



ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

A.B.N. 29 004 167 766

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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ROYAL AUSTRALASIAN COLLEGE OF SURGEONS
REPORT FROM THE TREASURER TO FELLOWS

The Financial Report for the year ended 31 December 2011 is presented together with the Auditor's Report to the College for 2011.

It is my pleasure to present this report and highlight the financial position of the College. The year under review has seen continued sound operational performance achieved from the College's core activities. The capital markets have experienced considerable volatility throughout the year which resulted in a negative return from the College's investment portfolio. Despite these challenging economic conditions, the corpus of funds remains well financed and will continue to ensure ongoing funding for the College's commitment to scholarship and research grant related activities. The year has seen continued investment in key education initiatives as part of the 2010-2015 strategic plan which will ensure ongoing benefits in the delivery of services to our Fellows and Trainees.

Statement of Comprehensive Income

Total operating revenue (excluding investment activities) in 2011 was \$47,878k compared to \$41,898k in 2010 while expenditure was \$47,966k compared to \$39,810k in 2010. Due to the loss on investments of \$1,476k compared a gain of \$1,221k in 2010 the overall deficit was \$1,612k compared to a surplus of \$3,452k in 2010.

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, Fellowships 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, College Resources, Corporate Governance, Leadership and Administration.

In 2011, this revenue amounted to \$34,407k compared to \$32,116k in 2010 while expenditure was \$34,686k compared to \$31,702k in the previous year. The deficit in 2011 was \$279k compared to a surplus of \$414k in 2010.

The result also includes two items of significance. The NSW property was sold in late 2011, for \$3,150k, with a net gain on sale of \$1,161k realised. It is planned that the NSW operations will move to leased office accommodation by April 2012. The Queensland Surgical Education Centre (QSEC) proposed development at the site of the current Brisbane property has been terminated due to projected increased construction and borrowing costs. The investment of \$1,352k expended for this project has been written off.

The College's operational deficit result is the outcome of additional funding pressures on the operating budget however in these challenging times financial performance for the year is a good outcome.

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

The College is responsible for managing international and local aid projects as well as research and audit projects with a total value over the project life in excess of \$71.9 million.

Projects currently being managed include the International (AusAID), ATLASS, Specialist Training Program, MSAC, Horizon Scanning, MBS Quality Framework, Mortality Audit and Morbidity Audit and Surgical Simulation.

In 2011, project revenue amounted to \$11,957k compared to \$8,965k in 2010 and expenditure was \$11,857k compared to \$8,683k in 2010 resulting in a surplus of \$100k in 2011 compared to \$282k in 2010. This result includes any interest income credited to projects for unspent funds which was \$266k in 2011 compared to \$140k in 2010.

In accordance with contractual obligations and College policies, all revenue and expenditure relating to College projects is recognised progressively throughout the life of the projects. The majority of projects are fully covering their overhead costs, which has resulted in a steady decrease in the need for cross subsidisation by the College. In 2011 this subsidy cost was \$7k compared to \$55k in 2010 and \$145k in 2009. The net overhead charge levied on projects was \$900k compared to \$854k in 2010 and provides funding for the College's governance structure and operations utilised to support project related activities.

Scholarships, Fellowships and Research Grants of \$819k are funded from bequest funds committed to this purpose and \$397k funded from College operations thereby giving a total commitment for scholarships of \$1,216k compared to \$1,197k or \$658k and \$539k respectively for 2010.

The investment negative return of (4.88%) on the committed bequest funds of \$16 million resulted in reduced revenue of \$76k in 2011 compared to \$1,121k in 2010. Expenditure was \$801k compared to \$786k in 2010. Overall, the deficit for 2011 was \$725k compared to a surplus of \$335k in 2010.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS
REPORT FROM THE TREASURER TO FELLOWS

The College was a significant beneficiary from the estate of the late Rowan Nicks. It is estimated that upon realisation of all estate assets the College will receive a distribution of \$3.6 million. As at 31 December 2011 the College has received \$1 million with all funds to be transferred to the Rowan Nicks International Scholarships and Fellowships corpus to provide ongoing funding for the College's most prestigious international award.

Foundation and Investment Reserve includes donations and philanthropic activities and returns on uncommitted funds from the investment portfolio. Revenue for 2011 was a loss of (\$38k) due mainly to negative investment returns compared to \$916k in 2010 while expenditure of \$5,569k in 2011 compared to \$397k in 2010. Overall, the result was a deficit for 2011 of (\$5,607k) compared to \$520k in 2010. Expenditure in 2011 includes source funding of \$4,900k for the establishment of the RACS Scholarship Corpus.

Key Revenue and Expenditure Items – 2011

- Revenue from Subscriptions, Fees & Levies of \$10,742k compared to \$10,184k received in 2010.
- Training, examination and assessment fees generated \$17,742k compared to \$16,430k in 2010.
- Personnel costs remains the dominant expense relating to the College activities and was \$15,939k compared with \$14,713k in 2010. This increase relates predominately to project related activity staffing and annual salary increase of 3.7%.

Statement of Financial Position

In 2011, College Funds and Reserves have decreased by 3.2% to \$48,505k.

Key movements in assets included a modest decrease in cash and cash equivalents of \$123k primarily due to timing of receipts from annual subscription and training fees in 2011 and increase in current receivables of \$6,044k. Investments held for trading decreased by \$807k mainly due to the negative investment return of 4.88% which was partially offset from the capital contribution of \$1,000k to the Rowan Nicks Scholarship corpus. Current liabilities increased by \$5,615k which was mainly due to an increase in subscription, training and examination billed in 2011 for income related to 2012 and increase in unspent government grants.

The Investment Reserve has decreased from \$6,412k to \$2,449k mainly due to the transfer of source funding of \$3,100k of the \$4,900k transferred to the RACS Scholarship Corpus established in 2010.

Statement of Cash Flows

The Statement of Cash Flows indicates a net cash inflow for 2011 provided from operating activities of \$7,633k and a net decrease in cash held of \$123k from 2010 mainly due to the combined effects of later billing of the 2012 annual training fees, increased investment in education related initiatives and legal costs associated with the QSEC development.

