



ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

A.B.N. 29 004 167 766

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

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ROYAL AUSTRALASIAN COLLEGE OF SURGEONS
REPORT FROM THE TREASURER TO FELLOWS

The Financial Report for the year ended 31 December 2012 is presented together with the Auditor's Report to the College for 2012.

It is my pleasure to present this report and highlight the financial position of the College. The year under review has seen continued positive financial performance achieved from the combined business activities of the College. The investment portfolio has performed strongly and achieved a positive return of 17% as capital markets experienced a considerable period of growth in the second half of the year. This continues to provide a secure ongoing source of funding for the College's commitment to scholarship and research grant related activities. The year has also seen continued investment in information technology for key education initiatives. As well there has been substantially increased funding to the Specialty Societies to deliver surgical training programs in partnership with the College.

Statement of Comprehensive Income

Total operating revenue (excluding investment activities) in 2012 was \$53,623k compared to \$47,878k in 2011 while expenditure was \$54,845k compared to \$48,014k in 2011. Due to the gain on investments of \$5,805k compared to a loss of \$1,476k in 2011 the overall surplus was \$4,583k compared to a deficit of \$1,612k in 2011.

Dominant revenue streams were Subscriptions and entrance fees of \$11,406k, Training examination and assessment fees of \$18,881k and Project income and associated fees of \$15,367k. Dominant expenditures were on Personnel of \$17,373k, Travel and accommodation of \$5,349k and Specialist Society funding costs of \$4,030k. It is worth noting that travel and accommodation costs are substantially funded from income generated from skills training courses, examinations and co-ordination of domestic and international health service project programmes.

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 funded by external agencies, and Scholarships, Fellowships and Research Grants funded through the Foundation and Investment Reserve.

College Operations are the core operational activities including Fellowship Services, Education and Training, the Annual Scientific Conference and Conferences and Workshops with the required supporting leadership, governance and administrative structures.

In 2012, this revenue amounted to \$35,538k compared to \$34,407k in 2011 while expenditure was \$37,167k compared to \$34,638k in the previous year. The deficit in 2012 was \$1,629k compared to a deficit of \$231k in 2011.

The following significant items were of considerable impact on the reported operational result.

The revenue recognised from subscription fees was approximately \$290k less than budgeted due to higher than projected number of Fellows applying for a concessional subscription rate.

As reported previously, the New South Wales building has been sold with a subsequent move into rented offices. The Queensland building is in the process of being sold. The New Zealand property located in Wellington is subject to seismic strengthening requirements. Although Council is yet to decide on the options for the future, a cost provision of NZD\$815k (AUD\$647k) has been recorded to recognise a present legal obligation to remedy the building.

Payment to the Specialty Societies for delivering their component of the training program increased from \$3,536k in 2011 to \$4,030k in 2012. Additional support to the Specialties also continues in activities like the RACS Speakers at scientific meetings and the expansion of the on-line library. Legal support is increasingly required in our educational activities with the overall audit, legal and professional fees increasing from \$609k in 2011 to \$770k in 2012.

The College continues to invest in upgrading the information technology platform to support educational initiatives. The costs of this are reflected in the Information System costs of \$1,111k in 2012 and \$1,342k in 2011.

The College is challenged to maintain a balanced operational budget, but due to the College's diverse business activities its funding reserves continue to grow and underpin the College's long term financial stability and ability to invest in its core operations into the future.

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 \$86.8 million (2011 - \$71.9 million). Projects currently being managed include the Timor Leste Program (ATLASS), Pacific Islands Program IV, Pacific Islands Program Tertiary Health Services, Rural Health Continuing Education Program, Specialist Training Program, MSAC, Horizon Scanning, Mortality Audit and Morbidity Audit and Surgical Simulation.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS
REPORT FROM THE TREASURER TO FELLOWS

In 2012, total project revenue amounted to \$15,472k compared to \$11,957k in 2011 and expenditure was \$16,347k compared to \$11,857k in 2011 resulting in a deficit of \$876k in 2012 compared to a surplus of \$100k in 2011.

The main reason for the reported 2012 deficit was accounting for the internal surplus transfer of \$716k from the Pacific Islands Program III closed project to the Foundation for International projects. In real terms after removing this internal transfer the overall deficit result was \$160k.

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

The net overhead charge levied on projects was \$923k compared to \$893k in 2011 which reflects the costs of the College's infrastructure and governance.

Foundation and Investment Reserve - Scholarships, Fellowships and Research Grants

The Foundation activities encompass the areas of scholarships, fellowships and research grants as well as direct oversight of its philanthropic endeavours. The Investment Committee provides the direct oversight of the investment activities, the Board of Surgical Research the oversight of the research scholarships and grants and the International Committee the oversight of the international scholarships and other initiatives.

Revenue included the positive investment return of 17% on bequest funds, donations from the Rowan Nicks Estate, transfer of the Pacific Islands Program III surplus, together with ongoing support of the RACS Scholarship Corpus and other philanthropic activities. The overall increase in the Foundation related funds was from \$22,863k (2011) to \$28,150k (2012). The investment reserve also increased to \$4,482k.

Scholarships of \$637k (2011 - \$819k) were funded from bequest funds with \$547k (2011 - \$397k) funded from the RACS Scholarship corpus. The total commitment was \$1,184k (2011 - \$1,216k).

