

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

A.B.N. 29 004 167 766

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

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ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

REPORT FROM THE HONORARY TREASURER TO FELLOWS

The Financial Report for the year ended 31 December 2007 is presented together with the Auditor's Report to the College for 2007.

It is my pleasure to present this report and highlight the sound financial position of the College. The year under review has achieved excellent results in challenging times for our College with the implementation of our new Surgical Education and Training (SET) program and the attendant risks involved.

Income Statement

Total revenue in 2007 was \$39,398k compared to \$36,017k in 2006 while expenditure was \$33,264k compared to \$33,211k in 2006. An overall surplus of \$6,133k was achieved compared to \$2,807k in 2006.

The College Investment Portfolio is managed by the Investment Committee. During the year their efforts achieved an above market return of 18.94%. Returns for 11 months in 2007 were 22.93% however the downturn in December marked down the overall return for the year.

In January 2008, the downturn in the capital markets saw the portfolio decline in the market value by an estimated to be \$1,815k or by 7.43%.

The most meaningful way in which to review this overall result is to analyse the separate activities of the College being College Operations, College Projects, Scholarships and Research Grants and the Foundation and Investment Reserve.

College Operations are the core operational activities including Fellowship Services, Education and Training, the Annual Scientific Conference, Conferences and Workshops, College funded scholarships, Leadership and Corporate Governance and Administration.

In 2007, this revenue amounted to \$27,182k compared to \$24,455k in 2006 while expenditure was \$25,334k compared to \$25,975k in the previous year. The surplus in 2007 of \$1,848k represents a \$3,368k turnaround from the deficit of \$1,520k in 2006.

Overall, this result is due to tight expenditure control in 2007, with similar expenditure to 2006 and additional one off increases in revenue from the areas of Skills Courses, Basic Science Examination and Fellowship admissions.

College Projects relate to activities funded by external agencies and funding providers.

The College is responsible for managing research, aid and audit projects with a total life value in excess of \$41 million.

Projects currently being managed by the College include the Outer Metropolitan Training, Rapid Assessment Unit, Professional Development, Rural Services, Trauma, International (AusAID), Mortality Audit, Morbidity Audit and Retention of Surgeons in Queensland Hospitals.

In 2007, project revenue amounted to \$7,054k compared to \$7,120k in 2006 and expenditure was \$7,302k compared to \$6,763k in 2006. This resulted in a deficit of \$248k in 2007 compared to a surplus of \$356k in 2006.

All revenue and expenditure relating to College projects is recognised progressively throughout the life of the projects in accordance with contractual obligations and College policies.

A number of projects do not completely cover their overheads and are therefore cross subsidised by the College. In 2007 this subsidy was \$351k compared to \$471k in 2006.

Scholarships and Research Grants of \$511k are funded from College investments committed to this purpose and in addition RACS scholarships of \$678k are funded from College operations giving a total commitment for scholarships of \$1,189k compared to \$999k in 2006.

The investment return of 18.94% on the committed bequest funds of \$15.1 million resulted in revenue of \$2,610k in 2007 compared to \$2,380k in 2006. These returns will ensure the continuation of scholarships in accordance with the conditions of the bequests. Expenditure was \$579k compared to \$456k in 2006. Overall, the surplus for 2007 was \$2,031k compared to \$1,924k in 2006.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS
REPORT FROM THE HONORARY TREASURER TO FELLOWS

Foundation and Investment Reserve includes donations and philanthropic activities and returns on uncommitted funds from the investment portfolio.

Revenue for 2007 was \$2,552k compared to \$2,063k in 2006 while expenditure of \$50k in 2007 compared to \$16k in 2006. Overall, the surplus for 2007 was \$2,502k compared to \$2,047k in 2006.

Highlights – 2007

- Revenue from Subscriptions, Fees & Levies of \$9,061k compared to \$7,799k received in 2006. A large part of this increase reflects the carry over of a small number of Fellowship admissions from December 2006 into January 2007, and unexpectedly high number of admissions for 2007.
- Investment returns of 18.9% in 2007 continue to meet or exceed market performance.
- Examination & Training Fees generated \$14,161k compared to \$12,408k in 2006. This increase reflects a significant increase in those undertaking skills courses and the Basic Science Examination due to the introduction of SET.
- Personnel costs remains the dominant expense relating to the College activities and was \$11,717k compared with \$11,665k in 2006. This small increase has demonstrated a focus on controlling staff numbers and related expenditure in 2007.
- Scholarships and Research Grants funding totalled \$1,189k compared to \$999k in 2006.

Balance Sheet

The Balance Sheet outlines the net value of the College. In 2007, College Funds and Reserves have increased by 14.8% to \$47,668k.

Key movements in assets included an increase in cash and cash equivalents of \$1,152k and investments held for trading of \$5,579 offset by decreases trade and other receivables of \$5,099k. Current liabilities decreased by \$3,912k which has been offset by a reduction in interest bearing loans of \$1,000k.

The Investment Reserve has increased from \$4,978k to \$7,010k due to the excellent investment returns. The reserve includes revenue from investment returns on uncommitted funds in the investment portfolio. These returns are set aside for future developments as approved by Council and will include funding towards the acquisition of the ANZCA share of "Elliot House" in New Zealand, the Queensland property redevelopment and the upgrading of the West Wing in Melbourne.

Cash Flow Statement

The Cash Flow statement indicates a positive cash flow for 2007 provided by operating activities of \$5,541k and a net increase in cash held of \$1,152k from 2006 represented by an overall increase in the College's operational result in 2007 offset by a pay down of commercial bills of \$1,000k and acquisition of fixed assets of \$616k.

In summary this sound financial position has enabled:

- The development and implementation of the new SET Program.
- The support for the funding of the Investment Reserve which now totals \$7,010k.
- Annual increases in Fellows' subscriptions and fees being held at the level of the CPI.
- The reduction in borrowings for the East Wing loan from \$3,000k to \$2,000k.
- Continued investment in infrastructure (particularly IT web development and applications) to enable better levels of service and support be provided to Trainees and Fellows.
- Continued refurbishment and renovation of College properties to improve utilisation and availability of resources, especially in the regional offices.

