



ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

A.B.N. 29 004 167 766

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

CONTENTS TO FINANCIAL REPORT

Report from the Treasurer to Fellows	2
Councillors' Report	4
Directors' Report	8
Independent Audit Report.....	9
Auditor's Independence Declaration.....	11
Directors' Declaration	12
Statement of Comprehensive Income.....	13
Statement of Financial Position	14
Statement of Changes in Equity.....	15
Statement of Cash Flows	16
<u>Notes to Financial Report</u>	
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. Trade and Other Receivables (Non-Current)	26
11. Property, Plant and Equipment.....	26
12. Lease Incentive (Non-Current)	27
13. Trade and Other Payables (Current).....	27
14. Provisions (Current)	27
15. Income in Advance.....	27
16. Funds Held on Behalf of Others (Current)	27
17. Provisions (Non-Current).....	28
18. Commitments and Contingencies	28
19. Events after Balance Sheet Date	29
20. Related Party Transactions	29
21. Compensation of Key Management Personnel.....	29
Australian Council for International Development (ACFID) Code of Conduct.....	30

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS
REPORT FROM THE TREASURER TO FELLOWS

The Financial Report for the year ended 31 December 2015 is presented together with the Auditor's Report to the College for 2015.

It is my pleasure to present this report and highlight the financial results of the College. The year under review has seen continued sound financial performance achieved from the combined business activities of the College. The investment portfolio has provided another year of healthy performance achieving a positive rate of return of 5.5% (2014 – 7.0%) despite some volatility in the capital markets. The investment strategy applied by the Investment Committee continues to underpin the robust performance of the College's investment activities which are dedicated to funding the ongoing long term commitment to scholarship and research grant related endeavours. The year has also seen continued collaboration with the specialty societies to deliver surgical training programs as well as continued significant capital investment in the College IT systems and resources that directly support our Fellows and Trainees.

Statement of Comprehensive Income

Total operating revenue (excluding investment activities) in 2015 was \$63,853,632 compared to \$63,093,607 in 2014 while expenditure was \$64,106,633 compared to \$60,628,622 in 2014. Revenue earned from investments of \$3,106,674 compared to \$3,856,961 in 2014 resulting in an overall surplus of \$2,853,673 compared to a surplus of \$6,321,946 in 2014.

Key revenue streams were subscriptions and entrance fees of \$14,093,989, training, examination and assessment fees of \$23,470,755 and project income and management fees of \$17,878,470. Dominant expenditures were on personnel of \$21,816,112, travel and accommodation of \$5,319,220, external grants of \$8,901,659 mainly related to hospital training post payments funded under the Specialist Training Program and Specialist Society funding costs of \$4,134,497. It is worth highlighting that \$3,348,185 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 global health service project programs.

A more 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.

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 2015, this revenue amounted to \$42,714,531 compared to \$40,743,253 in 2014 while expenditure was \$43,057,186 compared to \$40,218,466 in the previous year. The deficit in 2015 was \$342,655 compared to a surplus of \$524,787 in 2014.

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

The ongoing commitment of the College to address discrimination, bullying and sexual harassment in the practice of surgery resulted in total expenditures of \$857,586 with expected ongoing investment to finance this multi-year program of work. All College IT assets were reviewed for operational audit purposes which resulted in a write-off of \$162,965 in redundant IT systems. A one-off adjustment of \$460,703 for office operating lease payments was taken to account which will be progressively wound back as the lease terms near their respective expiration dates. The value to our Fellows and Trainees from online library resources has seen increased investment in journals and associated databases with expenditure of \$742,698 compared to \$562,082 in 2014. The key College publications of Surgical News and ANZ Journal of Surgery represented combined expenditure of \$1,175,594 while generating revenue from advertising and royalties of \$235,720. Dominant revenue streams from annual subscriptions, training and examination fees continue to provide significant core funding for College operations. The new prevocational education framework now also allows early access to the examination activities of the College for surgical aspirants.

College Projects relate to activities funded by external agencies and funding providers. Projects undertaken in 2015 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 and Morbidity Audits.

In 2015, total project revenue amounted to \$17,608,230 compared to \$18,508,072 in 2014 and expenditure was \$18,250,534 compared to \$18,597,850 in 2014, resulting in a deficit of \$642,304 in 2015 compared to a deficit of \$89,778 in 2014. The significant Specialist Training Program (STP) funding contract of \$55,743,197 which runs until 2016 provided \$8,776,222 in payments to hospitals compared to \$8,991,833 in 2014.