In summary, some of the key 2011 achievements of the College were:

- Delivered 20 Professional Development programs with 4 new programs implemented for an overall attendance of 809 participants.
- Revenue from the SET program provided for an increased distribution to Specialty Societies in accordance with the SET funding agreement.
- Further investment in online library resources including subscriptions to specialty journals/books and new online library search – Summon.
- Administered 1,172 examination candidates (1,015 – 2010), delivered 142 courses across 4 skills training programs and achieved ongoing AMC Accreditation for a further 5 years until 2017.
- Continuing to work in partnership with AusAID to deliver training and strengthen surgical skills in a range of international aid programs for the Pacific Islands, Papua New Guinea, East Timor and Myanmar.
- Ongoing significant investment in Information Technology to support educational, professional development and other initiatives to support Fellows and Trainees.
- Development of the Advocacy and Communications Strategic plan and active engagement with govt agencies.
- Introduction of a College e-Newsletter, Fax Mentis, which is transmitted weekly to Fellows and Trainees.

In closing I would like to acknowledge the services of our Honorary Advisers for which the College remains indebted. I note my thanks to Mr Anthony Lewis (Audit & Finance), Mr Brian Randall (Investment), Mr Stuart Gooley (Audit & Finance), Mr Reg Hobbs (Property), Mr Michael Randall (Investment), Mr John Craven (Information Technology) and Mr Chesley Taylor (Investment) for their generous and valued support during the year. The College is extremely grateful to all our Honorary Advisors for their wise counsel and support in relation to finance, investment, property, IT and audit matters. I would also like to thank the management and staff of the Division, led by the Director of Resources, Mr Ian T Burke, for their ongoing hard work and commitment in support of my role.

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.

Michael Hollands
Treasurer

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

The Councillors of the Royal Australasian College of Surgeons submit herewith the Annual Financial Report of the College for the year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, 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 follow. Office Bearers and Councillors were in office for this entire period unless otherwise stated.

Councillors' Meetings

Three Council Meetings and eight Executive Committee Meetings were held in 2011. 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	Ian Donald Civil MBE, KStJ	3	8	3	8
Vice President	Keith Louis Anthony Mutimer	3	8	3	8
Treasurer	Michael John Hollands	3	8	3	8
Censor-in-Chief	Mark Gordon Edwards	3	8	3	8
Chair, Professional Development & Standards Board	Michael John Grigg	3	5	3	5
Elected Members of Council:					
	Sam Patrick Baker	2	2	3	4
	John Charles Batten	3	3	3	3
	Spencer Wynyard Beasley	3		3	
	Ian Craig Bennett	3		3	
	Robert John Black RDF	3		3	
	Andrew James Brooks	2		2	
	Graeme John Campbell	3		3	
	Vincent Charles Cousins	3	4	3	4
	Catherine Mary Ferguson	3	2	3	2
	Hugh Charles Martin AM	2		3	
	Adrian Mack Nowitzke	2		2	
	Helen Elizabeth O'Connell	2		3	
	Barry Stephen O'Loughlin	2		3	
	Richard Edward Perry	1		2	
	Julian Anderson Smith	3		3	
	Bruce Charles Twaddle	1		2	
	Phil Gregory Truskett	3	5	3	5
	Marianne Vonau OAM	3	3	3	3
	David Allan Watters	3	3	3	3
	Simon Alan Williams	3	1	3	2
Co-Opted Members of Council:					
	Bettina Cass AO	3		3	
	Greg O'Grady	3		3	
	David Charles Walsh	1		2	
	Garry Wilson K StJ	3		3	
Retired Members of Council					
	Ian Carnegie Dickinson	1		1	
	Glenn Anthony McCulloch	1		1	
	Guy John Maddern	1	3	1	3
	Ivan John Thompson	1		1	

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

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

Director of Surgery, Auckland City Hospital; Member, Priory Trust Board, Order of St John, NZ, Member, Northern Regional Trust Board, Order of St John, NZ ; Member of the Health Practitioners Disciplinary Tribunal.

Mr Keith Louis Anthony Mutimer, MBBS, FRACS

Plastic & Reconstructive Surgeon

A/Prof Michael John Hollands, MBBS FRACS,

General Surgeon

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

Senior Cardiothoracic Surgeon and member of the Electoral Committee Royal Perth Hospital; Senior Thoracic Surgeon, Hollywood Private Hospital ; Cardiothoracic Surgeon St John of God Hospital.

Professor Michael John Grigg, MBBS FRACS

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

Dr Sam Patrick Baker MBBS, FRACS

Director North Queensland Minimally Invasive Surgery; Director North Queensland Obesity Surgery Centre

Mr John Charles Batten MBBS, FRACS

Orthopaedic surgeon

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; Trustee, Rainbow Children's Trust

Associate Professor Ian Craig Bennett MBBS, FRACS, FACS

General surgeon

Dr 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.

Mr Andrew James Brooks MBBS, FRACS

Urologist; Director City West Day Surgery; Director, AUSCALM Pty Ltd; Director Quinmark , Western Urology, BFT holdings

Emeritus Professor Bettina Cass AO BA (Hons) PhD (UNSW)

Social Policy Research Centre, University of NSW, Sydney, NSW; Fellow of the Academy of Social Sciences in Australia

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

General Surgeon; Director, Surgant Pty Ltd; President General Surgeons Australia

Associate Professor Vincent Charles Cousins MBBS, FRACS

Otolaryngology Head and Neck Surgeon, Director, Vincent Cousins Pty Ltd; Director Venture Court Pty Ltd.

Dr Ian Carnegie Dickinson, MBBS, FRACS, FAOrthA

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

Dr Catherine Mary Ferguson, MBChB, FRACS

Otolaryngology Head and Neck Surgeon; Trustee Bowen Hospital Trust Board

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

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; Member, Board of the Neurosurgical Research Foundation.

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

R.P. Jepson Professor of Surgery and Head, Discipline 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; Secretary, Health Technology Assessment International (HTAi); Interim Head, School of Medicine, University of Adelaide

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

Senior Visiting Surgeon, The Children's Hospital at Westmead; Executive member, Australian and New Zealand Association of Paediatric Surgeons.