In closing I would like to acknowledge the services of our Honorary Advisers for which the College remains indebted. I would like to thank Mr Anthony Lewis (Audit & Finance), Mr Robert Milne (Property), Mr Doug Oldfield OAM (Finance), Mr Brian Randall (Investment) and Mr Ken Welfare (Investment) for their generous and valued support during the year. The College is extremely grateful to all our Honorary Advisers for their wise counsel and support in relation to finance, investment, and property and audit matters. I would also like to thank the Director of Resources, Mr Ian Burke, and all the management and staff of the Division for their ongoing hard work and commitment in support of my role.

The College continues in a sound financial position and I recommend these accounts to the Fellows.

Keith Mutimer
Honorary Treasurer
28 February 2008



ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

The Councillors of the Royal Australasian College of Surgeons submit herewith the Annual Financial Report of the College for the year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the Councillors report as follows:

- The names and particulars of the Office Bearers and the Councillors in office during or since the end of the financial year are detailed below.

Three Council Meetings and eight Executive Committee Meetings were held. 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	Andrew Darcy Sutherland	3	8	3	8
Vice President	Ian Ronald Gough	3	8	3	8
Censor-in-Chief	Ian Donald Civil	3	7	3	8
Honorary Treasurer	Keith Louis Anthony Mutimer	3	8	3	8
Chair, Professional Development & Standards Bd	Ian Carnegie Dickinson	3	5	3	8
Elected Members of Council:					
	Robert Neville Atkinson	2	-	3	-
	Spencer Wynyard Beasley	2	1	2	1
	Robert John Black	3	-	3	-
	Graeme John Campbell	2	3	2	4
	Mark Gordon Edwards	3	1	3	1
	John Campbell Graham	3	1	3	1
	Michael John Grigg	2	-	2	-
	Michael John Hollands	3	3	3	3
	Glenn Anthony McCulloch	3	-	3	-
	Guy John Maddern	3	1	3	1
	Errol John Maguire	3	-	3	-
	Hugh Charles Martin	3	-	3	-
	Jenepher Ann Martin	3	3	3	4
	Helen Elizabeth O'Connell	3	-	3	-
	James Francis Powell	3	3	3	3
	Julian Anderson Smith	2	-	2	-
	Swee Thong Tan	2	-	2	-
	Ivan John Thompson	3	-	3	-
	Marianne Vonau	2	1	2	1
	David Allan Watters	2	-	2	-
	Simon Alan Williams	2	-	2	-
Co-Opted Members of Council:					
	Geoffrey Davies	3	-	3	-
	Anand Shanker Dixit	3	-	3	-
	Michael Anthony Sexton	2	-	3	-

The above Councillors either held office during the full year or were elected during the year. Their terms continue. Others who completed periods of service during the year were

Ross Douglas Blair	1	-	1	-
Patricia Margaret Davidson	1	-	1	-
Stephen Arthur Deane	1	3	1	3
Anthony Eric Hardy	1	-	1	-
Russell William Stitz	1	3	1	3
Bruce Philip Waxman	1	-	1	-
Peter William Woodruff	1	-	1	-

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

2. Councillors' and Chief Executive Officer's Qualifications and Current Experience:

Mr Andrew Darcy Sutherland, MBBS, FRCSC, FRACS, GradDip BA (Adel)

Senior Visiting Orthopaedic Surgeon, Divisional Director, Division of Paediatric Surgery, Women's & Children's Hospital Adelaide; Director, Orthopaedics SA Pty Ltd., Member of Council Australian National Maritime Museum

Professor Ian Ronald Gough, MBBS, MD(Qld), MRCP(UK), FRCS(Ed), FRACS, FACS

Professor of Surgery University of Queensland; Head of Endocrine Surgery, Royal Brisbane and Womens' Hospitals.

Mr Ian Donald Shepherd Civil, MBE, CStJ, ED., BSc, MBChB, FRACS, FACS

Director of Surgery, Auckland City Hospital; Member, Priors Trust Board, Order of St John, NZ, Member, Northern Regional Trust Board, Order of St John, NZ ; Deputy Editor, International Journal of the Care of the Injured; Member Medical Practitioners Disciplinary Tribunal, Member of the Health Practitioners Disciplinary Tribunal.

Mr Keith Louis Anthony Mutimer, MBBS, FRACS

Plastic & Reconstructive Surgeon

Mr Ian Carnegie Dickinson, MBBS, FRACS, FAOrthA

Senior Orthopaedic Surgeon, Princess Alexandra Hospital; Director, Australian Orthopaedic Association; Trustee, Qld Orthopaedic Research Trust; Associate Professor of Surgery, University of Queensland.

Dr Robert Neville Atkinson RFD, MBBS, MA, DCH, FRACS, FAOrthA, MRACMA,

Brigadier – Emeritus Consultant in Military Surgery to the ADF; Head of Department, Orthopaedics & Trauma, Modbury Public Hospital (SA), Clinical Associate Professor, University of Adelaide.

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 Research Trust; Director, Koru Developments Ltd

Mr Robert John Black RFD, MBBS, FRACS, FRCS(Ed), FACS

Senior Consultant, Department of Otolaryngology Head & Neck Surgery, Mater Hospitals, Brisbane; Associate Professor, University of Queensland; Chairman, ENT Tribunal, Q-comp (Worker's Compensations Regulatory Authority, Queensland); Chairman, ENT Advisory Group, Australian Defence Force; President, Australian Society of Otolaryngology – Head & Neck Surgery.

Mr Ross Douglas Blair, ED, MBChB, FRACS, FACS

Thoracic Vascular Surgeon Hamilton NZ, Governor Australian and New Zealand Chapter American College of Surgeons.

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

General Surgeon.

Professor Patricia Margaret Davidson, MD, FRACS, FRCS (Glasgow), FRCP (UK)

Paediatric Surgeon and Professor Faculty of Health, University of Newcastle; Area Director, Kaleidoscope, Hunter Children's Health Network.

The Hon Geoffrey Davies, AO, LLB

Professor Stephen Arthur Deane, MBBS, FRACS, FRCSC, FACS

Professor of Surgery, School of Medicine & Population Health, University of Newcastle; Clinical Chair, Division of Surgery, John Hunter Hospital, Newcastle.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

Mr Anand Dixit, MBBS, FRACS

Cardiothoracic Surgeon; Director of Surgery Royal Hobart Hospital.