The net overhead charge levied on projects, which reflects the oversight costs of the College's infrastructure and governance was \$711,297 compared to \$746,679 in 2014.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS
REPORT FROM THE TREASURER TO FELLOWS

Foundation - 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 and are the overall responsibility of the Foundation Board. 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 5.5% on bequest funds, donations from various sources including \$2,129,031 from a generous benefactor. The Foundation funds total \$51,373,553 compared to \$47,738,678 in 2014.

Scholarships of \$941,116 (2014 - \$556,743) were funded from bequest funds with \$597,574 (2014 - \$554,140) funded from the RACS Scholarship corpus. The total commitment was \$1,538,690 (2014 - \$1,110,883).

In accordance with the strategic direction from Council to ensure long term funding for key educational and philanthropic activities the value of the College corpora has increased due to positive investment returns since being established and additional funding allocations over time. These committed funds as at 31 December 2015 of \$21,782,281 (2014 - \$21,722,957) 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 2015, College Funds and Reserves have increased by 4.1% to \$72,438,112.

Current assets increased by \$4,730,657 which included an increase in cash of \$1,339,134 primarily due to positive cash flows from operations. Furthermore, investments held for trading increased by \$3,118,844 mainly due to the sound investment return of 5.5%. Current liabilities increased by \$2,519,019 due mainly to the increase in subscriptions, training and examinations billed in 2015 for income related to 2016.

Statement of Cash Flows

The Statement of Cash Flows indicates a net cash inflow for 2015 provided from operating activities of \$5,107,000 and a net increase in cash held of \$1,339,134 from 2014 mainly due to the combined effects of timely receipting of annual subscription and training fees, significant donations and ongoing progress payments received from the Department of Health under the Specialist Training Program contract.

In summary, our strong financial position was achieved while the College also advanced a number of key initiatives:

- Enhancement of our advocacy and communication strategies including:
 - Trauma related areas
 - Detailed positions on many health issues
- Ongoing improvement of our Information Technology platform including the Digital College
- Successful Annual Scientific Congress including co-hosting many events with the Royal College of Surgeons of Edinburgh
- Responding to Discrimination, Bullying and Sexual Harassment

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 & IT), Mr Brian Randall OAM (Investment & Foundation), Mr Stuart Gooley (Audit, Finance & IT), Mr Reg Hobbs (Property), Mr Michael Randall OAM (Investment), Mr John Craven (Information Technology), Mr Chesley Taylor (Investment) and Mr Peter Wetherall (Investment) for their generous and valued support during the year. 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.

Professor Marianne Vonau OAM – Treasurer

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Councillors as Directors of the Royal Australasian College of Surgeons submit herewith the Annual Financial Report of the College for the year ended 31 December 2015. In order to comply with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*, the Councillors' report as follows:

Councillors

The names and details of the Office Bearers and the Councillors in office during the financial year and until the date of this report are as follows. Office Bearers and Councillors were in office for this entire period unless otherwise stated.

Councillors' Meetings

Three Council Meetings and eight Executive Committee Meetings were held in 2015. 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	David Allan Watters OBE	3	8	3	8
Vice President	Graeme John Campbell	3	8	3	8
Treasurer	Marianne Vonau OAM	3	8	3	8
Censor-in-Chief	Phil Gregory Truskett AM	3	7	3	8
Chair, Professional Development & Standards Board	Julian Anderson Smith	3	5	3	5
Elected Members of Council:					
	John Charles Batten	3	4	3	4
	Spencer Wynyard Beasley	3	8	3	8
	Ian Craig Bennett	3		3	
	Andrew James Brooks	3		3	
	Phillip James Carson	3		3	
	John Anthony Crozier AM	1		2	
	Catherine Mary Ferguson	3	2	3	2
	David Rowley Fletcher	2		2	
	Bruce Ian Hall	3		3	
	Andrew Graham Hill	2		2	
	Sally Jane Langley	3		3	
	Lawrence Pietro Malisano	3	3	3	3
	Julie Ann Mundy	3	3	3	3
	Barry Stephen O'Loughlin	3		3	
	Roger Stewart Paterson	3		3	
	Richard Edward Perry	3	1	3	1
	Jonathan William Serpell	2		2	
	Anthony Lloyd Sparnon	3		3	
	David Robert Theile	3		3	
	Neil Anthony Vallance	3		3	
Co-Opted Members of Council:					
	Rob Knowles AO	2		3	
	Garry Wilson KStJ	2		3	
Retired Members of Council					
	Grant Fraser-Kirk	3		3	
	Ian John Gollow	1		1	
	Michael John Grigg	1	3	1	3
	Alan Charles Saunder	-		1	
	Simon Alan Williams	1	3	1	3