Dr Adrian Mack Nowitzke, MBBS, B.Med.Sc., EMBA, FRACS

Chief Executive Officer, Gold Coast Health Service District; President and Chair of Board, Health Roundtable Ltd

Associate Professor Helen Elizabeth O'Connell, MD, MBBS, MMed, FRACS

Urologist, Royal Melbourne and Melbourne Private Hospitals.

Dr Gregory Brian O'Grady MBChB

Medical practitioner, Surgical Trainee

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

General Surgeon

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

Visiting Consultant Surgeon, Intus Digestive and Colorectal Care, St Georges Hospital and Southern Cross Hospital, Christchurch. Director, Intus Ltd; Director, Medical Software Corporation Ltd; Director, Richard E Perry Ltd; Director, Hollybank Developments Ltd.

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

Cardiothoracic Surgeon; Professor of Surgery, Monash University; Board Member, Australasian Cardiac Research Institution; Board Member, Postgraduate Medical Council of Victoria; President, Australian and New Zealand Society of Cardiac and Thoracic Surgeons

Mr Ivan John Thompson, MBBS, FRACS

General Surgeon

Mr Philip Gregory Truskett, MBBS, FACS, FRACS, FASGBI (Hon).

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

Mr Bruce Charles Twaddle BHB, MBChB, FRACS

Director of Orthopaedic Trauma, Auckland City Hospital; Sports Orthopaedic Surgeon; Executive Council Member, New Zealand Orthopaedic Association

Associate Professor Marianne Vonau, MBBS MBA FRACS

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

Mr David Charles Walsh, MBBS, FRACS

Consultant Surgeon Central Adelaide Health Service; Head TQEH Breast Endocrine Surgical Unit; Senior Lecturer University of Adelaide; Vice President AMASA; Board Member Health & Community Services Advisory Council SA

Professor David Allan Watters BSc MB ChM FRCSEd FRACS

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

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

Mr Simon Alan Williams FRACS, FAOrthA, Dipl. Anat., Grad. Dipl. Epidemiology and Biostatistics
Orthopaedic Surgeon, Barwon Health

Mr Garry Wilson KStJ, BA, BSc, DPA, FNZIM, MIOD (NZ)
Chancellor and Chairman St John New Zealand and associated companies, Board Member of the Wellington City Mission and business and governance consultant

Chief Executive Officer

Dr David Hillis, MBBS (Hons), MHA, FRACGP, FRACMA, 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 net deficit of the College for the year as shown in the Statement of Comprehensive Income and note 4 was (\$1,611,814) compared to 2010 surplus of \$3,452,038. 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.

Likely developments and expected results

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.

Indemnification and insurance of Councillors

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 2011

Auditor's Independence Declaration

We, the Councillors, 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 Councillors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Councillors

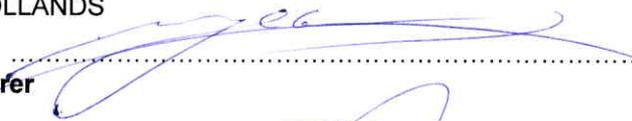
I D S CIVIL

.....
President



M J HOLLANDS

.....
Treasurer



D J HILLIS

.....
Chief Executive Officer



**MELBOURNE
24 FEBRUARY 2012**

Independent audit report to Councillors of Royal Australasian College of Surgeons

We have audited the accompanying financial report of Royal Australasian College of Surgeons, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Councillors' Report.

Councillors' responsibility for the financial report

The Councillors of the College are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Councillors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 complied with the independence requirements of the *Corporations Act 2001*. We have given to the Councillors of the College a written Auditor's Independence Declaration, a copy of which is included in the Councillors' report.

Opinion

In our opinion:

- a. 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 company's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.



Ernst & Young



Stuart Painter
Partner

Melbourne
24 February 2012

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

In relation to our audit of the financial report of Royal Australasian College of Surgeons for the financial year ended 31 December 2011, 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.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Painter'.

Stuart Painter
Partner
24 February 2012

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ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS' DECLARATION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1. In the opinion of the Councillors:
 - (a) The financial statements and notes of the Royal Australasian College of Surgeons for the financial year ended 31 December 2011 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of its financial position as at 31 December 2011 and performance.
 - (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2011.
 - (b) There are reasonable grounds to believe that the College will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving declarations required to be made to the Councillors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2011.

On behalf of the Councillors.

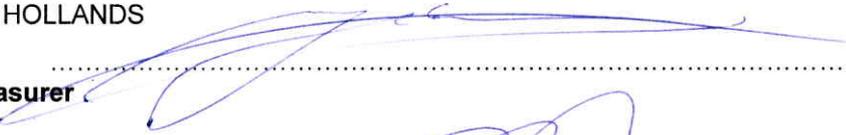
I D S CIVIL

.....
President



M J HOLLANDS

.....
Treasurer



D J HILLIS

.....
Chief Executive Officer



**MELBOURNE
24 FEBRUARY 2012**

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
		\$	\$
Continuing Operations			
Revenue from operating activities		46,716,893	41,897,931
Gain on sale of NSW property		1,160,905	-
Other income / (loss) – from investments		<u>(1,476,130)</u>	<u>1,220,799</u>
Revenue		<u>46,401,668</u>	<u>43,118,730</u>
Expenditure			
Personnel costs		15,939,017	14,712,671
Consultants fees - clinical		882,240	1,195,824
Consultants fees - management		1,370,693	973,994
Telephone, teleconference and audio visual costs		731,249	764,499
Printing, stationery and photocopying		1,490,627	1,468,294
Postage and courier costs		621,534	680,520
Information system costs		1,342,248	1,011,633
Travel and accommodation		4,675,054	4,719,679
Associations and publications		285,799	281,894
Audit, legal and professional fees		609,085	554,713
Bank fees and merchant charges		464,497	496,809
Rent, rates, power, repairs and other property costs		1,550,629	1,268,100
Insurance		327,427	336,683
Project equipment purchases, hire and repairs		478,217	433,269
Training manuals and consumables used in education and field projects		731,951	1,166,636
Scholarships, fellowships and research grants		1,215,979	1,197,428
Awards, other grants, gifts and prizes		1,188,158	361,697
External grants		3,661,611	66,075
Facilities hire and catering costs		2,649,508	2,447,162
Foreign exchange loss		7,397	13,950
Depreciation and amortisation expense		2,574,002	1,843,426
Specialist societies funding costs		3,536,041	3,345,699
Committee and office bearers costs		65,588	103,966
Doubtful debts expense / (reversal)		13,648	(12,798)
QSEC write-off – development and legal costs		1,351,852	-
Other expenses from operating activities		<u>202,155</u>	<u>377,878</u>
Expenditure		<u>47,966,206</u>	<u>39,809,701</u>
Surplus / (Deficit) for the period		<u>(1,564,538)</u>	<u>3,309,029</u>
Other Comprehensive Income			
Foreign currency translation		<u>(47,276)</u>	<u>143,009</u>
TOTAL SURPLUS / (DEFICIT)	5	<u>(1,611,814)</u>	<u>3,452,038</u>