Statement of Financial Position

In 2012, College Funds and Reserves have increased by 9.5% to \$53,088k.

Key movements in assets included an increase in cash and cash equivalents of \$798k primarily due to timing of receipts from annual subscription and training fees in 2012 and decrease in current receivables of \$2,922k. Investments held for trading increased by \$8,516k mainly due to the positive investment return of 17.05% and capital contribution \$2,080k to the Rowan Nicks Scholarship corpus. Current liabilities increased by \$1,613k which was mainly due to an increase in subscription, training and examination billed in 2012 for income related to 2013. The Investment Reserve has increased from \$2,649k to \$4,482k due to the positive investment return.

Statement of Cash Flows

The Statement of Cash Flows indicates a net cash inflow for 2012 provided from operating activities of \$4,484k and a net increase in cash held of \$798k from 2011 mainly due to the combined effects of early billing of the 2013 annual training fees, donation income from Rowan Nicks estate and net sale proceeds of \$2,811k from the NSW property.

In summary, some of the key 2012 achievements of the College included:

- Delivered 140 skills training courses to 2,435 participants.
- Increased resources and services via the online library with approximately 70% of visits to the College website to source online library information.
- Development of 6 new eLearning modules and the new CPD program.
- Continued 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 with a combined contract value of \$14.3 million.
- Launch of the Morbidity Audit and Logbook Tool (MALT) to replace the legacy logbook system.

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 Advisers 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.

Marianne Vonau
Treasurer

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

The Councillors of the Royal Australasian College of Surgeons submit herewith the Annual Financial Report of the College for the year ended 31 December 2012. 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 follows. 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 2012. 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	Michael John Hollands	3	7	3	8
Vice President	Michael John Grigg	3	8	3	8
Treasurer	Marianne Vonau OAM	3	5	3	5
Censor-in-Chief	Simon Alan Williams	3	5	3	5
Chair, Professional Development & Standards Board	David Allan Watters OBE	3	5	3	5
Elected Members of Council:					
	John Charles Batten	3	4	3	6
	Spencer Wynyard Beasley	3	4	3	4
	Ian Craig Bennett	3		3	
	Andrew James Brooks	3		3	
	Graeme John Campbell	3	2	3	2
	Phillip James Carson	2		2	
	Catherine Mary Ferguson	3	6	3	7
	Lawrence Pietro Malisano	2		2	
	Julie Ann Mundy	2		2	
	Adrian Mack Nowitzke	2		3	
	Helen Elizabeth O'Connell	3		3	
	Barry Stephen O'Loughlin	3		3	
	Richard Edward Perry	3		3	
	Alan Charles Saunder	2		2	
	Julian Anderson Smith	3		3	
	Anthony Lloyd Sparnon	2		2	
	David Robert Theile	2		2	
	Phil Gregory Truskett	3	2	3	2
	Bruce Charles Twaddle	2		3	
	Neil Anthony Vallance	2		2	
Co-Opted Members of Council:					
	Bettina Cass AO	1		3	
	Sean Guy Hamilton	2		2	
	Garry Wilson K StJ	3		3	
	Carolyn Vasey	3		3	
Retired Members of Council					
	Sam Patrick Baker	1	1	1	1
	Robert John Black OAM	1		1	
	Ian Donald Civil MBE KStJ	1	3	1	3
	Vincent Charles Cousins	1		1	
	Mark Gordon Edwards	1	3	1	3
	Hugh Charles Martin AM	1		1	
	Keith Louis Mutimer	1	3	1	3
	David Charles Walsh	1		1	

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

Associate Professor Michael John Hollands, MBBS FRACS

General Surgeon

Professor Michael John Grigg, MBBS FRACS

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

Associate Professor Marianne Vonau OAM, MBBS MBA FRACS

Neurosurgeon, Royal Children's Hospital Brisbane, Royal Brisbane and Women's Hospital

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

Orthopaedic Surgeon, Barwon Health

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

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

Dr Sam Patrick Baker MBBS, FRACS

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

Mr John Charles Batten MBBS, FRACS, FAOrthA

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 OAM, 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.

Associate Professor Andrew James Brooks MBBS, FRACS

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

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

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

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

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

General Surgeon.

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.

Associate Professor Vincent Charles Cousins MBBS, FRACS

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

Professor 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.

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

Dr Catherine Mary Ferguson, MBChB, FRACS

Otolaryngology Head and Neck Surgeon; Trustee Bowen Hospital Trust Board; Member NZ Perioperative Mortality Review Committee (POMRC); Member of the Acurity Health Consultant Liaison and Clinical Advisory Committee

Mr Sean Guy Livingston Hamilton, MBBS, FRACS

Plastic and Reconstructive Surgeon: Councillor, Australian Society of Aesthetic Plastic Surgeons; Member and Deputy Chair, Medical Advisory Committee, Mount Hospital

Dr Lawrence Malisano MBBS, FRACS, FAOrthA

Orthopaedic surgeon, Director Brisbane Orthopaedic and Sports Medicine Centre

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.