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

Mr John Charles Batten MBBS, FRACS, FAOrthA

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

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, FAICD

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

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

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

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

General Surgeon; Board member Why Warriors Pty Ltd

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

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

Dr Catherine Mary Ferguson, MBChB, FRACS

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

Professor David Fletcher MBBS, MD, FRACS

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

Dr Grant Fraser-Kirk BSc MBBS PGDipSurgAnat

Plastic and Reconstructive surgical registrar, Princess Alexandra Hospital and the Mater Hospital Brisbane

Mr Ian John Gollow MBBS FRACS

Paediatric surgeon; Senior consultant paediatric surgeon and Deputy Director Surgical Services Princess Margaret Hospital for Children

Professor Michael John Grigg, MBBS FRACS

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

Mr Bruce Ian Hall MBBS FRACS CIME

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

Professor Andrew G Hill MBChB MD EdD FACS FRACS

Assistant Dean and Head of the South Auckland Clinical Campus, University of Auckland; Clinical Lead Research and Evaluation, Ko Awatea Middlemore Hospital, Counties Manukau Health

Hon Rob Knowles AO MAICD

Director, Silverchain Group of Companies, Drinkwise Australia Ltd, IPG Pty Ltd, Global Health Ltd, St John of God Healthcare and Brotherhood of St Laurence; Commissioner with National Mental Health Commission; Chair, Royal Children's Hospital, Chair, Victorian Health Innovation and Reform Council

Dr Sally Jane Langley MBChB, FRACS

Plastic and Reconstructive Surgeon, Canterbury Health, Christchurch

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

Dr Lawrence Malisano MBBS, FRACS, FAOrthA, GAICD

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

Associate Professor Julie Ann Mundy MBBS, MBA, FRACS

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

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

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

Dr Roger Stewart Paterson, MBBS, FRACS, FAOrthA

Orthopaedic surgeon; Secretary Australian Society of Orthopaedic Surgeons

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

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

Mr Alan Charles Saunder MBBS, FRACS

General surgeon; Director General Surgeons Australia

Professor Jonathan William Serpell MB, BS, MD, MEd, FRACS, FACS

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

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

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

Mr Anthony Lloyd Sparnon MBBS, FRACS

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

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

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

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

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

Mr Neil Anthony Vallance, MBBS, FRACS

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

Professor Marianne Vonau OAM, MBBS MBA MPH FRACS GAICD

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

Professor David Allan Watters OBE, BSc MB ChM FRCSEd FRACS

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

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

Orthopaedic Surgeon; Clinical Director of Surgical Services Barwon Health

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

Chair Precision Seafood Harvesting, SPATnz; Chair Governance Oversight Group, Canterbury University Rebuild; Board Member Wellington City Mission; Board Member St John Emergency Communication Ltd; Business and governance consultant

Chief Executive Officer

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

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Principal activities

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

Operating and financial review

The total surplus of the College for the year as shown in the Statement of Comprehensive Income and note 5 was \$2,853,673 compared to 2014 surplus of \$6,321,946. The College is a company limited by guarantee which has no share capital and is prohibited by its constitution from paying dividends.

Significant changes in the state of affairs

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

Significant events after the balance date

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

Indemnification and insurance of Councillors and Auditors

During the year, the College paid a premium in respect of a contract insuring the Councillors and Officers of the College against a liability incurred as a Councillor or Officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Members' guarantee

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

At 31 December 2015, the number of members was 7,382 (31 December 2014 – 7,211).

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS
DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Auditor's Independence Declaration

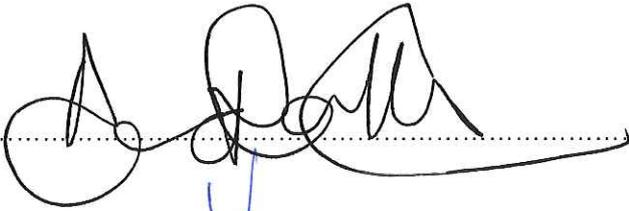
We, the Directors, hereby declare and note that the Auditor's Independence Declaration has been received and follows this report.

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

On behalf of the Directors.

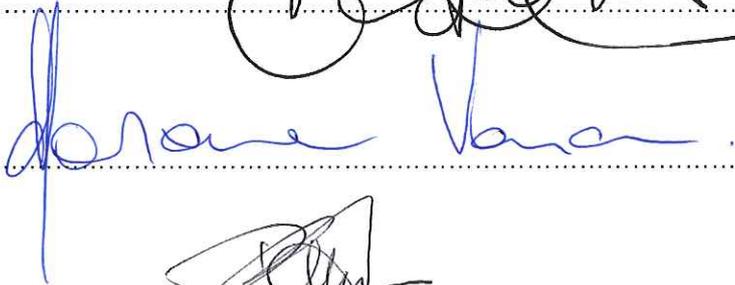
D A WATTERS

.....
President



M VONAU

.....
Treasurer



D J HILLIS

.....
Chief Executive Officer



MELBOURNE
26 FEBRUARY 2016



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 2015, 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 *Australian Charities and Not-for-Profits Commission Act 2012* 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 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 *Australian Charities and Not-for-Profits Commission Act 2012*. We have given to the directors a written Auditor's Independence Declaration.