Notes to and forming part of the financial statements are included on pages 25 to 38

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	<u>Notes</u>	<u>2011</u> \$	<u>2010</u> \$
ASSETS			
Current Assets			
Cash and short term deposits	6	10,581,605	10,704,801
Trade and other receivables	7	18,968,151	12,924,506
Inventories	8	167,138	159,066
Prepayments		1,547,226	1,002,599
Held for trading financial assets	9	28,919,322	29,727,073
Total Current Assets		<u>60,183,442</u>	<u>54,518,045</u>
Non-Current Assets			
Trade and other receivables	10	763,798	792,954
Property, plant and equipment	11	24,768,464	26,155,733
Total Non-Current Assets		<u>25,532,262</u>	<u>26,948,687</u>
TOTAL ASSETS		<u>85,715,704</u>	<u>81,466,732</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	12	4,189,733	3,260,704
Provisions	13	2,391,274	2,269,013
Income in advance	14	19,298,200	17,038,960
Government grants received in advance		7,325,662	4,118,852
Funds held on behalf of others	15	3,716,987	4,619,372
Total Current Liabilities		<u>36,921,856</u>	<u>31,306,901</u>
Non-Current Liabilities			
Provisions	16	288,464	42,633
Total Non-Current Liabilities		<u>288,464</u>	<u>42,633</u>
TOTAL LIABILITIES		<u>37,210,320</u>	<u>31,349,534</u>
NET ASSETS		<u>48,505,384</u>	<u>50,117,198</u>
COLLEGE FUNDS AND RESERVES			
Retained surplus		46,056,635	43,705,337
Investment earnings reserve		2,448,749	6,411,861
TOTAL COLLEGE FUNDS AND RESERVES		<u>48,505,384</u>	<u>50,117,198</u>

Notes to and forming part of the financial statements are included on pages 25 to 38

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Retained Surplus	Investment Earnings Reserve	Total College Funds & Reserves
	\$	\$	\$
At 1 January 2010	40,446,714	6,218,445	46,665,159
Surplus for the year	3,309,029	-	3,309,029
Other Comprehensive Income	143,009	-	143,009
Transfer to / (from) reserve	(193,416)	193,416	-
At 31 December 2010	43,705,337	6,411,861	50,117,198
Deficit for the year	(1,564,538)	-	(1,564,538)
Other comprehensive income	(47,276)	-	(47,276)
Deficit for reserve	663,112	(663,112)	-
Transfer to / (from) reserve	3,100,000	(3,100,000)	-
At 31 December 2011	45,856,635	2,648,749	48,505,384

Notes to and forming part of the financial statements are included on pages 25 to 38

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>Notes</u>	<u>2011</u> \$	<u>2010</u> \$
Operating activities			
Subscriptions and entrance fees		9,563,176	12,607,998
Training, examination and assessment fees		17,889,752	17,902,183
Sponsorship and donations		3,153,330	4,275,099
Conference registrations		1,283,351	1,762,618
Property rental and recoveries		927,881	896,003
Project income and associated fees		16,987,601	7,762,668
Interest income		35,671	31,670
Other income		336,535	287,814
Payments to suppliers and employees		(42,544,266)	(35,295,381)
Net cash flows from operating activities	6	<u>7,633,031</u>	<u>10,230,672</u>
Investing activities			
Net movement from investment securities		(3,823,815)	(3,135,020)
Payments for property plant and equipment		(3,932,412)	(3,720,408)
Net cash flows used in investing activities		<u>(7,756,227)</u>	<u>(6,855,428)</u>
Financing activities			
Net cash flows used in financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>(123,196)</u>	<u>3,375,244</u>
Cash and cash equivalents at 1 January 2011		10,704,801	7,329,557
Cash and cash equivalents at 31 December 2011	6	<u>10,581,605</u>	<u>10,704,801</u>

Notes to and forming part of the financial statements are included on pages 25 to 38

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1. CORPORATE INFORMATION

The financial report of the Royal Australasian College of Surgeons for the year ended 31 December 2011 was authorised for issue in accordance with a resolution of Council on 24 February 2012.

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 Corporations Act 2001, Australian Accounting Standards 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 which are measured at market value.

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

(b)(i) New Accounting Standards and Interpretations

The College has adopted the following new and amended Australian Accounting Standards as of 1 January 2011.

- AASB 124 Related Party Disclosures (Revised)
- AASB 2009-12 Amendments to Australian Accounting Standards
- AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2010-5 Amendments to Australian Accounting Standards

(b)(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the College for the annual reporting period ending 31 December 2011. These are outlined in the table below.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

(b)(ii) Accounting Standards and Interpretations issued but not yet effective – (continued)

Reference	Title	Summary	Application Date of Standard*	Impact on College financial report	Application date for College*
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).	1 July 2012		1 January 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Standard makes amendments to remove individual disclosure requirements from AASB 124.	1 July 2013		1 January 2014
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard)</p> <p>(b) The Australian Government and State, Territory and Local Governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit private sector entities that do not have public accountability</p> <p>(b) All not-for-profit private sector entities</p> <p>(c) Public sector entities other than the Australian Government and State, Territory and Local Governments.</p> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2.</p>	1 July 2013		1 January 2014

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

(b)(ii) Accounting Standards and Interpretations issued but not yet effective – (continued)

Reference	Title	Summary	Application Date of Standard*	Impact on College financial report	Application date for College*
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11</p>	1 January 2013***		1 January 2013
AASB 13	Fair Value Measurement	<p>AASB 13 establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p> <p>Consequential amendments were also made to other standards via AASB 2011-8.</p>	1 January 2013		1 January 2013

* Designates the beginning of the applicable annual reporting period unless otherwise stated

** Only applicable to not-for-profit/public sector entities

*** AASB ED 215 Mandatory effective date of IFRS 9 proposes to defer the mandatory effective date of AASB 9 to annual periods beginning on or after 1 January 2012, with early application permitted

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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\$).