Associate Professor Julie Ann Mundy MBBS, MBA, FRACS

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

Mr Keith Louis Anthony Mutimer, MBBS, FRACS

Plastic & Reconstructive Surgeon

Dr Adrian Mack Nowitzke, MBBS, B.Med.Sc., EMBA, FRACS, D Univ (Griffith)

Neurosurgeon and Special Health Advisor, McKinsey and Company

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

Urologist, Royal Melbourne and Melbourne Private Hospitals.

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.

Mr Alan Charles Saunder MBBS, FRACS

Transplant Surgeon; Director General Surgeons Australia Board; Member Board in General Surgery

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

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 Anthony Lloyd Sparnon, MBBS, FRACS

Paediatric Surgeon: Head of Burn Service Adelaide WCH; Member, Board Paediatric Surgery; External Examiner, National University of Malaysia and University of Malaya.

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

Plastic and Reconstructive Surgeon; Director-Plastic and Reconstructive Surgery, Princess Alexandra Hospital, Brisbane; Senior Examiner - Plastic and Reconstructive Surgery - RACS Councillor - Australian Society of Plastic Surgeons

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

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

Mr Neil Anthony Vallance, MBBS, FRACS

Otolaryngologist; Head of Department Otolaryngology Head and Neck Surgery, Southern Health; Member, Board of Otolaryngology; Member, Council Australian Society of Otolaryngology Head and Neck

Dr Carolyn Elizabeth Vasey, MBBS, BMedSci, DipSurgAnat

General Surgical Trainee, Chair, RACS Trainee Association

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

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 surplus of the College for the year as shown in the Statement of Comprehensive Income and note 5 was \$4,583,036 compared to 2011 deficit of (\$1,611,814). 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 2012

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

M J HOLLANDS

.....
President

M VONAU

.....
Treasurer

D J HILLIS

.....
Chief Executive Officer

**MELBOURNE
22 MARCH 2013**

Independent auditor's report to the members of Royal Australasian College of Surgeons

Report on the financial report

We have audited the accompanying financial report of Royal Australasian College of Surgeons, which comprises the statement of financial position as at 31 December 2012, 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 directors' declaration.

Directors' responsibility for the financial report

The College is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal controls as the directors 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 directors, 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 directors of the company a written Auditor's Independence Declaration. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the College as at the time of this auditor's report.

Opinion

In our opinion the financial report of Royal Australasian College of Surgeons is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the financial position of Royal Australasian College of Surgeons at 31 December 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

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

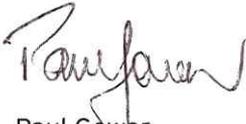
A handwritten signature in cursive script that reads 'Paul Gower'.
Paul Gower
Partner
Melbourne
22 March 2013

Auditor's Independence Declaration to the 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 2012, 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 'Paul Gower'.

Paul Gower
Partner

22 March 2013

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS' DECLARATION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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 2012 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of its financial position as at 31 December 2012 and performance.
 - (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2012.
 - (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 2012.

On behalf of the Councillors.

M J HOLLANDS

President

M VONAU

Treasurer

D J HILLIS

Chief Executive Officer

MELBOURNE

22 MARCH 2013

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		\$	\$
Continuing Operations			
Revenue from operating activities		53,629,356	46,716,893
Gain on sale of NSW property		(5,833)	1,160,905
Other income / (loss) – from investments		5,805,262	(1,476,130)
Revenue		<u>59,428,785</u>	<u>46,401,668</u>
Expenditure			
Personnel costs		17,373,023	15,939,017
Consultants fees - clinical		850,745	882,240
Consultants fees - management		1,732,543	1,370,693
Telephone, teleconference and audio visual costs		726,148	731,249
Printing, stationery and photocopying		1,650,171	1,490,627
Postage and courier costs		701,380	621,534
Information system costs		1,111,898	1,342,248
Travel and accommodation		5,349,380	4,675,054
Associations and publications		449,548	285,799
Audit, legal and professional fees		770,818	609,085
Bank fees and merchant charges		534,419	464,497
Rent, rates, power, repairs and other property costs		2,168,537	1,550,629
Insurance		330,360	327,427
Project equipment purchases, hire and repairs		994,015	478,217
Training manuals and consumables used in education and field projects		524,176	731,951
Scholarships, fellowships and research grants		1,196,593	1,215,979
Awards, other grants, gifts and prizes		440,324	1,188,158
External grants		6,393,501	3,661,611
Facilities hire and catering costs		3,557,930	2,649,508
Foreign exchange loss		20,468	7,397
Depreciation expense		2,500,863	2,574,002
Impairment charge		9,305	-
Amortisation expense – lease incentive		44,038	-
Specialist societies funding costs		4,030,205	3,536,041
Committee and office bearers costs		69,219	65,588
Doubtful debts expense / (reversal)		18,749	13,648
QSEC write-off – development and legal costs		106,958	1,351,852
Provision charge – NZ building strengthening works		646,415	-
Other expenses from operating activities		511,979	202,155
Expenditure		<u>54,813,708</u>	<u>47,966,206</u>
Surplus / (Deficit) for the period		<u>4,615,077</u>	<u>(1,564,538)</u>
Other Comprehensive Income			
Foreign currency translation		(32,041)	(47,276)
TOTAL SURPLUS / (DEFICIT)	5	<u>4,583,036</u>	<u>(1,611,814)</u>

Notes to and forming part of the financial statements are included on pages 17 to 38