Opinion

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

- (a) giving a true and fair view of the financial position of Royal Australasian College of Surgeons at 31 December 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Paul Gower'.

Paul Gower
Partner
Melbourne
26 February 2016



Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

As lead auditor for the audit of Royal Australasian College of Surgeons for the financial year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

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

Ernst & Young

Paul Gower
Partner
26 February 2016

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

DIRECTORS' DECLARATION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

The directors declare that in the directors' opinion:

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

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

On behalf of the Directors

D A WATTERS

.....
President

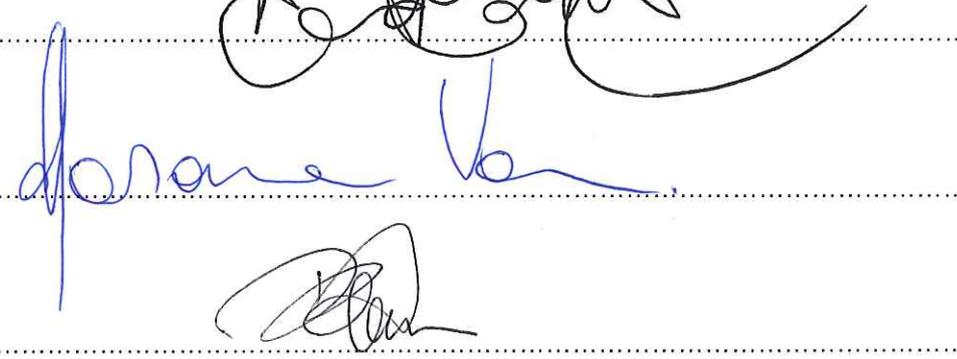
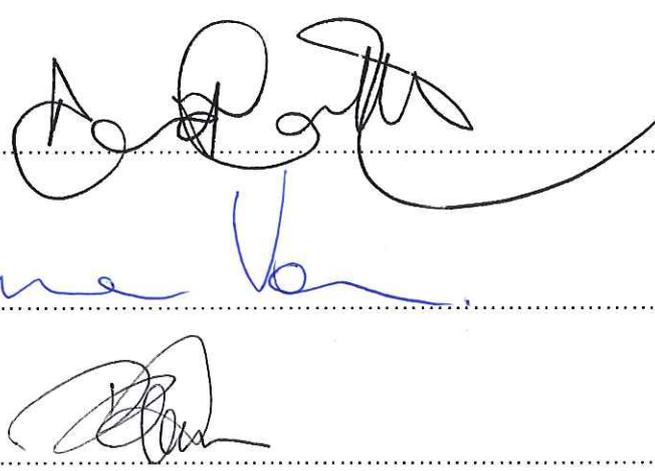
M VONAU

.....
Treasurer

D J HILLIS

.....
Chief Executive Officer

**MELBOURNE
26 FEBRUARY 2016**



ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	<u>Notes</u>	<u>2015</u> \$	<u>2014</u> \$
Revenue from operating activities	4(a)	63,853,632	62,597,417
Net surplus on sale of property		-	496,190
Income from investments	4(a)	<u>3,106,674</u>	<u>3,856,961</u>
Revenue		<u>66,960,306</u>	<u>66,950,568</u>
Expenditure			
Personnel costs	4(c)	21,816,112	20,345,706
Consultants fees - clinical		1,023,372	876,667
Consultants fees - management		2,706,546	1,644,968
Telephone, teleconference and audio visual costs		705,620	858,941
Printing, stationery and photocopying		1,433,957	1,575,664
Postage and courier costs		583,995	664,417
Information system costs		1,459,938	1,176,824
Travel and accommodation	4(b)	5,319,220	5,535,893
Associations and library publications		1,082,350	772,334
Audit, legal and professional fees		588,030	134,504
Bank fees and merchant charges		682,322	661,952
Rent, rates, power, repairs and other property costs		2,969,100	2,316,909
Insurance		334,706	338,817
Project equipment purchases, hire and repairs		1,038,039	897,244
Training manuals and consumables used in education and field projects		688,151	675,579
Scholarships, fellowships and research grants		1,538,690	1,110,883
Awards, other grants, gifts and prizes		825,421	560,443
Grants – funded from external sources		8,901,659	9,182,180
Facilities hire and catering costs	4(b)	3,328,090	4,191,793
Foreign exchange loss		7,514	21,070
Depreciation expense		2,473,788	2,302,257
Amortisation expense – lease incentive		64,846	64,846
Specialist societies funding costs		4,134,497	4,140,769
Committee and office bearers costs		147,287	82,800
Doubtful debts expense		9,229	91,404
Other expenses from operating activities		<u>210,083</u>	<u>402,560</u>
Expenditure		<u>64,072,562</u>	<u>60,627,424</u>
Surplus for the Period		<u>2,887,744</u>	<u>6,323,144</u>
Other Comprehensive Loss			
Items that will not be reclassified subsequently to profit or loss:			
Foreign currency translation		34,071	1,198
Items that may be reclassified subsequently to profit or loss:			
		-	-
Other Comprehensive Loss for the Year		<u>34,071</u>	<u>1,198</u>
TOTAL SURPLUS	5	<u>2,853,673</u>	<u>6,321,946</u>