Mr Mark Gordon Edwards, BSc, MBBS, FRCS, FRACS

Senior Cardiothoracic Surgeon, Royal Perth Hospital; Member Medical Advisory Committee, Mount Private Hospital; Senior Thoracic Surgeon, Hollywood Private Hospital.

Mr John Campbell Graham, MBBS, FRACS

Vascular Surgeon, Lismore NSW

Professor Michael John Grigg, FRACS

Professor of Surgery, Monash University; Director of Surgical Services, Eastern Health, Melbourne.

Mr Anthony Eric Hardy, MBChB, FRACS

Clinical Director Orthopaedic Surgery, Auckland Hospital.

Mr Michael John Hollands, FRACS, MBBS

General Surgeon

Mr Glenn Anthony John McCulloch, MBBS, FRCS(Ed), FRACS

Neurosurgeon; Member, Editorial Board of the Journal of Clinical Neuroscience; Member, Board of the Neurosurgical Society of Australasia.

Professor Guy John Maddern, MBBS, PhD, MS, MD, FRACS

R.P. Jepson Professor of Surgery, University of Adelaide; Director, Division of Surgery, The Queen Elizabeth Hospital; Director, Basil Hetzel Institute; Surgical Director, ASERNIP-S; Vice-President, Australian Patient Safety Foundation.

Professor Errol John Maguire, AM, RFD, MB, BS, PhD, FRACS, FACTM

Senior Staff Consultant, Gold Coast Hospital, Southport.

Mr Hugh Charles Ormsby Martin, AM, MBBS (Hons), FRACS, FRCS(Eng)

Senior Visiting Surgeon, The Children's Hospital at Westmead, President Australasian Association of Paediatric Surgeons.

Associate Professor Jenepher Ann Martin, MBBS, MS, MEd, FRACS

Consultant General Surgeon, Austin Health, Vic. Associate Professor, Centre for Medical and Health Sciences Education, Monash University.

Dr Helen Elizabeth O'Connell, MD, MBBS, MMed, FRACS

Urologist, Royal Melbourne and Melbourne Private Hospitals.

Mr James Francis Powell, MBBS, FRACS

Orthopaedic Surgeon

Mr Michael Anthony Sexton, MBChB, FRACS

General Surgeon

Professor Julian Anderson Smith, MBBS, MS, FRACS, FACS, FCSANZ

Cardiothoracic Surgeon; Professor Of Surgery, Monash University; Board Member, Australasian Cardiac Research Institution

Dr Russell William Stitz, MBBS, FRCS (Eng), FRACS

Colo-rectal Surgeon

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

Mr Swee Thong Tan, MBBS FRACS PhD

Plastic Surgeon and Director of Surgery, Hutt Valley District Health Board; New Zealand Vice-President, Australian and New Zealand Head and Neck Society; Secretary, New Zealand Association of Plastic Surgeons; Trustee, Reconstructive Plastic Surgery Research Foundation, New Zealand

Mr Ivan John Thompson, MBBS, FRACS

General Surgeon

Dr Marianne Vonau, MBBS FRACS

Neurosurgeon, Executive Director of Critical Care and Clinical Support Services, Royal Brisbane and Women's Hospital

Professor David Allan Watters BSc MB ChM FRCSEd FRACS

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

Associate Professor Bruce Philip Waxman, BMedSc(Hons), MBBS (Hons), FRACS, FRCS (Eng), FACS, MRACMA, MAICD

Associate Professor of Surgery, Monash University; Head of General Surgery, Southern Health; Unit Head, Colorectal Surgery Unit, Dandenong Hospital, Southern Health and Director, Academic Surgical Unit, Dandenong Hospital, Southern Health, Victoria; Councillor, Colorectal Surgical Society of Australia; Director, RFDS Victorian Section Board; RAAF Specialist Reserve

Mr Simon Alan Williams FRACS, Dipl. Anat., Grad. Dipl. Epidemiology and Biostatistics

Orthopaedic Surgeon, Barwon Health

Associate Professor Peter William Harold Woodruff, MBBS, FRCS, FRACS, FACS, ChM

Chairman, Department of Vascular Surgery Princess Alexandra Hospital; Board of Australian Council on Healthcare Standards.

Chief Executive Officer

Dr David Hillis, MBBS (Hons), MHA, FRACGP, FRACMA, FCHSE, FAICD, FAIM

3. 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.
4. The net surplus of the College for the year as shown in the Income Statement and note 4 was \$6,132,885 (2006: \$2,806,577). The College is a company limited by guarantee which has no share capital and is prohibited by its constitution from paying dividends.
5. 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.
6. 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.
7. 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 Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.
8. 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.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

Auditor's Independence Declaration

We, the Councillors, hereby declare and note that the Auditor's Independence Declaration has been received and is disclosed on page 11 of this report

Signed in accordance with a resolution of the Councillors made pursuant to Section 298(2) of the Corporations Act 2001.


On behalf of the Councillors

A D SUTHERLAND



.....
President

K MUTIMER



.....
Honorary Treasurer

D J HILLIS



.....
Chief Executive Officer

**MELBOURNE
28 FEBRUARY 2008**

Independent audit report to members of Royal Australasian College of Surgeons

We have audited the accompanying financial report of Royal Australasian College of Surgeons (the company), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the councillors declaration.

Councillor's Responsibility for the Financial Report

The councillors of the company are responsible for preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the councillors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the councillors of the company a written Auditor's Independence Declaration. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Royal Australasian College of Surgeons is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Royal Australasian College of Surgeons at 31 December 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Stuart Painter

Stuart Painter

Partner

Melbourne

28th February, 2008

Auditor's Independence Declaration to members of Royal Australasian College of Surgeons

In relations to our audit of the financial report of Royal Australasian College of Surgeons for the financial year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Stuart Painter

Stuart Painter
Partner
Melbourne

28th February, 2008

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS
COUNCILLORS DECLARATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

The Councillors declare that:

- (a) The attached financial statements and notes thereto comply with Australian Accounting Standards and Corporations Regulations 2001;
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position as at 31 December 2007 and performance for the year then ended of the College;
- (c) In the Councillors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) In the Councillors' opinion, there are reasonable grounds to believe that the College will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Councillors made pursuant to Section 295(5) of the Corporations Act 2001.

