u>2016</u> \$	<u>2015</u> \$
<b>Revenue</b>		
College operations	47,217,474	42,714,531
College projects	15,565,873	17,608,230
Foundation	<u>3,819,729</u>	<u>6,637,545</u>
<b>Total Revenue</b>	<u>66,603,076</u>	<u>66,690,306</u>
<b>Expenditure</b>		
College operations	45,506,465	43,057,186
College projects	16,043,099	18,250,534
Foundation	<u>1,850,985</u>	<u>2,764,842</u>
<b>Sub-Total</b>	63,400,549	64,072,562
Foreign currency translation	424,424	34,071
<b>Total Expenditure</b>	<u>63,824,973</u>	<u>64,106,633</u>
<b>Surplus / (Deficit)</b>		
College operations	1,711,009	(342,655)
College projects	(477,226)	(642,304)
Foundation	<u>1,968,744</u>	<u>3,872,703</u>
<b>Sub-Total</b>	3,202,527	2,887,744
Foreign currency translation	<u>(424,424)</u>	<u>(34,071)</u>
<b>TOTAL SURPLUS</b>	<u>2,778,103</u>	<u>2,853,673</u>
<b>Investment Portfolio – included in revenue above</b>		
Income from investments	<u>1,994,394</u>	<u>3,106,674</u>

**6. CASH AND SHORT-TERM DEPOSITS**

	<u>2016</u> \$	<u>2015</u> \$
Cash at bank and in hand	7,242,106	5,874,985
Funds at call	<u>13,759,417</u>	<u>13,830,246</u>
	<u>21,001,523</u>	<u>19,705,231</u>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Funds at call are used for investment purposes as well as for the immediate cash requirements of the College and earn interest at the respective at call deposit rates and term deposits.

The fair value of cash and short-term deposits is \$21,001,523 (2015: \$19,705,231)

**Reconciliation from the surplus to the net cash flows from operations**

<b>Operating Surplus</b>	3,202,527	2,887,744
Adjustments to reconcile surplus to net cash flows:		
Depreciation of non-current assets	2,138,587	2,473,788
Net (increase) / decrease in carrying value of investments	434,609	(2,127,504)
Loss on disposal of property, plant and equipment	10,212	331,563
Operating leases	71,321	525,549
Unrealised foreign exchange (gain) / loss	(364,111)	-
Doubtful debts expense	442	9,229
Changes in assets and liabilities:		
(Increase) / decrease in receivables	(1,168,763)	380,572
(Increase) / decrease in prepayments and other assets	369,641	(616,786)
Increase / (decrease) in trade & other payables	(461,228)	258,816
Increase / (decrease) in provisions	(32,663)	148,604
Increase / (decrease) in income in advance	<u>(605,628)</u>	<u>835,425</u>
Net cash flows from operating activities	<u>3,594,946</u>	<u>5,107,000</u>

**7. TRADE AND OTHER RECEIVABLES (CURRENT)**

	<u>2016</u> \$	<u>2015</u> \$
Subscriptions, fees and levies	9,533,955	8,444,372
Training, examination and assessment fees	6,138,970	5,887,892
Conference registrations	144,641	139,372
College projects – work in progress	722,608	940,450
Other sundry debtors	<u>2,524,488</u>	<u>2,463,520</u>
	19,064,662	17,875,606
Provision for doubtful debts	-	(3,511)
Trade and other receivables (current)	<u>19,064,662</u>	<u>17,872,095</u>
<b>Provision for doubtful debts movement</b>		
Provision balance as at beginning of year	3,511	97,196
Amount provided for during the year	442	9,035
Amount written off during the year	<u>(3,953)</u>	<u>(102,720)</u>
Provision balance as at end of year	<u>-</u>	<u>3,511</u>

**8. INVENTORIES**

	<u>2016</u> \$	<u>2015</u> \$
Finished goods at cost	<u>218,092</u>	<u>248,594</u>
Total inventories	<u>218,092</u>	<u>248,594</u>

**9. HELD FOR TRADING FINANCIAL ASSETS**

	<u>2016</u> \$	<u>2015</u> \$
At fair value		
Domestic equities	40,046,543	39,311,538
International equities	6,313,088	5,875,237
Domestic fixed interest	<u>10,977,333</u>	<u>11,893,958</u>
	<u>57,336,964</u>	<u>57,080,733</u>


**10. TRADE AND OTHER RECEIVABLES (NON-CURRENT)**

	<u>2016</u>	<u>2015</u>
	\$	\$
Fellowship entrance fees (due 2 to 5 years)	653,886	678,132
Loans to Fellows	<u>80,000</u>	<u>80,000</u>
	<u>733,886</u>	<u>758,132</u>

All non-current receivables are non-interest bearing. Loans to Fellows are fully repayable within 3 years.