Notes to and forming part of the financial statements are included on pages 17 to 29

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	<u>Notes</u>	<u>2015</u> \$	<u>2014</u> \$
ASSETS			
Current Assets			
Cash and short-term deposits	6	17,705,231	16,366,097
Trade and other receivables	7	17,872,095	18,216,202
Inventories	8	248,594	181,907
Prepayments		2,083,443	1,533,344
Held for trading financial assets	9	<u>59,080,733</u>	<u>55,961,889</u>
Total Current Assets		<u>96,990,096</u>	<u>92,259,439</u>
Non-Current Assets			
Trade and other receivables	10	758,132	803,826
Property, plant and equipment	11	21,921,639	21,185,811
Lease incentive	12	<u>409,884</u>	<u>474,730</u>
Total Non-Current Assets		<u>23,089,655</u>	<u>22,464,367</u>
TOTAL ASSETS		<u>120,079,751</u>	<u>114,723,806</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	13	3,464,423	3,205,607
Provisions	14	3,667,761	3,007,636
Income in advance	15	25,974,797	24,367,227
Government grants received in advance		5,650,739	6,422,884
Funds held on behalf of others	16	<u>8,109,245</u>	<u>7,344,592</u>
Total Current Liabilities		<u>46,866,965</u>	<u>44,347,946</u>
Non-Current Liabilities			
Provisions	17	<u>774,674</u>	<u>791,421</u>
Total Non-Current Liabilities		<u>774,674</u>	<u>791,421</u>
TOTAL LIABILITIES		<u>47,641,639</u>	<u>45,139,367</u>
NET ASSETS		<u>72,438,112</u>	<u>69,584,439</u>
COLLEGE FUNDS AND RESERVES			
Retained surplus		70,873,328	68,205,701
Foreign currency translation reserve		137,759	171,830
Investment earnings reserve		1,427,025	1,206,908
TOTAL COLLEGE FUNDS AND RESERVES		<u>72,438,112</u>	<u>69,584,439</u>

Notes to and forming part of the financial statements are included on pages 17 to 29

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Retained Surplus	Foreign Currency Translation Reserve	Investment Earnings Reserve	Total College Funds and Reserves
	\$		\$	\$
At 1 January 2014	60,312,823	173,028	2,776,642	63,262,493
Surplus for the year	6,323,144	-	-	6,323,144
Other comprehensive loss	-	(1,198)	-	(1,198)
Surplus / (deficit) to reserve	(730,266)	-	730,266	-
Transfer in / (out) from reserve	2,300,000	-	(2,300,000)	-
At 31 December 2014	68,205,701	171,830	1,206,908	69,584,439
Surplus for the year	2,887,744	-	-	2,887,744
Other comprehensive loss	-	(34,071)	-	(34,071)
Surplus / (deficit) to reserve	(220,117)	-	220,117	-
At 31 December 2015	70,873,328	137,759	1,427,025	72,438,112

Notes to and forming part of the financial statements are included on pages 17 to 29

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		\$	\$
Operating activities			
Subscriptions and entrance fees		14,920,893	13,732,439
Training, examination and assessment fees		25,220,410	22,411,574
Sponsorship and donations		4,531,045	2,776,000
Conference registrations		1,696,277	3,197,798
Property rental and recoveries		903,842	1,050,753
Project income and associated fees		16,783,173	18,486,493
Interest income		74,032	34,342
Other income		1,636,684	218,451
Payments to suppliers and employees		(60,659,356)	(56,662,810)
Net cash flows from operating activities	6	<u>5,107,000</u>	<u>5,245,040</u>
Investing activities			
Net movement from investment securities		(226,687)	(3,112,835)
Payments for property plant and equipment		(3,574,594)	(1,815,044)
Net proceeds from sale – fixed assets		33,415	506,655
Net cash flows used in investing activities		<u>(3,767,866)</u>	<u>(4,421,224)</u>
Net increase in cash and short-term deposits		<u>1,339,134</u>	<u>823,816</u>
Cash and short-term deposits at 1 January 2015		<u>16,366,097</u>	<u>15,542,281</u>
Cash and short-term deposits at 31 December 2015		<u><u>17,705,231</u></u>	<u><u>16,366,097</u></u>