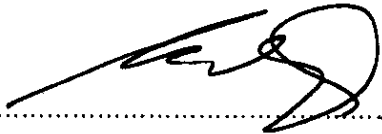
On behalf of the Councillors.

A D SUTHERLAND



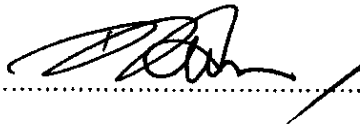
.....
President

K MUTIMER



.....
Honorary Treasurer

D J HILLIS



.....
Chief Executive Officer

MELBOURNE
28 FEBRUARY 2008

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	<u>Notes</u>	<u>2007</u> \$	<u>2006</u> \$
Revenue from operating activities	4	39,397,786	36,017,254
Expenditure			
Personnel costs		11,717,474	11,665,171
Consultants fees - clinical		1,995,206	1,628,263
Consultants fees - management		903,664	668,941
Telephone, teleconference and audio visual costs		538,919	715,791
Printing, stationery and photocopying		1,374,338	1,435,451
Postage and courier costs		624,213	579,232
Information system costs		759,855	680,071
Travel & accommodation		4,525,068	4,117,806
Associations and publications		196,847	187,075
Audit, legal and professional fees		424,946	418,424
Bank fees and merchant charges		448,487	371,337
Borrowing costs		140,217	515,645
Rent, rates, power, repairs and other property costs		1,001,201	1,118,180
Insurance		261,547	249,597
Project equipment purchases, hire and repairs		557,670	556,523
Training manuals and consumables used in education and field projects		847,917	1,047,290
Scholarships / fellowships		1,188,863	999,004
Awards, grants, gifts and prizes		348,254	333,549
Facilities hire and catering costs		1,905,968	2,405,173
Foreign exchange loss		45,043	123,616
Depreciation and amortisation expense		1,403,332	1,690,238
Specialist societies funding and office bearers costs		1,892,785	1,527,739
Doubtful debts expense / (reversal)		(71,524)	(123,507)
Other expenses from operating activities		234,611	300,068
Total Expenditure		<u>33,264,901</u>	<u>33,210,677</u>
Surplus	4	<u>6,132,885</u>	<u>2,806,577</u>

Notes to and forming part of the financial statements are included on pages 17 to 35

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

BALANCE SHEET

AS AT 31 DECEMBER 2007

	<u>Notes</u>	<u>2007</u> \$	<u>2006</u> \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	8,404,121	7,252,351
Trade and other receivables	6	9,656,970	14,756,685
Inventories	7	98,095	108,030
Prepayments		431,522	226,160
Investments held for trading financial assets	8	<u>30,066,139</u>	<u>24,487,346</u>
Total Current Assets		<u>48,656,847</u>	<u>46,830,572</u>
Non-Current Assets			
Property, plant and equipment	9	23,528,844	24,361,644
Receivables	10	<u>933,896</u>	<u>816,594</u>
Total Non-Current Assets		<u>24,462,740</u>	<u>25,178,238</u>
TOTAL ASSETS		<u>73,119,587</u>	<u>72,008,810</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	11	12,014,909	17,668,572
Provisions	12	1,316,530	1,177,634
Government grants received in advance		6,527,475	5,673,957
Funds held on behalf of others	13	<u>3,439,388</u>	<u>2,690,093</u>
Total Current Liabilities		<u>23,298,302</u>	<u>27,210,256</u>
Non-Current Liabilities			
Provisions	14	152,920	263,074
Interest bearing loans and liabilities	15	<u>2,000,000</u>	<u>3,000,000</u>
Total Non-Current Liabilities		<u>2,152,920</u>	<u>3,263,074</u>
TOTAL LIABILITIES		<u>25,451,222</u>	<u>30,473,330</u>
NET ASSETS		<u>47,668,365</u>	<u>41,535,480</u>
COLLEGE FUNDS AND RESERVES			
Retained surplus		40,658,018	36,557,479
Investment earnings reserve		<u>7,010,347</u>	<u>4,978,001</u>
TOTAL COLLEGE FUNDS AND RESERVES		<u>47,668,365</u>	<u>41,535,480</u>

Notes to and forming part of the financial statements are included on pages 17 to 35

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	<u>Notes</u>	<u>2007</u> \$	<u>2006</u> \$
Cash Flows from Operating Activities			
Subscriptions and entrance fees		9,142,547	7,774,373
Training, examination and assessment fees		13,463,627	11,588,485
Sponsorship and donations		1,202,957	851,310
Conference registrations		2,039,241	2,635,196
Property rental and recoveries		687,925	531,364
Project income and associated fees		7,667,222	4,558,366
Interest income		132,376	71,166
Other income		1,160,858	1,374,788
Payments to suppliers and employees		(29,815,109)	(28,563,692)
Borrowing costs		(140,217)	(515,645)
Net cash provided by operating activities	5	5,541,427	305,711
Cash flows from financing and investing activities			
Commercial bill facility used (repaid)		(1,000,000)	(1,000,000)
Net movement from investment securities		(2,774,084)	(1,730,590)
Payments for property plant and equipment		(615,573)	(1,109,553)
Net cash (used in) financing and investing activities		(4,389,657)	(3,840,143)
Net increase / (decrease) in cash held		1,151,770	(3,534,432)
Cash at beginning of financial year		7,252,351	10,786,783
Cash at the end of the financial year	5	8,404,121	7,252,351

Notes to and forming part of the financial statements are included on pages 17 to 35

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Retained Surplus	Investment Earnings Reserve	Total College Funds & Reserves
	\$	\$	\$
At 1 January 2006	34,521,096	4,207,807	38,728,903
Surplus for the year	2,806,577	-	2,806,577
Transfer to reserve	(770,194)	770,194	-
At 31 December 2006	36,557,479	4,978,001	41,535,480
Surplus for the year	6,132,885	-	6,132,885
Transfer to reserve	(2,032,346)	2,032,346	-
At 31 December 2007	40,658,018	7,010,347	47,668,365

Notes to and forming part of the financial statements are included on pages 17 to 35

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

1. CORPORATE INFORMATION

The financial report of the Royal Australasian College of Surgeons for the year ended 31 December 2007 was authorised for issue in accordance with a resolution of Council on 28 February 2008.

