



**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

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

**FINANCIAL REPORT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2013**

**CONTENTS TO FINANCIAL REPORT**

Report from the Treasurer to Fellows .....	2
Councillors Report.....	4
Independent Audit Report.....	9
Auditors Independence Declaration .....	11
Councillors Declaration.....	12
Statement of Comprehensive Income.....	13
Statement of Financial Position.....	14
Statement of Changes in Equity.....	15
Statement of Cash Flows .....	16
<b><u>Notes to Financial Report</u></b>	
1. Corporate Information .....	17
2. Summary of Significant Accounting Policies .....	17
3. Significant Accounting Judgements, Estimates and Assumptions.....	21
4. Revenues and Expenses .....	22
5. Revenue and Expenditure by Function .....	23
6. Cash and Short Term Deposits .....	24
7. Trade and Other Receivables (Current).....	25
8. Inventories.....	25
9. Held for Trading Financial Assets .....	25
10. Property Held for Sale .....	26
11. Trade and Other Receivables (Non-Current).....	26
12. Property, Plant & Equipment .....	26
13. Lease Incentive (Non-Current).....	28
14. Trade and Other Payables (Current).....	28
15. Provisions (Current) .....	28
16. Income in Advance.....	28
17. Funds Held on Behalf of Others (Current) .....	28
18. Provisions (Non-Current).....	29
19. Superannuation Commitments.....	29
20. Commitments and Contingencies .....	30
21. Events after Balance Sheet Date .....	30
22. Members' Guarantees.....	30
23. Related Party Transactions .....	31
24. Compensation of Key Management Personnel.....	31
25. Australian Council for International Development (ACFID) Code of Conduct.....	32

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

**The Financial Report for the year ended 31 December 2013 is presented together with the Auditor's Report to the College for 2013.**

It is my pleasure to present this report and highlight the financial position of the College. The year under review has seen sound financial performance achieved from the combined business activities of the College. The investment portfolio has performed well and achieved a positive return of 22.5% (2012 – 17%) as capital markets experienced renewed confidence and consistent growth throughout the year. The investment strategy applied by the Investment Committee continues to underpin the strong performance of the investment portfolio which provides long term funding for the College's ongoing commitment to scholarship and research grant related activities. The year has also seen continued increase in funding to the specialty societies to deliver surgical training programs in partnership with the College as well as investment in the College IT systems supporting Fellows, Trainees and IMGs.

**Statement of Comprehensive Income**

Total operating revenue (excluding investment activities) in 2013 was \$56,420k compared to \$53,623k in 2012 while expenditure was \$54,852k compared to \$54,845k in 2012. Due significantly to the revenue earned from investments of \$8,606k compared to \$5,805k in 2012 the overall surplus was \$10,174k compared to a surplus of \$4,583k in 2012.

Key revenue streams were subscriptions and entrance fees of \$12,102k, training, examination and assessment fees of \$20,537k and project income and associated fees of \$16,405k. Dominant expenditures were on personnel of \$19,109k, travel and accommodation of \$4,992k, external grants of \$6,311k mainly related to hospital training post payments funded under the Specialist Training Program and specialist society funding costs of \$4,387k. It is worth highlighting that \$3,405k of expenditure related to travel and accommodation is directly associated with revenue generating activities 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 2013, this revenue amounted to \$38,742k compared to \$35,538k in 2012 while expenditure was \$38,406k compared to \$37,167k in the previous year. The surplus in 2013 was \$336k compared to a deficit of \$1,629k in 2012.

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

The Queensland building was sold with settlement on the 29<sup>th</sup> April 2013 resulting in a gain on sale of \$1,082k. Revenue from the gain on sale contributed materially to a strong operational surplus result which enabled a contribution of \$2,200k in source funding to establish the ASC Visitors and Named Lecturers corpus.

Payment to the specialty societies for delivering their component of the training program increased from \$4,030k in 2012 to \$4,387k or approximately 9% in 2013. As a direct result of increased usage of the online library services additional funding of \$80k was provided to invest in further expansion of online library information resources.

Revenue from annual subscriptions and entrance fees was modestly favourable to budget by \$200k or 1.7% and continues to provide significant core funding for College operations. Similarly revenue from examination fees of \$4,888k was \$205k or 4.4% favourable to budget with increased number of candidates sitting the Surgical Science Examination.

The College is continually 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 \$93.9 million (2012 - \$86.8 million). Projects undertaken in 2013 include the Timor Leste Program II, Pacific Islands Program Tertiary Health Services, Vision 2020 East Timor Program, Rural Health Continuing Education Program, Specialist Training Program, MSAC, Horizon Scanning, Mortality Audits, Morbidity Audits and Surgical Simulation.

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

In 2013, total project revenue amounted to \$16,506k compared to \$15,472k in 2012 and expenditure was \$16,934k compared to \$16,347k in 2012 resulting in a deficit of \$428k in 2013 compared to a deficit of \$875k in 2012. It is worth noting in real terms the 2013 overall deficit is reduced to \$344k after removing the impact of the internal surplus transfer of \$84k from the closed Pacific Island Project IV to the Foundation for International projects.