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	<u>Notes</u>	<u>2012</u> \$	<u>2011</u> \$
ASSETS			
Current Assets			
Cash and short term deposits	6	11,379,273	10,581,605
Trade and other receivables	7	16,046,462	18,968,151
Inventories	8	220,094	167,138
Prepayments		1,927,022	1,547,226
Held for trading financial assets	9	37,435,219	28,919,322
Property held for sale	10	872,150	-
Total Current Assets		<u>67,880,220</u>	<u>60,183,442</u>
Non-Current Assets			
Trade and other receivables	11	832,451	763,798
Property, plant and equipment	12	23,863,091	24,768,464
Lease Incentive	13	604,422	-
Total Non-Current Assets		<u>25,299,964</u>	<u>25,532,262</u>
TOTAL ASSETS		<u>93,180,184</u>	<u>85,715,704</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	14	4,025,926	4,189,733
Provisions	15	2,485,147	2,391,274
Income in advance	16	20,203,353	19,298,200
Government grants received in advance		7,414,923	7,325,662
Funds held on behalf of others	17	4,405,549	3,716,987
Total Current Liabilities		<u>38,534,898</u>	<u>36,921,856</u>
Non-Current Liabilities			
Provisions	18	1,556,866	288,464
Total Non-Current Liabilities		<u>1,556,866</u>	<u>288,464</u>
TOTAL LIABILITIES		<u>40,091,764</u>	<u>37,210,320</u>
NET ASSETS		<u>53,088,420</u>	<u>48,505,384</u>
COLLEGE FUNDS AND RESERVES			
Retained earnings		48,505,384	50,117,198
Current year surplus / (deficit) – operations		2,749,764	(948,702)
Current year surplus / (deficit) - investment reserve		1,833,272	(663,112)
TOTAL COLLEGE FUNDS AND RESERVES		<u>53,088,420</u>	<u>48,505,384</u>

Notes to and forming part of the financial statements are included on pages 17 to 38

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Retained Surplus	Investment Earnings Reserve	Total College Funds & Reserves
	\$	\$	\$
At 1 January 2011	43,705,337	6,411,861	50,117,198
Surplus / (Deficit) for the year	(1,564,538)	-	(1,564,538)
Other comprehensive income	(47,276)	-	(47,276)
Surplus / (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
Surplus / (Deficit) for the year	4,615,077		4,615,077
Other comprehensive income	(32,041)		(32,041)
Surplus / (Deficit) for reserve	(1,833,272)	1,833,272	-
Transfer to / (from) reserve	-	-	-
At 31 December 2012	48,606,399	4,482,021	53,088,420

Notes to and forming part of the financial statements are included on pages 17 to 38

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		\$	\$
Operating activities			
Subscriptions and entrance fees		11,510,863	9,563,176
Training, examination and assessment fees		19,061,703	17,889,752
Sponsorship and donations		1,796,896	2,153,330
Other donations – Rowan Nicks estate		2,078,647	1,000,000
Conference registrations		1,991,674	1,283,351
Property rental and recoveries		792,575	927,881
Project income and associated fees		14,862,465	16,987,601
Interest income		37,701	35,671
Other income		641,270	336,535
Payments to suppliers and employees		<u>(47,590,368)</u>	<u>(42,544,266)</u>
Net cash flows from operating activities	6	<u>5,183,426</u>	<u>7,633,031</u>
Investing activities			
Net movement from investment securities		(4,494,227)	(3,823,815)
Payments for property plant and equipment		(2,702,084)	(3,932,412)
Net proceeds from sale – NSW property		<u>2,810,553</u>	-
Net cash flows used in investing activities		<u>(4,385,758)</u>	<u>(7,756,227)</u>
Financing activities			
Net cash flows used in financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>797,668</u>	<u>(123,196)</u>
Cash and cash equivalents at 1 January 2012		10,581,605	10,704,801
Cash and cash equivalents at 31 December 2012	6	<u>11,379,273</u>	<u>10,581,605</u>

Notes to and forming part of the financial statements are included on pages 17 to 38

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

1. CORPORATE INFORMATION

The financial report of the Royal Australasian College of Surgeons for the year ended 31 December 2012 was authorised for issue in accordance with a resolution of Executive Meeting of Council on 22 March 2013.

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 – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for 'Held for trading' financial assets which are measured at fair value.

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

(b) Statement of Compliance

The College has adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosures Requirements* for the financial year beginning on 1 January 2012.

The adoption of AASB 1053 and AASB 2010-2 allowed the College to remove a number of disclosures. There was no impact on the current or prior year financial statements.

(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.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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:

	2012	2011
- 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.

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.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Government Grants Received in Advance

Funding from the National 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.

(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.

(r) Operating Leases

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

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

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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.