The Royal Australasian College of Surgeons 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, Spring Street, Melbourne Victoria 3000, 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 Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for 'Held for trading' financial assets which are measured at market value.

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

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS').

(c) Investments

Investments are classed as 'Held for trading' financial assets and are reflected in the financial statements at fair value.

All movements in the fair value of marketable investments are brought to account in the Income Statement 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 Royal Australasian College of Surgeons is Australian dollars (A\$).

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign Currency Translation (Continued)

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

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.

As at the reporting date the assets and liabilities of the New Zealand National Office are translated into the presentation currency of the Royal Australasian College of Surgeons at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rates for the year.

The exchange differences arising on the retranslation are taken directly to the Income Statement.

(e) Property, Plant and Equipment

Land and buildings and plant and equipment are measured at cost less accumulated depreciation and any improvement in value. Depreciation is calculated on a straightline basis over the estimated useful life of the asset as follows:

	<u>2007</u>	<u>2006</u>
- Buildings	40 years	40 years
- Plant & Equipment	3-6 years	3-6 years

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 value in use. 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.

Treasures (antique furniture, silverware and artwork) donated to the College, are recorded at their "deemed cost" (previously fair value) as determined by the Councillors, and accounted for as donation income. A fair value is not readily ascertained.

The Gordon Craig Library, Great Mace and Treasures 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.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Employee Benefits

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and capable of being measured reliably. Provisions made in respect of annual leave 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 and sick leave for current employees are expected to be utilised within the 12 month period subsequent to balance date and as such have not been discounted to present value.

Provision made in respect of long service leave which is not expected to be settled within 12 months is 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. In determining the present value of future cash outflow the market yield as at the reporting date on national government bonds, which have a maturity approximating the terms of the related liability, are used.

(h) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(i) Recoverable Amount of Assets

At each reporting date, the College assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the College makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(j) 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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, are classified as operating cash flows.

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

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the College and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Subscriptions, Fees, Grants, Sponsorship, Donations

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 2l Government Grants)

The stage of completion is measured by reference to costs incurred to date as a percentage of total cost to completion for each project.

Where the project outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue is recognised as the interest accrues.

Rental Income

Rental income arising on College properties is accounted for on a straight-line basis over the lease term.

(l) 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.

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

No other Government grants were received during this financial year by the College.

(m) Income in Advance

Subscriptions, training and course fees billed in advance are recorded as Income Received in Advance and are recognised as income in the year to which the subscription, training and courses relate.

(n) 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.

(o) Interest Bearing Liabilities

Bills of exchange are carried at the principal amount plus deferred interest.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of six months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(q) 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 collection of the full amount is no longer probable. Bad debts are written off when identified.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
3. REVENUES AND EXPENSES		
(a) Revenue – Significant Categories		
Subscriptions & entrance fees	9,060,718	7,798,840
Training, examination and assessment fees	14,161,360	12,407,626
Sponsorship & donations	1,154,800	857,698
Contributing (in kind sponsorship)	180,265	180,265
Conference registrations	1,842,971	2,506,794
Investment revenue	5,086,268	4,351,258
Property rental & recoveries	687,925	531,364
Project income & associated fees	6,624,808	6,934,629
Interest – other entities	132,376	71,166
Gain on sale of property, plant and equipment	3,778	-
Royalties	64,037	58,317
(b) Expenses - Specified Categories		
Remuneration of auditors:		
Auditing the financial report – Ernst & Young	50,000	47,500
Project audits	26,200	15,250
Other services – Ernst & Young	3,000	10,663
Borrowing costs	140,217	515,645
Increase to provisions for employee entitlements	883,340	665,760
Loss on sale of property, plant and equipment	-	183
Cost of inventories recognised as an expense	162,294	220,282
(c) Employee Benefits Expense		
Wages & salaries expense	9,702,629	9,699,669
Workers' compensation costs	59,632	66,474
Superannuation costs	840,491	804,088
Other staffing costs	1,114,721	1,094,940

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	<u>2007</u> \$	<u>2006</u> \$
4. REVENUE AND EXPENDITURE BY FUNCTION		
Revenue		
College Operations	27,181,704	24,455,242
College Projects	7,054,335	7,119,465
Bequest Scholarships	2,610,031	2,380,020
Foundation and Investment Account	<u>2,551,717</u>	<u>2,062,527</u>
Total Revenue	<u>39,397,787</u>	<u>36,017,254</u>
Expenditure		
College Operations	25,333,915	25,975,476
College Projects	7,302,532	6,763,344
Bequest Scholarships	578,714	455,766
Foundation and Investment Account	<u>49,741</u>	<u>16,091</u>
Total Expenditure	<u>33,264,902</u>	<u>33,210,677</u>
Surplus / (Deficit)		
College Operations	1,847,789	(1,520,234)
College Projects	(248,197)	356,121
Bequest Scholarships	2,031,317	1,924,254
Foundation and Investment Account	<u>2,501,976</u>	<u>2,046,436</u>
Total Surplus / (Deficit)	<u>6,132,885</u>	<u>2,806,577</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
5. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	3,799,736	1,989,496
Funds at call	4,604,385	5,262,855
	<u>8,404,121</u>	<u>7,252,351</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.

The fair value of cash and cash equivalents is \$8,404,121 (2006: \$7,252,351).

Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:

Cash at bank and in hand	3,799,736	1,989,496
Funds at call	4,604,385	5,262,855
	<u>8,404,121</u>	<u>7,252,351</u>