Notes to and forming part of the financial statements are included on pages 17 to 29

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

1. CORPORATE INFORMATION

The financial report of the Royal Australasian College of Surgeons for the year ended 31 December 2015 was authorised for issue in accordance with a resolution of Council on 26 February 2016.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

(b)(i) Statement of Compliance

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

For the purposes of preparing the financial statements, the College is a not-for-profit entity. The financial statements were authorised for issue by the directors on 26 February 2016.

(b)(ii) New Accounting Standards and Interpretations

Changes in accounting policy and disclosures

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

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments – adoption date – 1 January 2015
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality* – adoption date – 1 July 2015

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

Accounting standards issued but not yet effective

- AASB 9 Financial Instruments – application date - 1 January 2018
- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASN 138) – application date - 1 January 2016
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle – application date – 1 January 2016
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendment to AASB 101 – application date – 1 January 2016
- AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities – application date – 1 July 2016

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- AASB 2015-7 AASB 2015-6 Amendments to Australian Accounting Standards – Fair Value Disclosures to Not-for-Profit Public Sector Entities – application date – 1 July 2016
- IFRS 16 Leases – application date 1 January 2019

(c) Investments

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

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

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

(d) Foreign Currency Translation

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

Transactions in foreign currencies are initially recorded at their respective currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

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

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

As at the reporting date, the assets and liabilities of the New Zealand National Office are translated into the presentation currency of the College at the rate of exchange ruling at the balance sheet date and the Statement of Comprehensive Income is translated using the exchange rates ruling at the date of the transaction.

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

(e) Property, Plant and Equipment

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

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

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

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

Impairment

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

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

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(f) Inventories

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

(g) Employee Benefits

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

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

(h) 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) 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.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Revenue recognition

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

- Subscriptions, Fees and Sponsorship
Revenue is recognised when at the reporting date the stage of completion of the transaction can be reliably measured and the costs incurred for the transaction and costs to complete for the transaction can be measured reliably.
- College Projects (refer note 2 (k))
Revenue from projects is recognised by reference to the stage of completion. Stage of completion is measured by reference to costs incurred to date as a percentage of total cost to completion for each project. When the project outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.
- Rental Income
Rental income arising on College properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.
- Interest
Revenue is recognised as the interest accrues.

(k) Government Grants Received in Advance

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

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

(l) 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.

(m) 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.

(n) Cash and Short-term Deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of generally 6 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(o) 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.

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

Significant accounting judgements

Impairment of 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.

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 2015

4. REVENUES AND EXPENSES	<u>2015</u>	<u>2014</u>
	\$	\$
(a) Revenue		
Subscriptions and entrance fees	14,093,989	13,890,913
Training, examination and assessment fees	23,470,755	21,701,850
Sponsorship and donations	4,556,428	2,707,650
Contribution (in kind sponsorship)	180,000	180,000
Conference registrations	1,721,915	3,422,789
Property rental and recoveries	974,742	1,026,882
Project income and management fees	17,878,470	18,901,244
Bank account interest	74,032	34,342
Advertising, royalties and rebates	438,069	472,785
Income from investments	3,106,674	3,856,961
Other	465,232	755,152
Total	<u>66,960,306</u>	<u>66,950,568</u>
(b) Expenditure		
Travel and accommodation costs		
- Skills training courses	1,117,630	1,064,075
- Examinations	1,118,668	1,000,490
- Externally funded projects – domestic & international	1,111,887	1,275,160
- Other	1,971,035	2,196,168
Total	<u>5,319,220</u>	<u>5,535,893</u>
Facilities hire and catering costs		
- Skills training courses	1,322,879	1,331,742
- Annual scientific congress	749,558	1,765,760
- Other	1,255,653	1,094,291
Total	<u>3,328,090</u>	<u>4,191,793</u>
Annual accounts audit – Ernst & Young	58,160	56,274
Project audits – Ernst & Young	19,770	15,087
Internal audits – Protiviti	76,955	68,400
Increase to provisions for employee entitlements	247,521	235,924
(c) Personnel Costs		
Wages and salaries expense	18,742,540	17,511,867
Workers' compensation costs	83,095	86,731
Superannuation costs	1,685,561	1,552,047
Other staffing costs	1,304,916	1,195,061
Total	<u>21,816,112</u>	<u>20,345,706</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