Transactions in foreign currencies are initially recorded at their respective currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting 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 College at the rate of exchange ruling at the balance sheet date and the Statement of Comprehensive Income is translated using the exchange rates ruling at the date of the transaction.

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

(e) Property, Plant and Equipment

Land, property and plant and equipment 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:

	2011	2010
- Buildings	40 years	40 years
- Plant & Equipment	3–5 years	3–5 years
- Land	not depreciated	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.

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.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, Plant and Equipment (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 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 are 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 national government bonds, which have a maturity approximating the terms of the related liability, are used.

(h) Borrowing Costs

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(i) Impairment of Non Financial 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 the recoverable amount. Recoverable amount is the higher of an assets future value less costs to sell and replacement cost. 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.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Taxation (continued)

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.

(k) 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. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Subscriptions, Fees, Sponsorship and 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 2 (l))

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.

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 terms and is included in revenue due to its operating nature.

(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. 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(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 in Advance. Subscriptions are recognised as income on a straight line basis in the year to which the subscription relate. Training and courses income is deferred and recognised once the service has been provided.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(p) 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 three 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.

(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 there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off when identified.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the College's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Impairment of non-financial assets

The College assesses impairment of all assets 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.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Classification of assets and liabilities held for sale

The College classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the College must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

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.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
4. REVENUES AND EXPENSES		
(a) Revenue – Significant Categories		
Subscriptions & entrance fees	10,742,446	10,184,288
Training, examination and assessment fees	17,741,812	16,430,475
Sponsorship & donations	2,163,770	2,245,194
Other donation – Property - Paddington NSW	-	417,570
Other donation – Rowan Nicks Estate	1,000,000	-
Contribution (in kind sponsorship)	180,000	186,325
Conference registrations	1,440,906	1,655,533
Property rental & recoveries	971,884	946,036
Project income & associated fees	11,687,966	8,868,864
Bank account interest	35,671	31,670
Gain on sale of property, plant and equipment	2,500	3,797
Advertising, royalties & rebates	415,567	592,130
(b) Expenses - Specified Categories		
Annual accounts audit – Ernst & Young	56,120	54,500
Project audits – Ernst & Young	14,425	5,500
Internal audits – Grant Thornton	60,000	79,687
Other audits – Grant Thornton	-	10,065
Increase to provisions for employee entitlements	361,150	258,695
Cost of inventories recognised as an expense	160,778	154,566
(c) Employee Benefits Expense		
Wages & salaries expense	13,727,926	12,577,481
Workers' compensation costs	82,913	58,823
Superannuation costs	1,171,137	1,076,710
Other staffing costs	957,041	999,657
(d) Investment Portfolio – Gain / (Loss)		
Investments	(1,476,130)	1,220,799

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
5. REVENUE AND EXPENDITURE BY FUNCTION		
Revenue		
College Operations	34,406,639	32,116,347
College Projects	11,956,737	8,965,272
Bequest Scholarships	76,226	1,120,561
Foundation	<u>(37,934)</u>	<u>916,549</u>
Total Revenue	<u>46,401,668</u>	<u>43,118,729</u>
Expenditure		
College Operations	34,638,499	31,844,698
College Projects	11,856,869	8,682,535
Bequest Scholarships	801,457	785,819
RACS Scholarships Corpus (1)	(4,900,000)	(1,900,000)
Foundation (1)	<u>5,569,381</u>	<u>396,648</u>
Sub-Total	47,966,206	39,809,701
Foreign Currency Translation	<u>47,276</u>	<u>(143,009)</u>
Total Expenditure	<u>48,013,482</u>	<u>39,666,691</u>
Surplus / (Deficit)		
College Operations	(231,860)	271,650
College Projects	99,868	282,737
Bequest Scholarships	(725,231)	334,741
RACS Scholarships Corpus (1)	4,900,000	1,900,000
Foundation (1)	<u>(5,607,315)</u>	<u>519,901</u>
Sub-Total	(1,564,538)	3,309,029
Foreign Currency Translation	<u>(47,276)</u>	<u>143,009</u>
TOTAL SURPLUS / (DEFICIT)	<u>(1,611,814)</u>	<u>3,452,038</u>
Investment Portfolio – included in revenue above		
Income / (Loss) from Investments	<u>(1,476,130)</u>	<u>1,220,799</u>

(1) Transfer of \$4,900,000 from College operations to establish an investment corpus to fund RACS scholarships and international project initiatives.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
6. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	2,077,568	2,439,700
Funds at call	<u>8,504,037</u>	<u>8,265,101</u>
	<u>10,581,605</u>	<u>10,704,801</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 cash equivalents is \$10,581,605 (2010: \$10,704,801).