Reconciliation from the surplus to the net cash flows from operations

Operating Surplus	6,132,885	2,806,577
Non cash items		
Depreciation of non-current assets	1,403,332	1,690,238
Net (increase) / decrease in carrying value of investments	(2,611,075)	(2,481,880)
Write off of non-current assets	43,461	1,576
Estimated surpluses on projects	1,256,390	(595,773)
Changes in assets and liabilities:		
(Increase) / Decrease in receivables	5,099,715	(2,932,980)
(Increase) / Decrease in inventories	9,935	(18,002)
(Increase) /Decrease in prepayments	(203,775)	127,935
(Increase) /Decrease in non current receivables	(117,302)	138,831
Increase /(Decrease) in trade & other payables	(5,653,663)	586,215
Increase in current provisions	138,896	263,812
Increase / (Decrease) in Funds held on behalf of other surgical societies	555,654	(13,017)
Increase / (Decrease) in non-current provisions	(110,154)	113,703
Increase / (Decrease) in Government grants	(402,872)	618,476
Net cash flow from operating activities	<u>5,541,427</u>	<u>305,711</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
6. TRADE & OTHER RECEIVABLES (CURRENT)		
Subscriptions, fees & levies in advance	4,808,211	5,007,342
Other sundry debtors	2,903,876	8,772,015
Provision for doubtful debts	(41,778)	(113,302)
College Projects – work in progress	1,986,661	1,090,630
	<u>9,656,970</u>	<u>14,756,685</u>
Subscriptions, fees and levies in advance are not interest bearing		
Provision for doubtful debts movement	\$	\$
Provision balance as at beginning of year	113,302	238,383
Amount provided (written back) during year	(71,524)	(123,507)
Amount used during year	-	(1,574)
Provision balance as at end of year	<u>41,778</u>	<u>113,302</u>

Aging of current receivables

(excluding College Projects (government grants) and the provision for doubtful debts)

Year	Current	30-<60 days	60-<90 days	>90 days	Total
	\$	\$	\$	\$	\$
2007	2,107,359	5,514,839	60,597	29,292	7,712,087
2006	4,689,937	8,789,861	98,532	201,027	13,779,357

7. INVENTORIES

Finished goods at cost	<u>98,095</u>	<u>108,030</u>
Total inventories at lower of cost and net replacement cost	<u>98,095</u>	<u>108,030</u>

The amount of finished goods at cost recognised as an expense during 2007 was \$162,294 (2005: \$220,282).

8. INVESTMENTS – HELD FOR TRADING FINANCIAL ASSETS

At fair value		
Domestic equities	23,461,482	18,418,677
International equities	709,256	494,568
Property trusts	2,430,093	2,483,287
Domestic fixed interest	3,465,308	2,446,753
International alternatives	-	644,061
	<u>30,066,139</u>	<u>24,487,346</u>

Interest rate risk exposure is shown in note 16

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Plant and Equipment (incl WIP)	Treasures, Gordon Craig Library and Great Mace	TOTAL
	\$	\$	\$	\$	\$
Year ended 31 December 2007					
Net Carrying Amount at 1 January 2007	5,665,337	15,961,372	2,408,128	326,807	24,361,644
Additions	-	189,081	426,492	-	615,573
Disposals	-		(44,441)	-	(44,441)
Depreciation charge for the year	-	(439,965)	(963,967)	-	(1,403,932)
Net Carrying Amount at 31 December 2007	<u>5,665,337</u>	<u>15,710,488</u>	<u>1,826,212</u>	<u>326,807</u>	<u>23,528,844</u>
At 1 January 2007					
Cost	5,665,337	17,559,420	10,602,474	326,807	34,154,038
Accumulated depreciation and impairment	-	(1,598,048)	(8,194,347)	-	(9,792,393)
Net Carrying Amount	<u>5,665,337</u>	<u>15,961,372</u>	<u>2,408,127</u>	<u>326,807</u>	<u>24,361,645</u>
At 31 December 2007					
Cost	5,665,337	17,747,753	10,139,049	326,807	33,878,946
Accumulated depreciation and impairment	-	(2,037,265)	(8,312,837)	-	(10,350,102)
Net Carrying Amount	<u>5,665,337</u>	<u>15,710,488</u>	<u>1,826,212</u>	<u>326,807</u>	<u>23,528,844</u>

The College uses the straight line method of depreciation. All non-current assets are accounted for at cost. As a consequence any excess of fair value over net cost is not reflected in the financial statements.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold Land	Buildings	Plant and Equipment (incl WIP)	Treasures, Gordon Craig Library and Great Mace	TOTAL
	\$	\$	\$	\$	\$
Year ended 31 December 2006					
Net Carrying Amount at 1 January 2006	5,665,337	15,762,195	3,189,566	326,807	24,943,905
Additions	-	624,602	484,951	-	1,109,553
Disposals	-	-	(1,576)	-	(1,576)
Depreciation charge for the year	-	(425,425)	(1,264,813)	-	(1,690,238)
Net Carrying Amount at 31 December 2006	<u>5,665,337</u>	<u>15,961,372</u>	<u>2,408,128</u>	<u>326,807</u>	<u>24,361,644</u>
At 1 January 2006					
Cost	5,665,337	16,934,817	10,135,948	326,807	33,062,909
Accumulated depreciation and impairment	-	(1,172,622)	(6,946,382)	-	(8,119,004)
Net Carrying Amount	<u>5,665,337</u>	<u>15,762,195</u>	<u>3,189,566</u>	<u>326,807</u>	<u>24,943,905</u>
At 31 December 2006					
Cost	5,665,337	17,559,420	10,602,474	326,807	34,154,038
Accumulated depreciation and impairment	-	(1,598,048)	(8,194,347)	-	(9,792,394)
Net Carrying Amount	<u>5,665,337</u>	<u>15,961,372</u>	<u>2,408,127</u>	<u>326,807</u>	<u>24,361,644</u>

The College uses the straight line method of depreciation. All non-current assets are accounted for at cost. As a consequence any excess of fair value over net cost is not reflected in the financial statements.

10. RECEIVABLES (NON-CURRENT)

	2007	2006
		\$
Fellowship entrance fees (due 1 to 4 years)	873,896	716,594
Loans to Fellows	60,000	100,000
	<u>933,896</u>	<u>816,594</u>

All non-current receivable are non-interest bearing. Loans to Fellows are fully repayable within 2 years.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
11. TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables	1,074,812	1,467,844
Other payables	885,973	1,690,585
Net external conferences monies held	51,122	121,757
Sponsorship & donations billed in advance	100,850	313,271
Subscriptions billed in advance	7,829,774	7,303,190
Examination entry & annual training fees billed in advance	<u>2,072,378</u>	<u>6,771,925</u>
	<u>12,014,909</u>	<u>17,668,572</u>

12. PROVISIONS (CURRENT)

Employee benefits

Annual leave (note 14)	730,355	836,623
Long service leave (note 14)	<u>586,175</u>	<u>341,011</u>
	<u>1,316,530</u>	<u>1,177,634</u>

The following table summarises the components of Employee benefits expense recognised in the Income Statement and the funded status recognised in the balance sheet. Refer notes 2(g) and 14.