The net overhead charge levied on projects, which reflects the oversight costs of the College's infrastructure and governance was \$896k compared to \$922k in 2012.

**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 22.5% on bequest funds, donations from various sources including \$450k from a generous benefactor, transfer of the Pacific Islands Program IV surplus and establishment of a number of new corpuses for ongoing support of education and other philanthropic activities. The overall increase in the Foundation related funds was from \$28,150k (2012) to \$40,258k (2013).

Scholarships of \$632k (2012 - \$637k) were funded from bequest funds with \$635k (2012 - \$547k) funded from the RACS Scholarship corpus. The total commitment was \$1,267k (2012 - \$1,184k).

In accordance with the strategic direction from Council to ensure long term funding for key educational and philanthropic activities a number of corpuses were established in 2013. Initial establishment funding of \$6,797k was sourced from the Investment Reserve \$3,697k, Foundation for Surgery of \$900k and surplus funds from core operations of \$2,200k. These newly created corpuses will provide dedicated funding for educator scholarships, educational innovation initiatives, international development and aid programs not routinely funded by the Australian government, indigenous education and training in surgery and the ASC Visitors and Named Lecturers program.

**Statement of Financial Position**

In 2013, College Funds and Reserves have increased by 19% to \$63,262k.

Key movements in assets included an increase in cash and cash equivalents of \$4,163k primarily due to positive cash flows from operations and increase in current trade receivables of \$1,520k. Investments held for trading increased by \$10,104k mainly due to the strong investment return of 22.5%. Current liabilities increased by \$4,484k due mainly to the increase in subscriptions, training and examinations billed in 2013 for income related to 2014.

**Statement of Cash Flows**

The Statement of Cash Flows indicates a net cash inflow for 2013 provided from operating activities of \$6,778k and a net increase in cash held of \$4,163k from 2012 mainly due to the combined effects of timely receipting of annual training fees, Queensland property sale proceeds and progress funding under the Specialist Training Program contract.

**In summary**, some of the key 2013 achievements of the College included:

- Delivered 138 skills training courses to 2,428 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 new eLearning modules and refinements to the CPD program.
- Continued work in partnership with Australian Department of Foreign Affairs and Trade (formally AusAID) to deliver training and strengthen surgical skills in a range of international aid programs for the Pacific Islands, Papua New Guinea, Timor Leste and Myanmar with a combined contract value of \$15.3 million.
- Rollout of the Morbidity Audit and Logbook Tool (MALT) to all Fellows and Trainees.

In closing I would like to acknowledge the services of our Honorary Advisors for which the College remains indebted. I note my thanks to Mr Anthony Lewis (Audit, Finance & IT), Mr Brian Randall OAM (Investment), Mr Stuart Gooley (Audit, Finance & IT), Mr Reg Hobbs (Property), Mr Michael Randall (Investment), Mr John Craven (Information Technology), Mr Chesley Taylor (Investment) and Mr Peter Wetherall (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.

**Marianne Vonau – Treasurer**

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

The Councillors of the Royal Australasian College of Surgeons submit herewith the Annual Financial Report of the College for the year ended 31 December 2013. 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 2013. 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	8	3	8
Vice President	Michael John Grigg	3	7	3	8
Treasurer	Marianne Vonau OAM	3	8	3	8
Censor-in-Chief	Simon Alan Williams	3	8	3	8
Chair, Professional Development & Standards Board	David Allan Watters OBE	3	8	3	8
Elected Members of Council:					
	John Charles Batten	3		3	
	Ian Craig Bennett	3		3	
	Andrew James Brooks	3	4	3	4
	Graeme John Campbell	3		3	
	Phillip James Carson	3		3	
	Catherine Mary Ferguson	3	4	3	4
	Sean Guy Hamilton	3		3	
	Lawrence Pietro Malisano	3		3	
	Julie Ann Mundy	2	4	3	4
	Adrian Mack Nowitzke	3		3	
	Helen Elizabeth O'Connell	2		3	
	Barry Stephen O'Loughlin	3		3	
	Richard Edward Perry	3	4	3	4
	Roger Stewart Paterson	2		2	
	Alan Charles Saunder	3	3	3	4
	Julian Anderson Smith	3	4	3	4
	Anthony Lloyd Sparnon	3		3	
	David Robert Theile	3		3	
	Phil Gregory Truskett	3		3	
	Neil Anthony Vallance	2		3	
Co-Opted Members of Council:					
	Garry Wilson K StJ	1		3	
	Carolyn Vasey	3		3	
Retired Members of Council					
	Spencer Wynyard Beasley	1		1	
	Bettina Cass AO	-		-	
	Bruce Charles Twaddle	1		1	

**COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

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

**Associate Professor Michael John Hollands, MBBS FRACS**

General Surgeon; Member Mutual Board MDA National; Chair Committee of Presidents of Medical Colleges