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 of 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 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
4. REVENUES AND EXPENSES		
(a) Revenue – Significant Categories		
Subscriptions & entrance fees	11,406,864	10,742,446
Training, examination and assessment fees	18,881,097	17,741,812
Sponsorship & donations	2,056,225	2,163,770
Other donation – property sale – Rowan Nicks Estate	1,825,250	-
Other donation – Rowan Nicks Estate	253,397	1,000,000
Contribution (in kind sponsorship)	180,000	180,000
Conference registrations	2,027,863	1,440,906
Property rental & recoveries	804,670	971,884
Project income & associated fees	15,366,856	11,687,966
Bank account interest	34,639	35,671
Advertising, royalties & rebates	407,010	415,567
(b) Expenses - Specified Categories		
Travel and accommodation costs		
- Skills training courses	1,071,146	1,133,055
- Examinations	922,676	811,745
- Externally funded projects – domestic & international	1,337,344	1,133,894
Facilities hire and catering costs		
- Skills training courses	1,108,476	1,018,227
- Annual scientific congress	1,604,235	796,974
Annual accounts audit – Ernst & Young	58,195	56,120
Project audits – Ernst & Young	18,135	14,425
Internal audits – Grant Thornton	60,000	60,000
Increase to provisions for employee entitlements	108,133	367,952
Cost of inventories recognised as an expense	157,672	160,778
(c) Employee Benefits Expense		
Wages & salaries expense	14,353,481	13,727,926
Workers' compensation costs	85,678	82,913
Superannuation costs	1,253,502	1,171,137
Other staffing costs	1,680,363	957,041
(d) Investment Portfolio – Gain / (Loss)		
Investments	5,805,262	(1,476,130)

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	<u>2012</u> \$	<u>2011</u> \$
5. REVENUE AND EXPENDITURE BY FUNCTION		
Revenue		
College Operations	35,537,630	34,406,639
College Projects	15,471,862	11,956,737
Foundation	8,419,293	38,292
Total Revenue	<u>59,428,785</u>	<u>46,401,668</u>
Expenditure		
College Operations	37,167,488	34,638,499
College Projects	16,347,378	11,856,869
Foundation	1,298,842	1,470,838
Sub-Total	<u>54,813,708</u>	<u>47,966,206</u>
Foreign Currency Translation	32,041	47,276
Total Expenditure	<u>54,845,749</u>	<u>48,013,482</u>
Surplus / (Deficit)		
College Operations	(1,629,858)	(231,860)
College Projects (1)	(875,516)	99,868
Foundation	7,120,451	(1,432,546)
Sub-Total	<u>4,615,077</u>	<u>(1,564,538)</u>
Foreign Currency Translation	(32,041)	(47,276)
TOTAL SURPLUS / (DEFICIT)	<u>4,583,036</u>	<u>(1,611,814)</u>
Investment Portfolio – included in revenue above		
Income / (Loss) from Investments	<u>5,805,262</u>	<u>(1,476,130)</u>

(1) Transfer 50% surplus (\$716,000) from Pacific Island Project III accumulated as at 31 December 2011 to Foundation – International Projects in 2012.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
6. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	3,991,308	2,077,568
Funds at call	7,387,965	8,504,037
	<u>11,379,273</u>	<u>10,581,605</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 \$11,379,273 (2011: \$10,581,605).

Reconciliation of Cash

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2012

Cash at bank and in hand	3,991,308	2,077,568
Funds at call	7,387,695	8,504,307
	<u>11,379,273</u>	<u>10,581,605</u>

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

Operating Surplus / (Deficit)	4,583,036	(1,611,814)
Adjustments to reconcile surplus / (deficit) to net cash flows:		
Depreciation of non-current assets	2,510,168	2,574,002
Net (increase) / decrease in carrying value of investments	(3,688,413)	4,321,788
Disposal of non-current assets	225,139	2,745,679
Investing activities: net proceeds from sale – NSW property	(2,810,553)	-
Changes in assets and liabilities:		
(Increase) / Decrease in receivables	3,217,752	(6,043,645)
(Increase) / Decrease in inventories	(52,956)	(8,072)
(Increase) / Decrease in prepayments	(675,859)	(544,627)
(Increase) / Decrease in non current receivables	(68,653)	29,156
(Increase) / Decrease in other assets – lease incentive	(604,422)	-
Increase / (Decrease) in trade & other payables	(163,807)	938,873
Increase / (Decrease) in current provisions	93,873	122,261
Increase / (Decrease) in funds held on behalf of other surgical societies	355,305	(592,607)
Increase / (Decrease) in non-current provisions	1,268,402	245,831
Increase / (Decrease) in income in advance	905,153	2,259,240
Increase / (Decrease) in government grants	89,261	3,196,966
Net cash flows from operating activities	<u>5,183,426</u>	<u>7,633,031</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
7. TRADE & OTHER RECEIVABLES (CURRENT)		
Subscriptions, fees & levies in advance	6,336,206	6,477,504
Training, examination and assessment fees	6,714,014	6,443,781
Training post accreditations	-	248,180
Conference registrations	138,863	436,000
College projects – work in progress	1,339,579	917,128
Proceeds on sale of NSW property	-	3,150,000
Other sundry debtors	<u>1,529,864</u>	<u>1,557,730</u>
	16,058,526	19,230,323
Provision for doubtful debts	<u>(12,064)</u>	<u>(262,172)</u>
Trade & Other Receivables (Current)	<u>16,046,462</u>	<u>18,968,151</u>
Provision for doubtful debts movement		
Provision balance as at beginning of year	262,172	272,282
Amount provided (written back) during year	18,865	14,677
Amount used during year	<u>(268,973)</u>	<u>(24,787)</u>
Provision balance as at end of year	<u>12,064</u>	<u>262,172</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
	\$	\$	\$	\$	\$
2012	9,287,216	6,329,023	319,064	123,223	16,058,526
2011	11,683,986	6,622,298	479,044	444,995	19,230,323

8. INVENTORIES

	<u>2012</u>	<u>2011</u>
	\$	\$
Finished goods at cost	<u>220,094</u>	<u>167,138</u>
Total inventories	<u>220,094</u>	<u>167,138</u>

The amount of finished goods at cost recognised as an expense during 2012 was \$157,672 (2011: \$160,779).