5. REVENUE AND EXPENDITURE BY FUNCTION	<u>2015</u> \$	<u>2014</u> \$
Revenue		
College operations	42,714,531	40,743,253
College projects	17,608,230	18,508,072
Foundation	6,637,545	7,699,243
Total Revenue	<u>66,690,306</u>	<u>66,950,568</u>
Expenditure		
College operations	43,057,186	40,218,466
College projects	18,250,534	18,597,850
Foundation	2,764,842	1,811,108
Sub-Total	<u>64,072,562</u>	<u>60,627,424</u>
Foreign currency translation	34,071	1,198
Total Expenditure	<u>64,106,633</u>	<u>60,628,622</u>
Surplus / (Deficit)		
College operations	(342,655)	524,787
College projects	(642,304)	(89,778)
Foundation	3,872,703	5,888,135
Sub-Total	<u>2,887,744</u>	<u>6,323,144</u>
Foreign currency translation	(34,071)	(1,198)
TOTAL SURPLUS	<u>2,853,673</u>	<u>6,321,946</u>
Investment Portfolio – included in revenue above		
Income from investments	<u>3,106,674</u>	<u>3,856,961</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

6. CASH AND SHORT-TERM DEPOSITS	<u>2015</u>	<u>2014</u>
	\$	\$
Cash at bank and in hand	5,874,985	4,422,086
Funds at call	<u>11,830,246</u>	<u>11,944,011</u>
	<u>17,705,231</u>	<u>16,366,097</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 \$17,705,231 (2014: \$16,366,097)

Reconciliation from the surplus to the net cash flows from operations

Operating Surplus	2,853,673	6,321,946
Adjustments to reconcile surplus to net cash flows:		
Depreciation of non-current assets	2,473,788	2,302,257
Net (increase) in carrying value of investments	(2,127,504)	(4,368,916)
Disposal of non-current assets	331,563	802,124
Amortisation	64,846	64,846
Operating leases	460,703	-
Doubtful debts expense	9,229	99,854
Investing activities: net proceeds from sale – property	-	(506,655)
Changes in assets and liabilities:		
(Increase) / decrease in receivables	380,572	(706,577)
(Increase) / decrease in prepayments and other assets	(616,786)	1,622,274
Increase / (decrease) in trade & other payables	258,816	(192,722)
Increase / (decrease) in provisions	182,675	(578,073)
Increase / (decrease) in income in advance	<u>835,425</u>	<u>384,682</u>
Net cash flows from operating activities	<u>5,107,000</u>	<u>5,245,040</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. TRADE AND OTHER RECEIVABLES (CURRENT)	<u>2015</u>	<u>2014</u>
	\$	\$
Subscriptions, fees and levies	8,444,372	8,126,347
Training, examination and assessment fees	5,887,892	7,166,225
Conference registrations	139,372	89,643
College projects – work in progress	940,450	617,298
Other sundry debtors	<u>2,463,520</u>	<u>2,313,885</u>
	17,875,606	18,313,398
Provision for doubtful debts	<u>(3,511)</u>	<u>(97,196)</u>
Trade and other receivables (current)	<u>17,872,095</u>	<u>18,216,202</u>
Provision for doubtful debts movement		
Provision balance as at beginning of year	97,196	3,716
Amount provided for during the year	9,035	99,854
Amount written off during the year	<u>(102,720)</u>	<u>(6,374)</u>
Provision balance as at end of year	<u>3,511</u>	<u>97,196</u>
8. INVENTORIES	<u>2015</u>	<u>2014</u>
	\$	\$
Finished goods at cost	<u>248,594</u>	<u>181,907</u>
Total inventories	<u>248,594</u>	<u>181,907</u>
9. HELD FOR TRADING FINANCIAL ASSETS	<u>2015</u>	<u>2014</u>
	\$	\$
At fair value		
Domestic equities	39,311,538	38,912,861
International equities	5,875,237	4,732,019
Domestic fixed interest	<u>13,893,958</u>	<u>12,317,009</u>
	<u>59,080,733</u>	<u>55,961,889</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

10. TRADE AND OTHER RECEIVABLES (NON-CURRENT)	<u>2015</u>	<u>2014</u>
	\$	\$
Fellowship entrance fees (due 2 to 5 years)	678,132	743,826
Loans to Fellows	80,000	60,000
	<u>758,132</u>	<u>803,826</u>