**Professor Michael John Grigg, MBBS FRACS**

Professor of Surgery, Monash University; Director of Surgical Services, Eastern Health, Melbourne; Member Expert Committee advising COAG

**Associate Professor Marianne Vonau OAM, MBBS MBA FRACS**

Neurosurgeon

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

Orthopaedic Surgeon; Clinical Director of Surgical Services Barwon Health

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

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

**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

**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; Director, Scottbourne Pty Ltd

**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.

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

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

**Mr Sean Guy Livingston Hamilton, MBBS, FRACS, MAICD**

Plastic and Reconstructive Surgeon

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

Orthopaedic surgeon, Director Brisbane Orthopaedic and Sports Medicine Centre

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

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

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

Neurosurgeon and Special Health Advisor, McKinsey and Company

**COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

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

**Professor Helen Elizabeth O'Connell**, MD, MBBS, MMed, FRACS, GAICD  
Urologist, Royal Melbourne and Melbourne Private Hospitals; Department of Surgery University of Melbourne

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

**Dr Roger Stewart Paterson**, MBBS, FRACS, FAOrthA  
Orthopaedic surgeon; Secretary Australian Society of Orthopaedic Surgeons

**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.

**Mr Alan Charles Saunder** MBBS, FRACS  
Transplant Surgeon; Director General Surgeons Australia Board

**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; Adjunct Professor of Surgery and 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; Ex officio member Board of the 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

**Mr Neil Anthony Vallance**, MBBS, FRACS  
Otolaryngologist; Head of Department Otolaryngology Head and Neck Surgery, Monash Health; Vice President, Council Australian Society of Otolaryngology Head and Neck

**Dr Carolyn Elizabeth Vasey**, MBBS, BMedSci, DipSurgAnat  
General Surgical Trainee

**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; Business and governance consultant

**Chief Executive Officer**

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

**COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

**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 \$10,174,073 compared to 2012 surplus of \$4,583,036. 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 2013**

**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  
28 FEBRUARY 2014

## 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 2013, 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.

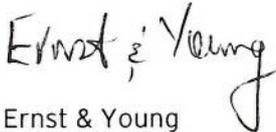
#### *Independence*

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 2013 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*.



Ernst & Young



Paul Gower  
Partner  
Melbourne  
28 February 2014



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## 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 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Paul Gower  
Partner  
28 February 2014

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**COUNCILLORS' DECLARATION**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

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 2013 are in accordance with the *Corporations Act 2001*, including:
    - (i) Giving a true and fair view of its financial position as at 31 December 2013 and performance.
    - (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2013.
  - (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 2013.

On behalf of the Councillors.

M J HOLLANDS

.....  
**President**

M VONAU

.....  
**Treasurer**

D J HILLIS

.....  
**Chief Executive Officer**

**MELBOURNE**

**28 FEBRUARY 2014**

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		\$	\$
<b>Continuing Operations</b>			
Revenue from operating activities		55,337,919	53,629,356
Gain / (loss) on sale of property		1,081,605	(5,833)
Other income – from investments		8,606,362	5,805,262
<b>Revenue</b>		<u>65,025,886</u>	<u>59,428,785</u>
<b>Expenditure</b>			
Personnel costs		19,108,694	17,373,023
Consultants fees - clinical		765,866	850,745
Consultants fees - management		1,317,342	1,732,543
Telephone, teleconference and audio visual costs		930,701	726,148
Printing, stationery and photocopying		1,548,950	1,650,171
Postage and courier costs		703,837	701,380
Information system costs		1,266,163	1,111,898
Travel and accommodation		4,992,152	5,349,380
Associations and publications		549,193	449,548
Audit, legal and professional fees		360,535	770,818
Bank fees and merchant charges		563,839	534,419
Rent, rates, power, repairs and other property costs		2,196,683	2,168,537
Insurance		351,303	330,360
Project equipment purchases, hire and repairs		720,356	994,015
Training manuals and consumables used in education and field projects		630,711	524,176
Scholarships, fellowships and research grants		1,271,300	1,196,593
Awards, other grants, gifts and prizes		538,980	440,324
External grants		6,311,364	6,393,501
Facilities hire and catering costs		2,829,648	3,557,930
Foreign exchange loss		202,086	20,468
Depreciation expense		2,745,787	2,500,863
Impairment charge		-	9,305
Amortisation expense – lease incentive		64,846	44,038
Specialist societies funding costs		4,386,831	4,030,205
Committee and office bearers costs		8,590	69,219
Doubtful debts expense		9,734	18,749
QSEC write-off – development and legal costs		4,180	106,958
Provision charge – NZ building strengthening works		-	646,415
Other expenses from operating activities		456,606	511,979
<b>Expenditure</b>		<u>54,836,277</u>	<u>54,813,708</u>
<b>Surplus for the period</b>		<u>10,189,609</u>	<u>4,615,077</u>
<b>Other Comprehensive Income</b>			
Foreign currency translation		(15,536)	(32,041)
<b>TOTAL SURPLUS</b>	5	<u>10,174,073</u>	<u>4,583,036</u>