9. HELD FOR TRADING FINANCIAL ASSETS

	<u>2012</u>	<u>2011</u>
	\$	\$
At fair value		
Domestic equities	29,599,951	21,681,976
International equities	1,300,512	737,927
Domestic fixed interest	<u>6,534,756</u>	<u>6,499,419</u>
	<u>37,435,219</u>	<u>28,919,322</u>

Market price risk exposure is shown in note 19 (d)

Fair value estimation is shown in note 19 (g)

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

10. PROPERTY HELD FOR SALE

	<u>2012</u>	<u>2011</u>
	\$	\$
The property at 50 Water Street, Spring Hill, Queensland 4000 has had a contract of sale signed on the 28 th February 2013 between the College and the purchaser with settlement term of 90 days from date of contract.	872,150	-

11. TRADE AND OTHER RECEIVABLES (NON-CURRENT)

	<u>2012</u>	<u>2011</u>
	\$	\$
Fellowship entrance fees (due 2 to 5 years)	748,127	710,829
Loans to Fellows	80,000	40,000
Office Fit-out – Melbourne Tenants	4,323	12,969
	<u>832,451</u>	<u>763,798</u>

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

12. 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 2012						
At 1 January 2012 net of accumulated depreciation	4,815,337	15,208,850	4,331,630	326,807	85,840	24,768,464
Additions	-	117,174	1,883,955	-	700,955	2,702,084
Disposals	-	-	(224,935)	-	(204)	(225,139)
Impairment charge	-	(9,305)	-	-	-	(9,305)
Depreciation charge for the year at YTD 2012	-	(474,956)	(1,326,337)	-	(699,571)	(2,500,863)
Reclassify - held for sale	<u>(371,250)</u>	<u>(500,900)</u>	-	-	-	<u>(872,150)</u>
Net of accumulated depreciation	<u>4,444,087</u>	<u>14,340,863</u>	<u>4,664,313</u>	<u>326,807</u>	<u>87,020</u>	<u>23,863,091</u>
At 1 January 2012						
Cost	4,815,337	18,952,013	13,308,246	326,807	2,720,463	40,122,866
Accumulated depreciation and impairment	<u>-</u>	<u>(3,743,163)</u>	<u>(8,976,616)</u>	<u>-</u>	<u>(2,634,623)</u>	<u>(15,354,402)</u>
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>
At 31 December 2012						
Cost	4,815,337	19,069,187	14,836,199	326,807	3,420,010	42,467,541
Accumulated depreciation and impairment	-	(4,227,424)	(10,171,886)	-	(3,332,990)	(17,732,300)
Reclassify – held for sale	<u>(371,250)</u>	<u>(500,900)</u>	-	-	-	<u>(872,150)</u>
Net Carrying Amount	<u>4,444,087</u>	<u>14,340,863</u>	<u>4,664,313</u>	<u>326,807</u>	<u>87,020</u>	<u>23,863,091</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 2012

12. 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 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 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
13. LEASE INCENTIVE (NON CURRENT)		
Lease incentive – net of amortised expense - Queensland	285,000	-
Lease incentive – net of amortised expense - New South Wales	<u>319,422</u>	<u>-</u>
Lease incentive – net of amortised expense	<u>604,422</u>	<u>-</u>
	<u>2012</u>	<u>2011</u>
	\$	\$
14. TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables	1,614,254	1,609,564
Other payables	1,275,632	1,751,612
Net external conferences monies held	1,018,518	745,138
Government grants repayable	<u>117,522</u>	<u>83,419</u>
	<u>4,025,926</u>	<u>4,189,733</u>
	<u>2012</u>	<u>2011</u>
	\$	\$
15. PROVISIONS (CURRENT)		
Employee benefits		
Annual leave	1,095,312	1,073,900
Leave in Lieu	84,176	78,457
Long service leave (note 18)	<u>1,305,659</u>	<u>1,238,917</u>
	<u>2,485,147</u>	<u>2,391,274</u>
	<u>2012</u>	<u>2011</u>
	\$	\$
16. INCOME IN ADVANCE		
Subscriptions billed in advance	10,428,587	9,713,715
Examination entry and annual training fees billed in advance	9,271,978	8,673,070
Annual scientific conference fees billed in advance	471,088	804,415
Other fees billed in advance	<u>31,700</u>	<u>107,000</u>
	<u>20,203,353</u>	<u>19,298,200</u>
	<u>2012</u>	<u>2011</u>
	\$	\$
17 FUNDS HELD ON BEHALF OF OTHERS (CURRENT)		
Funds held on behalf of other surgical societies and groups	<u>4,405,549</u>	<u>3,716,987</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 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
18. PROVISIONS (NON-CURRENT)		
Employee Benefits		
Long service leave (note 15)	306,029	288,464
New Zealand – Building Strengthening Works		
43 Kent Terrace, Wellington (Elliott House)	646,415	-
Current legal requirement for Elliott House to be strengthened in accordance with the New Building Standard (NBS)		
Operating Leases – Incentives		
Queensland lease incentive – net of drawdown	285,000	-
New South Wales lease incentive – net of drawdown	319,422	-
	<u>1,556,866</u>	<u>288,464</u>