	Annual Leave \$	Long Service Leave \$	Total \$
Provision balance as at 01.01.2007	836,623	341,011	1,177,634
Amount provided (expensed) during year	638,176	245,164	883,340
Amount used during year	<u>(744,444)</u>	<u>-</u>	<u>(744,444)</u>
Provision balance as at 31.12.2007	<u>730,355</u>	<u>586,175</u>	<u>1,316,530</u>

	Annual Leave \$	Long Service Leave \$	Total \$
Provision balance as at 01.01.2006	616,663	297,159	913,822
Amount provided (expensed) during year	598,045	57,715	655,760
Amount used during year	<u>(378,085)</u>	<u>(13,863)</u>	<u>(391,948)</u>
Provision balance as at 31.12.2006	<u>836,623</u>	<u>341,011</u>	<u>1,177,634</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	<u>2007</u> \$	<u>2006</u> \$
13. FUNDS HELD ON BEHALF OF OTHERS (CURRENT)		
Funds held on behalf of other surgical societies and groups	<u>3,439,388</u>	<u>2,690,093</u>

These funds have been deposited with the College to enable these surgical societies and groups to benefit from the investment returns earned on the College investment portfolio. Investment income is credited to these funds held on a long term basis at the investment portfolio return rate less 2% pa. These funds are guaranteed the bank bill rate of return should the investment return fall below the bank bill rate. Funds deposited with the College and held on an "at call" basis are credited with investment income at the bank bill rate.

These funds may be redeemed at any time by the surgical society or group.

	<u>2007</u> \$	<u>2006</u> \$
14. PROVISIONS (NON-CURRENT)		
Employee Benefits		
Long service leave	<u>152,920</u>	<u>263,074</u>

The following table summarises the components of long service leave – non-current recognised in the income statement and the funded status recognised in the balance sheet (Refer notes 2(g) and 12).

Opening provision balance	263,074	149,370
Amount provided (expensed) during year	<u>(110,154)</u>	<u>113,704</u>
Closing provision balance	<u>152,920</u>	<u>263,074</u>

The aggregate employee benefit liability recognised and calculated in the financial statements is as follows:

Current (note 12)	1,316,530	1,177,634
Non-current (note 14)	<u>152,920</u>	<u>263,074</u>
	<u>1,469,450</u>	<u>1,440,708</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	2007 \$	2006 \$
15. INTEREST-BEARING LOANS & BORROWINGS (NON - CURRENT)		
Secured:		
Bank Commercial Bills	<u>2,000,000</u>	<u>3,000,000</u>
Bank Commercial Bills held comprised of:		
Roll Date Maturity Date Term Days Effective Interest Rate		
9/10/2006 8/01/2007 91 6.51%	-	1,000,000
9/10/2006 8/01/2007 91 6.50%	-	1,000,000
9/10/2006 9/01/2007 92 6.54%	-	500,000
13/11/2006 13/03/2007 120 6.48%	-	500,000
8/10/2007 8/01/2008 92 6.50%	1,000,000	-
8/10/2007 8/01/2008 92 6.51%	1,000,000	-
	<u>2,000,000</u>	<u>3,000,000</u>

Secured by a mortgage over the following College freehold land and buildings, the total current market value of which exceeds the value of the mortgage:

College of Surgeons Gardens, Spring Street Melbourne, VIC
177A Albion St, Surry Hills, NSW
51-54 Palmer Place, North Adelaide, SA

The above bank commercial bill facility expires in April 2009 at which time the bank commercial bills will be due for repayment in full. The interest rates may vary when the bank commercial bills are rolled over.

Financing Facilities Available

At reporting date, the following financing facilities had been negotiated and were available:

Total facilities:

-bank Commercial bills	3,000,000	3,000,000
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Facilities used at reporting date

-bank Commercial bills	2,000,000	3,000,000
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Facilities unused at reporting date

-bank Commercial bills	1,000,000	-
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ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

16. FINANCIAL INSTRUMENTS

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(b) Interest Rate Risk

The College's exposure to market risk for charges in interest rates relates primarily to its Bank Commercial bill obligations under the ANZ bank loan.

The College's policy is to manage the interest cost risk by accelerating the repayment program in relation to these bills.

The following details the College's exposure to interest rate risk as at the reporting date.

2007	Int. Rate %	<1 Year \$	>1-<2 Years \$	>2-<3 Years \$	>3-<4 Years \$	>4-<5 Years \$	>5 Years \$	Total \$
Floating								
Cash at Bank	5.15	3,799,736	-	-	-	-	-	3,799,736
Cash at call-GS JBWere	6.75	4,604,385	-	-	-	-	-	4,604,385
Surgical Simulation Project	6.75	(4,732,679)	-	-	-	-	-	(4,732,679)
Outer Metropolitan Training Project	6.75	(144,381)	-	-	-	-	-	(144,381)
Bank Commercial Bills – secured	6.50	-	(2,000,000)	-	-	-	-	(2,000,000)
Fixed								
Investments – Domestic Fixed Interest	5.73	3,465,308	-	-	-	-	-	3,465,308

The College has \$2m of medium term commercial bills. The facility associated with these bills expires in April 2009. The College is subject to interest rate risk on these bills. However, due to the relatively short timeframe left on this facility and based on current economic projections any additional interest would be relatively immaterial. In addition, the College holds cash and cash equivalents at December 2007 totalling \$8,404,121. Accordingly, any increase in prevailing interest rates would have a corresponding positive impact on the College's earnings which would offset any interest expense on the commercial bills. The College maintains a cash and cash equivalents balance sufficient to manage the operations of the College based on budgets and rolling forecasts

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

16. FINANCIAL INSTRUMENTS (continued)

17.

2006	Int. Rate %	<1 Year \$	>1-<2 Years \$	>2-<3 Years \$	>3-<4 Years \$	>4-<5 Years \$	>5 Years \$	Total \$
Floating								
Cash at Bank-ANZ	4.70	1,989,496	-	-	-	-	-	1,989,496
Cash at call-GS JBWere	6.25	5,262,854	-	-	-	-	-	5,262,854
ECHTEC Project	6.25	(4,458,724)	-	-	-	-	-	(4,458,724)
Outer Metropolitan Training Project	6.25	(221,612)	-	-	-	-	-	(221,612)
Bank Commercial Bills – secured	6.50	-	(1,000,000)	(2,000,000)	-	-	-	(3,000,000)
Fixed								
Investments – Domestic Fixed Interest	6.69	2,446,753	-	-	-	-	-	2,446,753

(c) Credit Risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the College. The College has adopted the policy of only dealing with creditworthy counterparts and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial losses from defaults.