Notes to and forming part of the financial statements are included on pages 17 to 34

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2013**

	<u>Notes</u>	<u>2013</u> \$	<u>2012</u> \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and short term deposits	6	15,542,281	11,379,273
Trade and other receivables	7	17,566,146	16,046,462
Inventories	8	227,888	220,094
Prepayments		3,109,637	1,927,022
Held for trading financial assets	9	47,539,712	37,435,219
Property held for sale	10	-	872,150
<b>Total Current Assets</b>		<u>83,985,664</u>	<u>67,880,220</u>
<b>Non-Current Assets</b>			
Trade and other receivables	11	847,159	832,451
Property, plant and equipment	12	22,475,148	23,863,091
Lease Incentive	13	539,576	604,422
<b>Total Non-Current Assets</b>		<u>23,861,883</u>	<u>25,299,964</u>
<b>TOTAL ASSETS</b>		<u>107,847,547</u>	<u>93,180,184</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	3,398,329	4,025,926
Provisions	15	2,811,462	2,485,147
Income in advance	16	23,727,799	20,203,353
Government grants received in advance		6,677,630	7,414,923
Funds held on behalf of others	17	6,404,166	4,405,549
<b>Total Current Liabilities</b>		<u>43,019,386</u>	<u>38,534,898</u>
<b>Non-Current Liabilities</b>			
Provisions	18	1,565,668	1,556,866
<b>Total Non-Current Liabilities</b>		<u>1,565,668</u>	<u>1,556,866</u>
<b>TOTAL LIABILITIES</b>		<u>44,585,054</u>	<u>40,091,764</u>
<b>NET ASSETS</b>		<u>63,262,493</u>	<u>53,088,420</u>
<b>COLLEGE FUNDS AND RESERVES</b>			
Retained earnings		53,088,420	48,505,384
Current year surplus - operations		8,182,930	2,749,764
Current year surplus - investment reserve		1,991,143	1,833,272
<b>TOTAL COLLEGE FUNDS AND RESERVES</b>		<u>63,262,493</u>	<u>53,088,420</u>

Notes to and forming part of the financial statements are included on pages 17 to 34

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<b>Retained Surplus</b>	<b>Investment Earnings Reserve</b>	<b>Total College Funds &amp; Reserves</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>At 1 January 2012</b>	45,856,635	2,648,749	48,505,384
Surplus 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	-	-	-
<b>At 31 December 2012</b>	48,606,399	4,482,021	53,088,420
Surplus for the year	10,189,609	-	10,189,609
Other comprehensive income	(15,536)	-	(15,536)
Surplus / (Deficit) for reserve	(1,991,143)	1,991,143	-
Transfer to / (from) reserve	3,696,522	(3,696,522)	-
<b>At 31 December 2013</b>	60,485,851	2,776,642	63,262,493

Notes to and forming part of the financial statements are included on pages 17 to 34

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**STATEMENT OF CASH FLOWS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		\$	\$
<b>Operating activities</b>			
Subscriptions and entrance fees		10,474,318	11,510,863
Training, examination and assessment fees		20,941,063	19,061,703
Sponsorship and donations		2,463,272	1,796,896
Other donations – Rowan Nicks estate		65,796	2,078,647
Conference registrations		2,077,466	1,991,674
Property rental and recoveries		783,782	792,575
Project income and associated fees		16,252,001	14,862,465
Interest income		43,453	37,701
Other income		620,779	641,270
Payments to suppliers and employees		<u>(46,944,296)</u>	<u>(47,590,368)</u>
<b>Net cash flows from operating activities</b>	6	<u>6,777,634</u>	<u>5,183,426</u>
<b>Investing activities</b>			
Net movement from investment securities		(3,081,431)	(4,494,227)
Payments for property plant and equipment		(1,486,950)	(2,702,084)
Net proceeds from sale – property		<u>1,953,755</u>	<u>2,810,553</u>
<b>Net cash flows used in investing activities</b>		<u>(2,614,626)</u>	<u>(4,385,758)</u>
<b>Financing activities</b>			
<b>Net cash flows used in financing activities</b>		<u>-</u>	<u>-</u>
<b>Net increase in cash and short term deposits</b>		<u>4,163,008</u>	<u>797,668</u>
<b>Cash and short term deposits at 1 January 2013</b>		11,379,273	10,581,605
<b>Cash and short term deposits at 31 December 2013</b>	6	<u>15,542,281</u>	<u>11,379,273</u>

Notes to and forming part of the financial statements are included on pages 17 to 34

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

**1. CORPORATE INFORMATION**

The financial report of the Royal Australasian College of Surgeons for the year ended 31 December 2013 was authorised for issue in accordance with a resolution of Council on 28 February 2014.

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)(i) 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 were no other impacts on the current or prior year financial statements.

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

**Changes in accounting policy and disclosures**

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

The College has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2013.

- AASB 119 Employee Benefits
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.

**(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\$).

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

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

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:

	2013	2012
- 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

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

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

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.