Reconciliation of Cash

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2011

Cash at bank and in hand	2,077,568	2,439,700
Funds at call	<u>8,504,307</u>	<u>8,265,101</u>
	<u>10,581,605</u>	<u>10,704,801</u>

Reconciliation from the surplus / (deficit) to the net cash flows from operations

Operating Surplus / (Deficit)	(1,611,814)	3,452,038
Non cash adjustments to reconcile surplus / (deficit) to net cash flows:		
Depreciation of non-current assets	2,574,002	1,843,426
Net (increase) / decrease in carrying value of investments	4,321,788	344,714
Paddington property	-	1,500,000
Write off of non-current assets	2,745,679	331,413
Changes in assets and liabilities:		
(Increase) / Decrease in receivables	(6,043,645)	2,596,454
(Increase) / Decrease in inventories	(8,072)	(17,218)
(Increase) / Decrease in prepayments	(544,627)	(276,606)
(Increase) / Decrease in non current receivables	29,156	(37,498)
Increase / (Decrease) in trade & other payables	938,873	(128,085)
Increase / (Decrease) in current provisions	122,261	413,793
Increase / (Decrease) in funds held on behalf of other surgical societies	(592,607)	186,164
Increase / (Decrease) in non-current provisions	245,831	(155,098)
Increase / (Decrease) in income in advance	2,259,240	816,773
Increase / (Decrease) in government grants	<u>3,196,966</u>	<u>(639,598)</u>
Net cash flows from operating activities	<u>7,633,031</u>	<u>10,230,672</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
7. TRADE & OTHER RECEIVABLES (CURRENT)		
Subscriptions, fees & levies in advance	6,477,504	5,301,593
Training, examination and assessment fees	6,443,781	5,031,131
Training post accreditations	248,180	320,128
Conference registrations	436,000	278,445
College projects – work in progress	917,128	1,186,285
Proceeds on sale of NSW property	3,150,000	-
Other sundry debtors	<u>1,557,730</u>	<u>1,079,206</u>
	19,230,323	13,196,788
Provision for doubtful debts	<u>(262,172)</u>	<u>(272,282)</u>
Trade & Other Receivables (Current)	<u><u>18,968,151</u></u>	<u><u>12,924,506</u></u>
Provision for doubtful debts movement		
Provision balance as at beginning of year	272,282	322,289
Amount provided (written back) during year	14,677	(18,750)
Amount used during year	<u>(24,787)</u>	<u>(31,257)</u>
Provision balance as at end of year	<u>262,172</u>	<u>272,282</u>

Aging of current receivables

(excludes provision for doubtful debts)

As at 31 December, the aging analysis of trade receivables is as follows:

Year	Current	30-<60 days	60-<90 days	>90 days	Total
	\$	\$	\$	\$	\$
2011	11,683,986	6,622,298	479,044	444,995	19,230,323
2010	7,135,399	5,493,396	171,621	396,372	13,196,788

8. INVENTORIES

	<u>2011</u>	<u>2010</u>
	\$	\$
Finished goods at cost	<u>167,138</u>	<u>159,066</u>
Total inventories	<u>167,138</u>	<u>159,066</u>

The amount of finished goods at cost recognised as an expense during 2011 was \$160,779 (2010: \$154,566).

9. HELD FOR TRADING FINANCIAL ASSETS

	<u>2011</u>	<u>2010</u>
	\$	\$
At fair value		
Domestic equities	21,681,976	23,373,446
International equities	737,927	643,448
Domestic fixed interest	<u>6,499,419</u>	<u>5,710,179</u>
	<u>28,919,322</u>	<u>29,727,073</u>

Market price risk exposure is shown in note 17 (d)

Fair value estimation is shown in note 17 (g)

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

10. TRADE AND OTHER RECEIVABLES (NON-CURRENT)	<u>2011</u>	<u>2010</u>
	\$	\$
Fellowship entrance fees (due 2 to 5 years)	710,829	707,471
Loans to Fellows	40,000	60,000
Office Fitout – Melbourne Tenants	12,969	25,483
	<u>763,798</u>	<u>792,954</u>

All non-current receivables are non-interest bearing. Loans to Fellows are fully repayable within 2 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
	\$	\$	\$	\$	\$	\$
Year ended 31 December 2011						
At 1 January 2011 net of accumulated depreciation	5,665,337	17,100,053	3,063,536	326,807	-	26,155,733
Additions	-	304,560	2,615,799	-	1,012,052	3,932,411
Disposals	(850,000)	(1,678,257)	(204,124)	-	(13,297)	(2,745,678)
Depreciation charge for the year at YTD 2011	-	(517,506)	(1,143,580)	-	(912,915)	(2,574,002)
Net of accumulated depreciation	<u>4,815,337</u>	<u>15,208,850</u>	<u>4,331,630</u>	<u>326,807</u>	<u>85,840</u>	<u>24,768,464</u>
At 1 January 2011						
Cost	5,665,337	20,571,595	10,969,058	326,807	1,865,351	39,398,148
Accumulated depreciation and impairment	-	(3,471,542)	(7,905,522)	-	(1,865,351)	(13,242,415)
Net Carrying Amount	<u>5,665,337</u>	<u>17,100,053</u>	<u>3,063,536</u>	<u>326,807</u>	<u>-</u>	<u>26,155,733</u>
At 31 December 2011						
Cost	4,815,337	18,952,013	13,308,246	326,807	2,720,463	40,122,866
Accumulated depreciation and impairment	-	(3,743,163)	(8,976,616)	-	(2,634,623)	(15,354,402)
Net Carrying Amount	<u>4,815,337</u>	<u>15,208,850</u>	<u>4,331,630</u>	<u>326,807</u>	<u>85,840</u>	<u>24,768,464</u>
Depreciation rates used	0%	2.5%	20% to 33.3%	0%	100%	

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 2011

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold Land	Buildings	Plant and Equipment (incl WIP)	Treasures, Gordon Craig Library and Great Mace	Project Equipment	TOTAL
	\$	\$	\$	\$	\$	\$
Year ended 31 December 2010						
At 1 January 2010 net of accumulated depreciation	5,665,337	17,383,097	1,234,923	326,807	-	24,610,164
Additions	-	401,756	2,608,558	-	710,095	3,720,409
Disposals	-	(235,539)	(95,874)	-	-	(331,413)
Depreciation charge for the year at YTD 2010	-	(449,261)	(684,071)	-	(710,095)	(1,843,427)
Net of accumulated depreciation	5,665,337	17,100,053	3,063,536	326,807	-	26,155,733
						-
At 1 January 2010						
Cost	5,665,337	20,411,934	10,987,033	326,807	1,155,257	38,546,368
Accumulated depreciation and Impairment	-	(3,028,837)	(9,752,110)	-	(1,155,257)	(13,936,204)
Net Carrying Amount	5,665,337	17,383,097	1,234,923	326,807	-	24,610,164
At 31 December 2010						
Cost	5,665,337	20,571,595	10,969,058	326,807	1,865,351	39,398,148
Accumulated depreciation and impairment	-	(3,471,542)	(7,905,522)	-	(1,865,351)	(13,242,415)
Net Carrying Amount	5,665,337	17,100,053	3,063,536	326,807	-	26,155,733
Depreciation rates used	0%	2.5%	20% to 33.3%	0%	100%	