19. 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>2012</u>	<u>2011</u>
	\$	\$
Financial Assets		
Cash and cash equivalents	9,379,273	7,581,605
	<u>9,379,273</u>	<u>7,581,605</u>
Financial Liabilities		
Unspent Government Project Grants (1)	(5,659,530)	(5,674,457)
	<u>(5,659,530)</u>	<u>(5,674,457)</u>
Net exposure	<u>3,719,743</u>	<u>1,907,148</u>

(1) As at 31st December 2012 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 Program (PIP IV)
- Pacific Islands Program Tertiary Health Services (THS)
- Specialist Training Program

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Interest Rate Risk (continued)

Interest Rate Sensitivity

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

At 31 December 2012, 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>2012</u>	<u>2011</u>
	\$	\$
+1% (100 basis points)	37,197	19,071
-1% (100 basis points)	(37,197)	(19,071)

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

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) Market 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Market Price Risk (continued)

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 2012, 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$	\$	\$	\$
+15% (Market price movement)	4,635,069	3,362,985	4,635,069	3,362,985
-15% (Market price movement)	(4,635,069)	(3,362,985)	(4,635,069)	(3,362,985)

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
- 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 2012, 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$	\$	\$	\$
AUD/NZD + 10%	(71,738)	(46,878)	(71,738)	(46,878)
AUD/NZD – 5%	41,533	27,140	41,533	27,140

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.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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.

Maturity Analysis of Financial Assets and Liabilities

	≤ 6 months	6-12 months	1-5 years	> 5 years	Total
Year ended 31 December 2012					
Liquid financial assets					
Cash and cash equivalents	11,379,273				11,379,273
Trade and other receivables	16,046,462		832,451		16,878,913
Held for trading financial assets	37,435,219				37,435,219
	<u>64,860,954</u>		<u>832,451</u>		<u>65,693,405</u>
Financial liabilities					
Trade and other payables	(4,025,926)				(4,025,926)
Funds held on behalf of others (1)			(4,405,549)		(4,405,549)
	<u>(4,025,926)</u>		<u>(4,405,549)</u>		<u>(8,431,475)</u>
Net inflow/(outflow)	<u>60,835,028</u>		<u>(3,573,098)</u>		<u>57,261,930</u>
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>

(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 2012	Quoted market price (Level 1)
Financial assets	
Domestic equities (refer note 9)	29,599,951
International equities (refer note 9)	1,300,512
Domestic fixed interest (refer note 9)	6,534,756
	<u>37,435,219</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 2012

20. 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 2013 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 2012.

21. 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>2012</u>	<u>2011</u>
	\$	\$
Within one year	80,580	80,580
After one year but not more than five years	73,865	154,445
After more than five years	-	-
Total minimum lease payments	<u>154,445</u>	<u>235,025</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

21. COMMITMENTS AND CONTINGENCIES (continued)

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

	<u>2012</u>	<u>2011</u>
	\$	\$
Property Lease Commitments		
13 Napier Close, Deakin ACT	29,954	29,283
University of WA, 35 Stirling Highway, Nedlands WA	-	5,200
184 Hampden Road, Nedlands WA	94,530	100,488
38 Payneham Road, Stepney SA	-	34,087
199 Ward Street, North Adelaide SA	192,982	166,551
6/142 Ward Street, North Adelaide SA	-	2,982
147 Davey Street, Hobart TAS	8,593	8,593
91-93 Commercial Road, Teneriffe QLD	41,115	3,947
AON Tower, Level 26, 201 Kent Street, Sydney NSW	290,046	-
177A Albion Street, Surry Hills, Sydney NSW	24,000	-
69 Shafston Avenue, Kangaroo Point QLD	154,500	-
43 Kent Terrace, Wellington, NZ – car park spaces	2,441	2,390
	<u>838,161</u>	<u>353,521</u>

22. 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 3.65% investment income return achieved within the portfolio as at 31 January 2013. This increase in the market value is estimated to be \$1,387,236.

23. MEMBERS' GUARANTEES

The College is a company limited by guarantee and without share capital.

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

At 31 December 2012 the number of members was 6,881 (31 December 2011 – 6,673).