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:

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

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

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 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 related year. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

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

**(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.

**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 2013**

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>4. REVENUES AND EXPENSES</b>		
<b>(a) Revenue – Significant Categories</b>		
Subscriptions & entrance fees	12,101,683	11,406,864
Training, examination and assessment fees	20,537,350	18,881,097
Sponsorship & donations	2,444,342	2,056,225
Other donation – Rowan Nicks Estate	65,796	2,078,647
Contribution (in kind sponsorship)	180,000	180,000
Conference registrations	1,562,422	2,027,863
Property rental & recoveries	903,706	804,670
Project income & associated fees	16,405,784	15,366,856
Bank account interest	43,453	34,639
Advertising, royalties & rebates	430,217	407,010
<b>(b) Expenses - Specified Categories</b>		
Travel and accommodation costs		
- Skills training courses	1,048,535	1,071,146
- Examinations	1,004,183	922,676
- Externally funded projects – domestic & international	1,351,837	1,337,344
Facilities hire and catering costs		
- Skills training courses	1,202,130	1,108,476
- Annual scientific congress	669,679	1,604,235
Annual accounts audit – Ernst & Young	53,045	58,195
Project audits – Ernst & Young	12,330	18,135
Internal audits – Grant Thornton	65,000	60,000
Increase to provisions for employee entitlements	282,310	108,133
Cost of inventories recognised as an expense	195,609	157,672
<b>(c) Employee Benefits Expense</b>		
Wages & salaries expense	16,337,139	14,874,720
Workers' compensation costs	81,953	85,678
Superannuation costs	1,406,355	1,253,502
Other staffing costs	1,283,247	1,159,123
<b>(d) Investment Portfolio – Gain</b>		
Investments	8,606,362	5,805,262

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<u>2013</u> \$	<u>2012</u> \$
<b>5. REVENUE AND EXPENDITURE BY FUNCTION</b>		
<b>Revenue</b>		
College Operations	38,742,097	35,537,630
College Projects	16,505,811	15,471,862
Foundation	9,777,978	8,419,293
<b>Total Revenue</b>	<u>65,025,886</u>	<u>59,428,785</u>
<b>Expenditure</b>		
College Operations	38,405,835	37,167,488
College Projects	16,934,197	16,347,378
Foundation	(503,755)	1,298,842
<b>Sub-Total</b>	<u>54,836,277</u>	<u>54,813,708</u>
Foreign Currency Translation	15,536	32,041
<b>Total Expenditure</b>	<u>54,851,813</u>	<u>54,845,749</u>
<b>Surplus</b>		
College Operations (1)	336,262	(1,629,858)
College Projects (2)	(428,386)	(875,516)
Foundation	10,281,733	7,120,451
<b>Sub-Total</b>	<u>10,189,609</u>	<u>4,615,077</u>
Foreign Currency Translation	(15,536)	(32,041)
<b>TOTAL SURPLUS</b>	<u>10,174,073</u>	<u>4,583,036</u>
<b>Investment Portfolio – included in revenue above</b>		
Income from Investments	<u>8,606,362</u>	<u>5,805,262</u>

(1) A \$2,200,000 transfer to the Foundation (2012 – nil) from the College operations surplus was booked to provide source funding for the establishment of the ASC Visitors and Named Lecturers corpus.

(2) The result is after the 50% surplus transfer of \$83,564 from Pacific Island Project IV (2012: \$716,000 from Pacific Island Project III) to Foundation – International Projects.

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>6. CASH AND SHORT TERM DEPOSITS</b>		
Cash at bank and in hand	4,819,280	3,991,308
Funds at call	<u>10,723,001</u>	<u>7,387,965</u>
	<u>15,542,281</u>	<u>11,379,273</u>

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

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

The fair value of cash and short term deposits is \$15,542,281 (2012: \$11,379,273).

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

<b>Operating Surplus</b>	10,174,073	4,583,036
Adjustments to reconcile surplus to net cash flows:		
Depreciation of non-current assets	2,745,787	2,510,168
Net (increase) in carrying value of investments	(6,365,262)	(3,688,413)
Disposal of non-current assets	129,106	225,139
Investing activities: net proceeds from sale – property	(1,953,755)	(2,810,553)
Changes in assets and liabilities:		
(Increase) / Decrease in receivables	(1,519,684)	3,217,752
(Increase) / Decrease in inventories	(7,794)	(52,956)
(Increase) / Decrease in prepayments	(1,182,615)	(675,859)
(Increase) / Decrease in property held for sale	872,150	-
(Increase) / Decrease in non-current receivables	(14,708)	(68,653)
(Increase) / Decrease in other assets – lease incentive	64,846	(604,422)
Increase / (Decrease) in trade & other payables	(627,597)	(163,807)
Increase / (Decrease) in current provisions	326,315	93,873
Increase / (Decrease) in funds held on behalf of other surgical societies	1,340,818	355,305
Increase / (Decrease) in non-current provisions	8,802	1,268,402
Increase / (Decrease) in income in advance	3,524,446	905,153
Increase / (Decrease) in government grants	<u>(737,294)</u>	<u>89,261</u>
Net cash flows from operating activities	<u>6,777,634</u>	<u>5,183,426</u>