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 2011

	<u>2011</u> \$	<u>2010</u> \$
12. TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables	1,609,564	1,291,685
Other payables	1,751,612	1,224,586
Net external conferences monies held	745,138	647,432
Government grants repayable	83,419	97,001
	<u>4,189,733</u>	<u>3,260,704</u>
	<u>2011</u> \$	<u>2010</u> \$
13. PROVISIONS (CURRENT)		
Employee benefits		
Annual leave	1,073,900	1,004,441
Leave in Lieu	78,457	64,912
Long service leave (note 16)	1,238,917	1,199,660
	<u>2,391,274</u>	<u>2,269,013</u>
	<u>2011</u> \$	<u>2010</u> \$
14. INCOME IN ADVANCE		
Subscriptions billed in advance	9,713,715	9,134,009
Examination entry and annual training fees billed in advance	8,673,070	7,270,325
Annual scientific conference fees billed in advance	804,415	570,362
Training post accreditation fees billed in advance	-	57,264
Other fees billed in advance	107,000	7,000
	<u>19,298,200</u>	<u>17,038,960</u>
	<u>2011</u> \$	<u>2010</u> \$
15 FUNDS HELD ON BEHALF OF OTHERS (CURRENT)		
Funds held on behalf of other surgical societies and groups	<u>3,716,987</u>	<u>4,619,372</u>

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. Investment income is calculated from all investment assets including cash held by the College within the investment account excluding cash funds held in the operating investment account. Investment income consists of the actual return from the portfolio, unrealised capital gains / (losses) and franking credits from dividends.

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.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
16. PROVISIONS (NON-CURRENT)		
Employee Benefits		
Long service leave (note 13)	<u>288,464</u>	<u>42,633</u>

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The College exposure to market interest rates relates primarily to the College's financial assets and liabilities.

At balance date the College had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk.

	<u>2011</u>	<u>2010</u>
	\$	\$
Financial Assets		
Cash and cash equivalents	<u>7,581,605</u>	<u>7,273,267</u>
	<u>7,581,605</u>	<u>7,273,267</u>
Financial Liabilities		
Unspent Government Project Grants (1)	<u>(5,674,457)</u>	<u>(2,535,619)</u>
	<u>(5,674,457)</u>	<u>(2,535,619)</u>
Net exposure	<u>1,907,148</u>	<u>4,737,648</u>

(1) As at 31st December 2011 the College has a contractual agreement to credit the balance of unspent government grant monies the bank bill interest rate for predominantly the following projects below:

- Simulated Surgical Skills Project (SSSP)
- Pacific Islands Project (PIP IV)
- Specialist Training Program

Interest Rate Sensitivity

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

At 31 December 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, surplus / (deficit) and equity would be as follows:

Judgements of reasonably possible movements:	Surplus / (Deficit) higher / (lower)	
	<u>2011</u>	<u>2010</u>
	\$	\$
+1% (100 basis points)	19,071	47,376
-1% (100 basis points)	(19,071)	(47,376)

The movements in surplus/(deficit) are due to higher/lower interest costs from government grants and cash balances.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Interest Rate Risk (continued)

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in the interest rates were determined based on the College's relationships with financial institutions as well as a review of economic forecaster expectations.

- The net exposure at balance date is representative of what the College was and is expecting to be exposed to in the next twelve months from balance date.

(c) Credit Risk

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract leading to a financial loss to the College. The College trades only with recognised, creditworthy third parties 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.

In addition, receivables balances are monitored on an ongoing basis with the result that the College's experience of bad debts in relation to fellows and trainees has not been significant.

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. No collateral is held by the College.

(d) Price Risk

The College's listed and unlisted securities are susceptible to market price risk arising from uncertainties about future values of the measurement of securities.

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.

Equity securities price risk arises from investments in equity securities. To limit this risk the College diversifies its portfolio in accordance with limits set by the Investment Committee. The majority of the equity investments are of a high quality and are publicly traded on the ASX.

Price Sensitivity

The following sensitivity analysis is based on the market price risk and the possible impact on the surplus /(deficit) of the College.

At 31 December 2011, if market prices had moved, as illustrated in the table below, with all other variables held constant, surplus/(deficit) and equity would be as follows:

Judgements of reasonably possible movements:	Surplus / (Deficit) higher / (lower)		Equity higher / (lower)	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$	\$	\$	\$
+15% (Market price movement)	3,362,985	3,602,534	3,362,985	3,602,534
-15% (Market price movement)	(3,362,985)	(3,602,534)	(3,362,985)	(3,602,534)

Significant assumptions used in the market price sensitivity analysis include:

- Reasonably possible movements in the market price were determined based on a review of last two years historical movements and economic forecaster's expectations

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Price Risk (continued)

- The net exposure at balance date is representative of what The College was and is expecting to be exposed to in the next twelve months from balance date.

(e) Foreign Currency

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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 controlled by maintaining as low as possible a New Zealand dollar bank balance position throughout the year.

Foreign Currency Sensitivity

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date:

At 31 December 2011, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, surplus/(deficit) and equity would have been affected as follows:

Judgements of reasonably possible movements:	Surplus / (Deficit) higher / (lower)		Equity higher / (lower)	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$	\$	\$	\$
AUD/NZD + 10%	(46,878)	(63,963)	(46,878)	(63,963)
AUD/NZD – 5%	27,140	37,031	27,140	37,031

Significant assumptions used in the market price sensitivity analysis include:

- Reasonably possible movements in the foreign exchange rates were determined based on a review of the last two years historical movements and economic forecaster's expectations.

- The reasonably possible movement of 10% was calculated by taking the NZD spot rate as at balance date, moving this spot rate by 10% and then re-converting the NZD into AUD with the "new spot-rate".

- The net exposure at balance date is representative of what the College was and is expecting to be exposed to in the next twelve months from balance date.