**11. PROPERTY, PLANT AND EQUIPMENT**

	Freehold Land	Buildings	Plant and Equipment (incl WIP)	Treasures, Gordon Craig Library and Great Mace	Project & Low Value Equipment	TOTAL
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
<b>At 31 December 2015</b>	4,201,105	18,321,279	18,306,319	326,807	4,631,839	45,787,349
Additions	-	8,602	1,963,082	-	116,891	2,088,575
Disposals	-	-	(180,606)	-	(22,353)	(202,959)
Exchange differences	-	-	48,452	-	18,417	66,869
<b>At 31 December 2016</b>	<u>4,201,105</u>	<u>18,329,881</u>	<u>20,137,247</u>	<u>326,807</u>	<u>4,744,794</u>	<u>47,739,834</u>
<b>Depreciation and impairment</b>						
<b>At 31 December 2015</b>	-	5,599,463	13,634,408	-	4,631,839	23,865,710
Depreciation charge for the year	-	452,070	1,579,558	-	106,959	2,138,587
Disposals	-	-	(168,994)	-	(22,353)	(191,347)
Exchange differences	-	-	9,185	-	18,417	27,602
<b>At 31 December 2016</b>	<u>-</u>	<u>6,051,533</u>	<u>15,054,157</u>	<u>-</u>	<u>4,734,862</u>	<u>25,840,552</u>
<b>Net Book Value</b>						
At 31 December 2016	<u>4,201,105</u>	<u>12,278,348</u>	<u>5,083,090</u>	<u>326,807</u>	<u>9,932</u>	<u>21,899,282</u>
At 31 December 2015	<u>4,201,105</u>	<u>12,721,816</u>	<u>4,671,911</u>	<u>326,807</u>	<u>-</u>	<u>21,921,639</u>

**12. TRADE AND OTHER PAYABLES (CURRENT)**

	<u>2016</u>	<u>2015</u>
	\$	\$
Trade payables	1,270,353	2,280,397
Other payables	1,167,143	943,462
Net external conferences monies held	<u>744,272</u>	<u>240,564</u>
	<u>3,181,768</u>	<u>3,464,423</u>



**13. PROVISIONS (CURRENT)**

	<u>2016</u> \$	<u>2015</u> \$
<b>Employee Benefits</b>		
Annual leave	1,151,961	1,077,539
Leave in lieu	138,010	80,016
Long service leave (note 16)	<u>2,285,686</u>	<u>2,049,503</u>
	<u>3,575,657</u>	<u>3,207,058</u>
<b>Operating Leases</b>		
Operating leases	<u>534,127</u>	<u>460,703</u>
	<u>4,109,784</u>	<u>3,667,761</u>

**14. INCOME IN ADVANCE**

	<u>2016</u> \$	<u>2015</u> \$
Subscriptions billed in advance	15,144,454	13,909,510
Examination entry and annual training fees billed in advance	10,319,144	11,291,352
Annual scientific conference fees billed in advance	813,235	736,013
Other fees billed in advance	<u>240,772</u>	<u>37,922</u>
	<u>26,517,605</u>	<u>25,974,797</u>

**15. FUNDS HELD ON BEHALF OF OTHERS**

	<u>2016</u> \$	<u>2015</u> \$
Funds held on behalf of other surgical societies and groups	8,509,613	8,109,245

These funds have been deposited with the College to enable surgical societies and groups to have their funds managed within the College's investment portfolio. .

Funds deposited with the College and held on a "long-term" basis are credited with investment income consisting of the actual return from all investment assets held by the College within the main investment account.

Funds deposited with the College and held on an "at call" basis are credited with investment income at the bank bill rate.

Upon written request these funds may be redeemed at any time by the surgical society or group in accordance with the Pooled Investment Service Agreement terms and conditions.

## 16. PROVISIONS (NON-CURRENT)

	<u>2016</u>	<u>2015</u>
	\$	\$
<b>Employee Benefits</b>		
Long service leave (note 13)	371,309	364,790
<b>Operating Leases</b>		
Queensland lease incentive – net of drawdown	-	195,000
New South Wales lease incentive – net of drawdown	-	214,884
	<u>371,309</u>	<u>774,674</u>

## 17. COMMITMENTS AND CONTINGENCIES

### Operating Lease Commitments

The College has entered into telecommunications service agreements with Macquarie Telecom and Viatek for a committed service period of 3 years and 5 years respectively. The contract with Macquarie Telecom, which expired in May 2016, was extended for another 3 years until May 2019.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

<b>(i) Commercial Lease Commitments</b>	<u>2016</u>	<u>2015</u>
	\$	\$
Within one year	372,278	239,534
After one year but not more than five years	468,041	140,304
After more than five years	-	-
Total minimum lease payments	<u>840,319</u>	<u>379,838</u>
<b>(ii) Property Lease Commitments</b>	<u>2016</u>	<u>2015</u>
	\$	\$
Within one year	1,374,644	1,301,222
After one year but not more than five years	5,499,752	5,606,697
After more than five years	<u>1,284,490</u>	<u>2,405,944</u>
Total minimum lease payments	<u>8,158,886</u>	<u>9,313,863</u>

## 18. EVENTS AFTER BALANCE SHEET DATE

There are no matters or circumstances, which have arisen since the end of the financial year, which have significantly affected or may significantly affect the operation of the College, the results of those operations, or the state of affairs of the College.