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>7. TRADE &amp; OTHER RECEIVABLES (CURRENT)</b>		
Subscriptions, fees & levies	7,984,540	6,336,206
Training, examination and assessment fees	7,144,610	6,714,014
Conference registrations	120,395	138,863
College projects – work in progress	1,155,796	1,339,579
Other sundry debtors	<u>1,164,521</u>	<u>1,529,864</u>
	17,569,862	16,058,526
Provision for doubtful debts	<u>(3,716)</u>	<u>(12,064)</u>
Trade & Other Receivables (Current)	<u>17,566,146</u>	<u>16,046,462</u>
<b>Provision for doubtful debts movement</b>		
Provision balance as at beginning of year	12,064	262,172
Amount provided (written back) during year	9,900	18,865
Amount used during year	<u>(18,248)</u>	<u>(268,973)</u>
Provision balance as at end of year	<u>3,716</u>	<u>12,064</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
	\$	\$	\$	\$	\$
2013	9,223,474	7,929,971	232,677	183,740	17,569,862
2012	9,287,216	6,329,023	319,064	123,223	16,058,526

**8. INVENTORIES**

	<u>2013</u>	<u>2012</u>
	\$	\$
Finished goods at cost	<u>227,888</u>	<u>220,094</u>
Total inventories	<u>227,888</u>	<u>220,094</u>

The amount of finished goods at cost recognised as an expense during 2013 was \$195,609 (2012: \$157,672).

**9. HELD FOR TRADING FINANCIAL ASSETS**

	<u>2013</u>	<u>2012</u>
	\$	\$
At fair value		
Domestic equities	36,485,376	29,599,951
International equities	3,161,780	1,300,512
Domestic fixed interest	<u>7,892,556</u>	<u>6,534,756</u>
	<u>47,539,712</u>	<u>37,435,219</u>

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

**10. PROPERTY HELD FOR SALE**

	<u>2013</u>	<u>2012</u>
	\$	\$
The property at 50 Water Street, Spring Hill, Queensland 4000 had a contract of sale signed on the 28 <sup>th</sup> February 2013 between the College and the purchaser. Settlement was executed on 29 <sup>th</sup> April 2013.	-	872,150

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

	<u>2013</u>	<u>2012</u>
	\$	\$
Fellowship entrance fees (due 2 to 5 years)	727,159	748,127
Loans to Fellows	120,000	80,000
Office Fit-out – Melbourne Tenants	-	4,323
	<u>847,159</u>	<u>832,451</u>

All non-current receivables are non-interest bearing. Loans to Fellows are fully repayable within 3 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
	\$	\$	\$	\$	\$	\$
<b>Year ended 31 December 2013</b>						
At 1 January 2013 net of accumulated depreciation	4,444,087	14,340,863	4,664,313	326,807	87,020	23,863,091
Reclassification - WIP	-	-	87,020	-	(87,020)	-
Additions	-	15,389	691,343	-	780,219	1,486,950
Disposals	-	-	(129,106)	-	-	(129,106)
Depreciation charge for the year at YTD 2013	-	(460,390)	(1,505,178)	-	(780,219)	(2,745,787)
Net of accumulated depreciation	<u>4,444,087</u>	<u>13,895,862</u>	<u>3,808,392</u>	<u>326,807</u>	<u>0</u>	<u>22,475,148</u>
<b>At 1 January 2013</b>						
Cost	4,444,087	18,568,287	14,836,199	326,807	3,420,010	41,595,390
Accumulated depreciation and impairment	-	(4,227,424)	(10,171,886)	-	(3,332,990)	(17,732,300)
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>
<b>At 31 December 2013</b>						
Cost	4,444,087	18,583,676	15,485,456	326,807	4,113,209	42,953,235
Accumulated depreciation and impairment	-	(4,687,814)	(11,677,064)	-	(4,113,209)	(20,478,087)
Net Carrying Amount	<u>4,444,087</u>	<u>13,895,862</u>	<u>3,808,392</u>	<u>326,807</u>	<u>0</u>	<u>22,475,148</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 2013**

**12. PROPERTY, PLANT AND EQUIPMENT (continued)**

	Freehold Land	Buildings	Plant and Equipment (incl WIP)	Treasures, Gordon Craig Library and Great Mace	Project & Low Value Equipment	TOTAL
	\$	\$	\$	\$	\$	\$
<b>Year ended 31 December 2012</b>						
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	(371,250)	(500,900)	-	-	-	(872,150)
Net of accumulated depreciation	4,444,087	14,340,863	4,664,313	326,807	87,020	23,863,091
					-	
<b>At 1 January 2012</b>						
Cost	4,815,337	18,952,013	13,308,246	326,807	2,720,463	40,122,866
Accumulated depreciation and Impairment	-	(3,473,163)	(8,976,616)	-	(2,634,623)	(15,354,402)
Net Carrying Amount	4,815,337	15,208,850	4,331,630	326,807	85,840	24,768,464
<b>At 31 December 2012</b>						
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	(371,250)	(500,900)	-	-	-	(872,150)
Net Carrying Amount	4,444,087	14,340,863	4,664,313	326,807	87,020	23,863,091
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 2013**