The College does not have any significant credit risk exposure to any single counter-party or any group of counter-parties having similar characteristics.

The carrying amount of financial assets recorded in the statement of financial position, net of any provision for losses, represents the College's maximum exposure to credit risk, without taking account of the value of any collateral or other security obtained.

(d) Price Risk

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values determined in accordance with the accounting policies disclosed in note 2 of the financial statements. The investment portfolio of the College is managed by the investment committee which includes professional and honorary advisers. The committee meets monthly however ad hoc investment acquisition and disposal decisions are made during the month if the need arises. All investments are carried out within the framework of the College's policy on investments. The College does not rely on investment income to fund its operational activities.

(e) Foreign Currency

The College has exposure to foreign currency risk through having part of the College's operations carried out in New Zealand in New Zealand dollars.

The College does not undertake any foreign currency hedging to control this risk. The College's exposure to foreign currency risk is not significant and is controlled by maintaining as low as possible a New Zealand dollar bank balance position throughout the year.

(f) Liquidity Risk

The College's objective is to maintain a low bank balance position throughout the year to meet short term obligations combined with the use of cash at call accounts within the College's portfolio.

Liquidity risk is low at the College due to the active monitoring and management of all the College's cash and investments.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

17. SUPERANNUATION COMMITMENTS

The College is required under relevant legislation to contribute a minimum amount to approved superannuation funds for its employees as nominated by each employee. The details of the major funds to which the College contributes are set out below:

**Royal Australasian College of Surgeons
Staff Superannuation Fund**

Type of Benefits	Accumulation of contributions of employee and employer. Covering all employees and providing benefits on retirement, death or disability.
Contributions by: - Employee	Contributions are optional.
- Employer	At rates varying between 9% and 19% of base salary of employee. The College has a legal obligation to contribute as set out in the trust deed but has the right to vary the rate of, or terminate, contributions upon giving notice as prescribed in the deed. Any variations to contributions would nevertheless ensure that contributions of up to 9% of employee's wages and salaries are in accordance with Australian legal requirements.
Date of annual review	31 March 2008 Funds are available to satisfy all benefits that would have vested under the plan in the event of termination of the plan or voluntary or compulsory termination of employment of each employee. The date of the last annual review was 31 March 2007.

18. COMMITMENTS AND CONTINGENCIES

The College has no capital expenditure commitments contracted for at balance date but not provided for or payable.

Operating Lease Commitments - Photocopiers

The College has entered into commercial leases on certain photocopiers where it is not in the best interest of the College to purchase these assets.

These leases have an average life of between 4 and 5 years. Renewals are at the option of the College.

There are no restrictions placed upon the College by entering into these leases.

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

	2007	2006
	\$	\$
Within one year	112,456	108,441
After one year but not more than five years	54,318	130,180
	<u>166,774</u>	<u>238,621</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

19. EVENTS AFTER BALANCE SHEET DATE

Since the end of the financial year, there has been a significant downward movement in the market value of the shares held in the College's investment portfolio. There was a 7.43% decline in the market value of the portfolio as at 31 January 2008. This decline in the market value is estimated to be \$1.815m.

Apart from that, there were no other 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.

20. COUNCILLORS' REMUNERATION

The names of the Office Bearers and the Councillors during the year were:

Andrew Darcy Sutherland	Michael John Hollands
Ian Ronald Gough	Glenn Anthony John McCulloch
Ian Donald Shepherd Civil	Guy John Maddern
Keith Louis Anthony Mutimer	Errol John Maguire
Ian Carnegie Dickinson	Hugh Charles Ormsby Martin
Robert Neville Atkinson	Jenepher Ann Martin
Spencer Wynyard Beasley	Helen Elizabeth O'Connell
Robert John Black	James Francis Powell
Ross Douglas Blair	Michael Anthony Sexton
Graeme John Campbell	Julian Anderson Smith
Patricia Margaret Davidson	Russell William Stitz
Geoffrey Davies	Swee Thong Tan
Stephen Arthur Deane	Ivan John Thompson
Anand Shanker Dixit	Marianne Vonau
Mark Gordon Edwards	David Allan Watters
John Campbell Graham	Bruce Philip Waxman
Michael John Grigg	Simon Alan Williams
Anthony Eric Hardy	Peter William Harold Woodruff

Aggregate income received, or due and receivable by Councillors of the Royal Australasian College of Surgeons in connection with the management of the College was:	2007 \$ <hr/>	2006 \$ <hr/>
	<hr/> NIL	<hr/> NIL

21. MEMBERS' GUARANTEES

The Royal Australasian College of Surgeons is a company limited by guarantee and without share capital.

If the company is wound up the Articles of Association state that each member is required to contribute a maximum of \$1.00 towards meeting any outstanding obligations of the company.

At 31 December 2007 the number of members was 6,009 (31 December 2006 - 5,788).

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

22. RELATED PARTY TRANSACTIONS

	2007	2006
	\$	\$
During the year, the Councillors of the College noted below provided consultancy services to the following College activities. These services were provided on a normal commercial basis:		
ASERNIPs projects		
- Prof G J Maddern, FRACS (in 2007 the consultancy paid is for the 18 month period ending 31.12.2007.)	137,280	91,520
International Medical Graduates Assessment		
- Prof S W Beasley, FRACS	3,009	-
- Prof G J Maddern, FRACS	14,400	-
- Prof E J Maguire, FRACS	500	-
- Mr G A McCulloch, FRACS	1,000	-
International Projects		
- Prof D A Watters, FRACS	10,000	-

23. FINANCIAL REPORTING BY SEGMENTS

The College is an internationally recognised organisation for 6,009 surgeons and 1,509 trainees who are based mainly in Australia and New Zealand.

As a fellowship based organisation, the College strives to ensure the highest standard of safe and comprehensive surgical care to the community through excellence in surgical education, training, professional development and support.