## 19. RELATED PARTY TRANSACTIONS

During the years, the Councillors and key management personnel of the College noted below provided services to the College. Payments disclosed comprise of payments made to a Councillor during the period they were a member of Council. These services were provided below commercial rates.

	<u>2016</u> \$	<u>2015</u> \$
<b>Expert Advisory Group</b>		
- Mr G Campbell	-	3,560
- Hon R Knowles	-	5,355
<b>International Medical Graduate Assessments</b>		
- Associate Professor A Brooks	310	-
<b>Mortality Audit Projects</b>		
- Associate Professor S Tobin	600	300
- Professor D A Watters	-	300
	<u>910</u>	<u>9,515</u>

## 20. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College.

	<u>2016</u> \$	<u>2015</u> \$
Total compensation to key management personnel	3,482,476	3,288,168



**ACFID CODE OF CONDUCT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

**Information to be provided under the ACFID Code of Conduct**

The College is a signatory member of the Australian Council for International Development (ACFID). The ACFID Code of Conduct is a voluntary self-regulatory code of good practice that aims to improve international development outcomes and increase stakeholder trust by enhancing the accountability and transparency of signatory members. Information disclosed below is in accordance with the financial reporting requirements of the ACFID Code of Conduct.

**INCOME STATEMENT**

**For the year ended 31 December 2016**

**International Aid and Development Programs**

	<u>2016</u>	<u>2015</u>
	\$	\$
<b>REVENUE</b>		
Donations and gifts – monetary	455,121	428,962
Donations and gifts – non-monetary	-	-
Bequests and legacies	-	-
Grants – Australian - Department of Foreign Affairs and Trade – formally AusAID	2,506,108	3,496,211
Grants – Other Australian	80,279	338,973
Grants – Other Overseas	-	-
Investment income	310,038	570,570
Other income – International programs	522,797	181,521
Revenue for international political or religious proselytisation program	-	-
Other income – all other College activities	<u>62,728,733</u>	<u>61,944,069</u>
<b>Total Revenue</b>	<u>66,603,076</u>	<u>66,960,306</u>
<b>EXPENDITURE</b>		
<b>International Aid and Development Programs</b>		
International Programs		
Funds to international programs	2,321,829	3,623,262
Program support costs	569,920	790,169
Community education	-	-
Fundraising costs		
Public	-	-
Government, multilateral and private	-	-
Accountability and administration	206,053	145,819
Non-monetary expenditure	-	-
Expenses for international political or religious proselytisation program	-	-
Other expenditure – all other College activities	<u>60,302,747</u>	<u>59,513,312</u>
<b>Total Expenditure</b>	<u>63,400,549</u>	<u>64,072,562</u>
<b>Excess of Revenue over Expenditure</b>	3,202,527	2,887,744
<b>Other Comprehensive Income</b>	<u>(424,424)</u>	<u>(34,071)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>2,778,103</u>	<u>2,853,673</u>

**SUMMARY OF CASH MOVEMENTS**  
For the year ended 31 December 2016

	Cash available at beginning of financial year	Cash raised during the financial year	Cash disbursed during financial year	Cash available at end of financial year
	\$	\$	\$	\$
International Projects	758,351	3,496,702	3,052,925	1,202,128
International Scholarships provided by the College from bequest funds	6,991,149	442,935	298,329	7,135,755
Foundation – International Projects	2,994,291	1,174,888	807,490	3,361,689
Other – Domestic Operations	8,961,440	59,899,838	59,559,327	9,301,951
<b>Total</b>	<b>19,705,231</b>	<b>65,014,363</b>	<b>63,718,071</b>	<b>21,001,523</b>

**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2016

	Retained Surplus		Foreign Currency Translation Reserve	Total College Funds and Reserves
	Operating	Investment		
	\$	\$	\$	\$
<b>At 31 December 2015</b>	70,873,328	1,427,025	137,759	72,438,112
Adjustments or changes in equity	-	-	-	-
Items of other comprehensive income	-	-	(424,424)	(424,424)
Excess of revenue over expenses	2,908,919	293,608	-	3,202,527
Other amounts transferred (to) or from reserves	-	-	-	-
<b>At 31 December 2016</b>	<b>73,782,247</b>	<b>1,720,633</b>	<b>(286,665)</b>	<b>75,216,215</b>