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>13. LEASE INCENTIVE (NON CURRENT)</b>		
Lease incentive – net of amortised expense - Queensland	255,000	285,000
Lease incentive – net of amortised expense - New South Wales	<u>284,576</u>	<u>319,422</u>
Lease incentive – net of amortised expense	<u>539,576</u>	<u>604,422</u>
	<u>2013</u>	<u>2012</u>
	\$	\$
<b>14. TRADE AND OTHER PAYABLES (CURRENT)</b>		
Trade payables	1,523,909	1,614,254
Other payables	1,076,981	1,275,632
Net external conferences monies held	624,260	1,018,518
Government grants repayable	<u>173,179</u>	<u>117,522</u>
	<u>3,398,329</u>	<u>4,025,926</u>
	<u>2013</u>	<u>2012</u>
	\$	\$
<b>15. PROVISIONS (CURRENT)</b>		
Employee benefits		
Annual leave	1,096,077	1,095,312
Leave in Lieu	113,614	84,176
Long service leave (note 18)	<u>1,601,771</u>	<u>1,305,659</u>
	<u>2,811,462</u>	<u>2,485,147</u>
	<u>2013</u>	<u>2012</u>
	\$	\$
<b>16. INCOME IN ADVANCE</b>		
Subscriptions billed in advance	12,657,213	10,428,587
Examination entry and annual training fees billed in advance	10,100,072	9,271,978
Annual scientific conference fees billed in advance	967,665	471,088
Other fees billed in advance	<u>2,849</u>	<u>31,700</u>
	<u>23,727,799</u>	<u>20,203,353</u>
	<u>2013</u>	<u>2012</u>
	\$	\$
<b>17 FUNDS HELD ON BEHALF OF OTHERS (CURRENT)</b>		
Funds held on behalf of other surgical societies and groups	<u>6,404,166</u>	<u>4,405,549</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 2013**

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>18. PROVISIONS (NON-CURRENT)</b>		
<b>Employee Benefits</b>		
Long service leave (note 15)	276,944	306,029
<b>New Zealand – Building Strengthening Works</b>		
43 Kent Terrace, Wellington (Elliott House)	749,148	646,415
Current legal requirement for Elliott House to be strengthened in accordance with the New Building Standard (NBS)		
<b>Operating Leases – Incentives</b>		
Queensland lease incentive – net of drawdown	255,000	285,000
New South Wales lease incentive – net of drawdown	284,576	319,422
	<hr/>	<hr/>
	1,565,668	1,556,866

**19. 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:

<b>Royal Australasian College of Surgeons</b>	
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 for each employee. The date of the next annual review is 31 March 2014.

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

**20. COMMITMENTS AND CONTINGENCIES**

**Operating Lease Commitments**

The College has entered into telecommunications service agreements with Macquarie Telecom and Viatak for a committed service period of 3 years and 5 years respectively.

The College has entered into new commercial leases for photocopiers with Ricoh for a period of 3 years.

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

	<u>2013</u>	<u>2012</u>
	\$	\$
Within one year	432,365	80,580
After one year but not more than five years	812,203	73,865
After more than five years	-	-
Total minimum lease payments	<u>1,244,567</u>	<u>154,445</u>

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>Property Lease Commitments</b>		
13 Napier Close, Deakin ACT	30,500	29,954
184 Hampden Road, Nedlands WA	109,968	94,530
199 Ward Street, North Adelaide SA	196,976	192,982
147 Davey Street, Hobart TAS	8,782	8,593
91-93 Commercial Road, Teneriffe QLD	-	41,115
AON Tower, Level 26, 201 Kent Street, Sydney NSW	354,589	290,046
177A Albion Street, Surry Hills, Sydney NSW	-	24,000
69 Shafston Avenue, Kangaroo Point QLD	314,408	154,500
Level 4, 97-99 Courtney Place, Te Aro, Wellington NZ	41,441	-
43 Kent Terrace, Wellington, NZ – car park spaces	2,644	2,441
	<u>1,059,308</u>	<u>838,161</u>

**21. EVENTS AFTER BALANCE SHEET DATE**

Since the end of the financial year, there has been a downward movement in the market value of equities held in the College's investment portfolio. There was an estimated negative investment income return of (1.86%) achieved within the portfolio as at 31 January 2014. This decrease in the market value is estimated to be \$959,573.

**22. 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 2013 the number of members was 7,057 (31 December 2012 – 6,881).