24. RELATED PARTY TRANSACTIONS

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

	<u>2012</u>	<u>2011</u>
	\$	\$
ASERNIPS / SSSP projects		
- Prof G J Maddern, FRACS	-	31,680
Mortality Audit projects		
- Prof M J Grigg	300	300
- Prof D A Watters, FRACS	300	900
International Medical Graduate Assessments		-
- Prof J Smith, FRACS	1,040	-
- Prof D A Watters, FRACS	780	1,300
- Mr S Williams, FRACS	540	5,534
- Mr I Thompson, FRACS	-	4,250
- Mr G A McCulloch, FRACS		750

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

24. RELATED PARTY TRANSACTIONS (continued)

	<u>2012</u>	<u>2011</u>
	\$	\$
Specialist Training project		
- Mr I Thompson, FRACS	-	900
Governance and Education Working Party Review		
- Mr G Wilson	31,143	-
	<u>34,103</u>	<u>46,614</u>

25. 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>2012</u>	<u>2011</u>
	\$	\$
Short-term employee benefits	2,057,540	2,008,812
Post-employment benefits	182,182	175,236
Other long term benefits	538,722	480,956
Termination benefits	12,776	
Total	<u>2,791,220</u>	<u>2,665,004</u>

26. Information to be provided under the ACFID Code of Conduct

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

INCOME STATEMENT

For the year ended 31st December 2012

International Aid and Development Programs

	<u>2012</u>	<u>2011</u>
	\$	\$
REVENUE		
Donations and gifts – monetary	238,432	273,606
Donations and gifts – non-monetary	-	-
Bequests and legacies	2,078,647	1,000,100
Grants – AusAID	3,759,893	4,251,054
Grants – Other Australian	278,465	376,512
Grants – Other Overseas	218,525	197,123
Investment income	893,839	(99,927)
Other income – International programs	25,083	418
Revenue for international political or religious proselytisation program	-	-
Total Revenue	<u>7,492,884</u>	<u>5,998,886</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

ACFID CODE OF CONDUCT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

26. Information to be provided under the ACFID Code of Conduct (continued)

INCOME STATEMENT (continued)

For the year ended 31st December 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
EXPENDITURE		
International Aid and Development Programs		
International Programs		
Funds to international programs	1,463,463	1,550,165
Other international program costs	2,058,167	1,152,174
Program support costs	757,288	774,613
Community education	-	-
Fundraising costs		
Public	-	-
Government, multilateral and private	-	-
Accountability and administration	139,751	144,218
Non-monetary expenditure	-	-
Expenses for international political or religious proselytisation program	-	-
Total Expenditure	<u>4,418,669</u>	<u>3,621,170</u>
Balance of bequests, legacies, grants and income for use in following years	<u>3,074,215</u>	<u>2,377,716</u>

SUMMARY OF CASH MOVEMENTS

For the year ended 31st December 2012

	Cash available at beginning of financial year	Cash raised during the financial year	Cash disbursed during financial year	Cash available at end of financial year
International Projects	3,558,090	4,245,804	4,345,319	3,458,575
International Scholarships provided by the College from bequest funds	2,995,970	2,864,262	261,130	5,599,102
Foundation – International Projects	789,523	1,147,653	587,850	1,349,326
Total	<u>7,343,583</u>	<u>8,257,719</u>	<u>5,194,299</u>	<u>10,407,003</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

ACFID CODE OF CONDUCT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

26. Information to be provided under the ACFID Code of Conduct (continued)

STATEMENT OF FINANCIAL POSITION

For the year ended 31st December 2012

	<u>Notes</u>	<u>2012</u> \$	<u>2011</u> \$
ASSETS			
Current Assets			
Cash and short term deposits	6	11,379,273	10,581,605
Trade and other receivables	7	16,046,462	18,968,151
Inventories	8	220,094	167,138
Prepayments		1,927,022	1,547,226
Held for trading financial assets	9	37,435,219	28,919,322
Property held for sale	10	872,150	-
Other financial assets		-	-
Total Current Assets		<u>67,880,220</u>	<u>60,183,442</u>
Non-Current Assets			
Trade and other receivables	11	832,451	763,798
Other financial assets		-	-
Property, plant and equipment	12	23,863,091	24,768,464
Investment property		-	-
Lease Incentive	13	604,422	-
Intangibles		-	-
Other non-current assets		-	-
Total Non-Current Assets		<u>25,299,964</u>	<u>25,532,262</u>
TOTAL ASSETS		<u>93,180,184</u>	<u>85,715,704</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	14	4,025,926	4,189,733
Borrowings		-	-
Current tax liabilities		-	-
Other financial liabilities		-	-
Provisions	15	2,485,147	2,391,274
Income in advance	16	20,203,353	19,298,200
Government grants received in advance		7,414,923	7,325,662
Funds held on behalf of others	17	4,405,549	3,716,987
Other		-	-
Total Current Liabilities		<u>38,534,898</u>	<u>36,921,856</u>
Non-Current Liabilities			
Borrowings		-	-
Other financial liabilities		-	-
Provisions	18	1,556,866	288,464
Other		-	-
Total Non-Current Liabilities		<u>1,556,866</u>	<u>288,464</u>
TOTAL LIABILITIES		<u>40,091,764</u>	<u>37,210,320</u>
NET ASSETS		<u>53,088,420</u>	<u>48,505,384</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

ACFID CODE OF CONDUCT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

26. Information to be provided under the ACFID Code of Conduct (continued)

STATEMENT OF FINANCIAL POSITION (continued)

For the year ended 31st December 2012

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
Retained earnings		48,505,384	50,117,198
Current year surplus / (deficit) – operations		2,749,764	(948,702)
Current year surplus / (deficit) - investment reserve		1,833,272	(663,112)
TOTAL COLLEGE FUNDS AND RESERVES		<u>53,088,420</u>	<u>48,505,384</u>