(f) Liquidity Risk

The College ensures that sufficient liquid assets (cash and trade receivables) are available to meet all the required short-term cash payments. It is the College's objective to maintain a low bank balance position throughout the year to meet short term obligations and use of cash at call accounts.

The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. However, where a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the College can be required to pay. When the College is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the College is required to pay.

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 2011

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Liquidity Risk (continued)

Maturity Analysis of Financial Assets and Liabilities

	≤ 6 months	6-12 months	1-5 years	> 5 years	Total
Year ended 31 December 2011					
Liquid financial assets					
Cash and cash equivalents	10,581,605				10,581,605
Trade and other receivables	18,968,151		763,798		19,731,949
Held for trading financial assets	28,919,322				28,919,322
	<u>58,469,078</u>		<u>763,798</u>		<u>59,232,876</u>
Financial liabilities					
Trade and other payables	(4,189,733)				(4,189,733)
Funds held on behalf of others (1)			(3,716,987)		(3,716,987)
	<u>(4,189,733)</u>		<u>(3,716,987)</u>		<u>(7,906,720)</u>
Net inflow/(outflow)	<u>54,279,345</u>		<u>(2,953,189)</u>		<u>51,326,156</u>
Year ended 31 December 2010					
Liquid financial assets					
Cash and cash equivalents	10,704,801				10,704,801
Trade and other receivables	12,924,506		792,954		13,717,460
Held for trading financial assets	29,727,073				29,737,073
	<u>53,356,380</u>		<u>792,954</u>		<u>54,149,334</u>
Financial liabilities					
Trade and other payables	(3,260,704)				(3,260,704)
Funds held on behalf of others (1)			(4,619,372)		(4,619,372)
	<u>(3,260,704)</u>		<u>(4,619,372)</u>		<u>(7,880,076)</u>
Net inflow/(outflow)	<u>50,095,676</u>		<u>(3,826,418)</u>		<u>46,269,258</u>

(1) Investment fund contributors can provide the College 21 days notice to withdraw funds. The table above assumes full withdrawal of all invested funds within 5 years which is deemed a conservative liquidity risk estimate.

(g) Fair Value

The College uses the following method in estimating the fair value of a financial instrument. The method is as follows:

Level 1 – the fair value of equities is calculated using quoted prices in active markets.

Year ended 31 December 2011	Quoted market price (Level 1)
Financial assets	
Domestic equities (refer note 9)	21,681,975
International equities (refer note 9)	737,927
Domestic fixed interest (refer note 9)	6,499,419
	<u>28,919,322</u>

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any reduction for transaction costs.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

18. 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	
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 2012 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 2011.

19. COMMITMENTS AND CONTINGENCIES

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 four and five 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:

	<u>2011</u>	<u>2010</u>
	\$	\$
Within one year	80,580	80,580
After one year but not more than five years	154,445	235,025
After more than five years	-	-
Total minimum lease payments	<u>235,025</u>	<u>315,605</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

19. COMMITMENTS AND CONTINGENCIES (continued)

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

	<u>2011</u> \$	<u>2010</u> \$
Property Lease Commitments		
13 Napier Close, Deakin ACT	29,283	28,485
University of WA, 35 Stirling Highway, Nedlands WA	5,200	25,900
184 Hampden Road, Nedlands WA	100,488	12,887
38 Payneham Road, Stepney SA	34,087	79,387
199 Ward Street, North Adelaide SA	166,551	2,400
6/142 Ward Street, North Adelaide SA	2,982	16,918
Unit 1 & 4, 8 George Street, Stepney SA	-	30,352
147 Davey Street, Hobart TAS	8,593	8,593
63/20 Royal Street, East Perth WA	-	2,400
91-93 Commercial Road, Teneriffe	3,947	-
43 Kent Terrace, Wellington, NZ – car park spaces	2,390	2,653
	<u>353,521</u>	<u>209,975</u>

20. EVENTS AFTER BALANCE SHEET DATE

Since the end of the financial year, there has been an upward movement in the market value of equities held in the College's investment portfolio. There was an estimated 3.69% investment income return achieved within the portfolio as at 31 January 2012. This increase in the market value is estimated to be \$1,148,475.

In February 2012, the College received the Certificate of Title for the property as part of the distribution of bequeathed funds from the Rowan Nicks estate. The property has an estimated value of \$1,900,000 and will be offered for sale in 2012.

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.

21. MEMBERS' GUARANTEES

The College 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 2011 the number of members was 6,673 (31 December 2010 – 6,476).

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

22. RELATED PARTY TRANSACTIONS AND COMPENSATION OF KEY MANAGEMENT PERSONNEL

A. RELATED PARTY TRANSACTIONS

<u>2011</u>	<u>2010</u>
\$	\$

During the year, the Councillors of the College noted below provided services to the following College activities. Payments disclosed include those payments made to a Councillor during the period they were a member of Council. These services were provided below commercial rates:

ASERNIPS / SSP projects

- Prof G J Maddern, FRACS	31,680	91,520
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Mortality Audit projects

- Mr S Williams, FRACS	-	300
- Mr G Campbell, FRACS	-	300
- Prof M J Grigg	300	-
- Prof D A Watters, FRACS	900	-

Specialist Training project

- Mr I Thompson, FRACS	900	-
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International Medical Graduate Assessments

- Prof S W Beasley, FRACS	-	2,250
- Prof D A Watters, FRACS	1,300	1,040
- Mr I Thompson, FRACS	4,250	5,250
- Mr G A McCulloch, FRACS	750	1,750
- Prof J Smith, FRACS	-	1,040
- Mr S Williams, FRACS	5,534	3,500

	<u>45,614</u>	<u>106,950</u>
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B. 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>2011</u>	<u>2010</u>
	\$	\$
Short-term employee benefits	2,008,812	1,875,133
Post-employment benefits	175,236	163,279
Other long term benefits	480,956	403,738
Termination benefits	-	-
Total	<u>2,665,004</u>	<u>2,442,150</u>

Aggregate income received, or due and receivable by Councillors noted on page 4 of the Royal Australasian College of Surgeons in connection with the management of the College was:

	<u>2011</u>	<u>2010</u>
	\$	\$
	<u>-</u>	<u>-</u>