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

**23. RELATED PARTY TRANSACTIONS**

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

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>Mortality Audit projects</b>		
- Prof M J Grigg	600	300
- Mr G Campbell	300	-
- Prof D A Watters, FRACS	-	300

**24. 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>2013</u>	<u>2012</u>
	\$	\$
Short-term employee benefits	2,233,676	2,057,540
Post-employment benefits	194,280	182,182
Other long term benefits	545,086	538,722
Termination benefits	24,491	12,776
Total	<u>2,997,533</u>	<u>2,791,220</u>

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**ACFID CODE OF CONDUCT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

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

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

**INCOME STATEMENT**

**For the year ended 31<sup>st</sup> December 2013**

**International Aid and Development Programs**

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>REVENUE</b>		
Donations and gifts – monetary	212,970	238,432
Donations and gifts – non-monetary	-	-
Bequests and legacies	65,796	2,078,647
Grants – Australian - Department of Foreign Affairs and Trade – formally AusAID	4,232,992	3,759,893
Grants – Other Australian	219,548	278,465
Grants – Other Overseas	53,864	218,525
Investment income	1,600,509	893,839
Other income – International programs	33,165	25,083
Revenue for international political or religious proselytisation program	-	-
Other income – all other College activities	<u>58,607,042</u>	<u>51,935,901</u>
<b>Total Revenue</b>	<u>65,025,886</u>	<u>59,428,785</u>
<b>EXPENDITURE</b>		
<b>International Aid and Development Programs</b>		
International Programs		
Funds to international programs	1,462,731	1,463,463
Other international program costs	2,380,474	2,058,167
Program support costs	847,651	757,288
Community education	-	-
Fundraising costs		
Public	-	-
Government, multilateral and private	-	-
Accountability and administration	122,634	139,751
Non-monetary expenditure	-	-
Expenses for international political or religious proselytisation program	-	-
Other expenditure – all other College activities	<u>50,038,323</u>	<u>50,427,080</u>
<b>Total Expenditure</b>	<u>54,851,813</u>	<u>54,845,749</u>
<b>TOTAL ENTITY POSITION</b>	<u>10,174,073</u>	<u>4,583,036</u>

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**ACFID CODE OF CONDUCT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

**SUMMARY OF CASH MOVEMENTS**

<b>For the year ended 31<sup>st</sup> December 2013</b>	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	3,458,575	4,366,125	5,510,669	2,314,031
International Scholarships provided by the College from bequest funds	5,599,102	1,267,798	177,264	6,689,636
Foundation – International Projects	1,349,326	1,394,168	235,406	2,508,088
Other – Domestic Operations	972,270	48,647,594	45,589,338	4,030,526
<b>Total</b>	<u>11,379,273</u>	<u>55,675,685</u>	<u>51,512,677</u>	<u>15,542,281</u>

**STATEMENT OF FINANCIAL POSITION**

**For the year ended 31<sup>st</sup> December 2013**

	<u>Notes</u>	<u>2013</u> \$	<u>2012</u> \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and short term deposits	6	15,542,281	11,379,273
Trade and other receivables	7	17,566,146	16,046,462
Inventories	8	227,888	220,094
Prepayments		3,109,637	1,927,022
Held for trading financial assets	9	47,539,712	37,435,219
Property held for sale	10	-	872,150
Other financial assets		-	-
<b>Total Current Assets</b>		<u>83,985,664</u>	<u>67,880,220</u>
<b>Non-Current Assets</b>			
Trade and other receivables	11	847,159	832,451
Other financial assets		-	-
Property, plant and equipment	12	22,475,148	23,863,091
Investment property		-	-
Lease Incentive	13	539,576	604,422
Intangibles		-	-
Other non-current assets		-	-
<b>Total Non-Current Assets</b>		<u>23,861,883</u>	<u>25,299,964</u>
<b>TOTAL ASSETS</b>		<u>107,847,547</u>	<u>93,180,184</u>

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**ACFID CODE OF CONDUCT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

**STATEMENT OF FINANCIAL POSITION (continued)**

For the year ended 31<sup>st</sup> December 2013

**LIABILITIES**

**Current Liabilities**

Trade and other payables	14	3,398,329	4,025,926
Borrowings		-	-
Current tax liabilities		-	-
Other financial liabilities		-	-
Provisions	15	2,811,462	2,485,147
Income in advance	16	23,727,799	20,203,353
Government grants received in advance		6,677,630	7,414,923
Funds held on behalf of others	17	6,404,166	4,405,549
Other		-	-

**Total Current Liabilities**

43,019,386                      38,534,898

**Non-Current Liabilities**

Borrowings		-	-
Other financial liabilities		-	-
Provisions	18	1,565,668	1,556,866
Other		-	-

**Total Non-Current Liabilities**

1,565,668                      1,556,866

**TOTAL LIABILITIES**

44,585,054                      40,091,764

**NET ASSETS**

63,262,493                      53,088,420

Retained earnings		53,088,420	48,505,384
Current year surplus – operations		8,182,930	2,749,764
Current year surplus - investment reserve		1,991,143	1,833,272

**TOTAL COLLEGE FUNDS AND RESERVES**

63,262,493                      53,088,420