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

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Plant and Equipment (incl WIP)	Treasures, Gordon Craig Library and Great Mace	Project & Low Value Equipment	TOTAL
	\$	\$	\$	\$	\$	\$
Cost						
At 31 December 2014	4,201,105	18,321,279	16,725,020	326,807	4,391,944	43,966,155
Additions	-	-	3,334,699	-	239,895	3,574,594
Disposals	-	-	(1,753,400)	-	-	(1,753,400)
At 31 December 2015	<u>4,201,105</u>	<u>18,321,279</u>	<u>18,306,319</u>	<u>326,807</u>	<u>4,631,839</u>	<u>45,787,349</u>
Depreciation and impairment						
At 31 December 2014	-	5,147,395	13,241,005	-	4,391,944	22,780,344
Depreciation charge for the year	-	452,068	1,781,825	-	239,895	2,473,788
Disposals	-	-	(1,388,422)	-	-	(1,388,422)
At 31 December 2015	<u>-</u>	<u>5,599,463</u>	<u>13,634,408</u>	<u>-</u>	<u>4,631,839</u>	<u>23,865,710</u>
Net Book Value						
At 31 December 2015	<u>4,201,105</u>	<u>12,721,816</u>	<u>4,671,911</u>	<u>326,807</u>	<u>-</u>	<u>21,921,639</u>
At 31 December 2014	<u>4,201,105</u>	<u>13,173,884</u>	<u>3,484,015</u>	<u>326,807</u>	<u>-</u>	<u>21,185,811</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

12. LEASE INCENTIVE (NON-CURRENT)	<u>2015</u> \$	<u>2014</u> \$
Lease incentive – net of amortised expense - Queensland	195,000	225,000
Lease incentive – net of amortised expense - New South Wales	<u>214,884</u>	<u>249,730</u>
Lease incentive – net of amortised expense	<u>409,884</u>	<u>474,730</u>
13. TRADE AND OTHER PAYABLES (CURRENT)	<u>2015</u> \$	<u>2014</u> \$
Trade payables	2,280,397	1,476,063
Other payables	943,462	1,249,725
Net external conferences monies held	<u>240,564</u>	<u>479,819</u>
	<u>3,464,423</u>	<u>3,205,607</u>
14. PROVISIONS (CURRENT)	<u>2015</u> \$	<u>2014</u> \$
Employee benefits		
Annual leave	1,077,539	1,063,187
Leave in lieu	80,016	90,599
Long service leave (note 17)	<u>2,049,503</u>	<u>1,853,850</u>
	<u>3,207,058</u>	<u>3,007,636</u>
Operating leases		
Operating leases	<u>460,703</u>	<u>-</u>
	<u>3,667,761</u>	<u>3,007,636</u>
15. INCOME IN ADVANCE	<u>2015</u> \$	<u>2014</u> \$
Subscriptions billed in advance	13,909,510	12,821,046
Examination entry and annual training fees billed in advance	11,291,352	10,823,540
Annual scientific conference fees billed in advance	736,013	711,922
Other fees billed in advance	<u>37,922</u>	<u>10,719</u>
	<u>25,974,797</u>	<u>24,367,227</u>
16. FUNDS HELD ON BEHALF OF OTHERS	<u>2015</u> \$	<u>2014</u> \$
Funds held on behalf of other surgical societies and groups	8,109,245	7,344,592

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

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

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

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

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

17. PROVISIONS (NON-CURRENT)	<u>2015</u>	<u>2014</u>
	\$	\$
Employee Benefits		
Long service leave (note 14)	364,790	316,691
Operating Leases – Incentives		
Queensland lease incentive – net of drawdown	195,000	225,000
New South Wales lease incentive – net of drawdown	<u>214,884</u>	<u>249,730</u>
	<u>774,674</u>	<u>791,421</u>

18. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

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

The 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:

(i) Commercial Lease Commitments	<u>2015</u>	<u>2014</u>
	\$	\$
Within one year	239,534	432,365
After one year but not more than five years	140,304	379,838
After more than five years	-	-
Total minimum lease payments	<u>379,838</u>	<u>812,203</u>
(ii) Property Lease Commitments	<u>2015</u>	<u>2014</u>
	\$	\$
Within one year	1,301,222	1,092,974
After one year but not more than five years	5,606,697	3,079,944
After more than five years	<u>2,405,944</u>	<u>1,917,061</u>
Total minimum lease payments	<u>9,313,863</u>	<u>6,089,979</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

19. EVENTS AFTER BALANCE SHEET DATE

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

20. RELATED PARTY TRANSACTIONS

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

	<u>2015</u>	<u>2014</u>
	\$	\$
Expert Advisory Group		
- Mr G Campbell	3,560	-
- Hon R Knowles	5,355	-
Mortality Audit Projects		
- Associate Professor S Tobin	300	-
- Professor D A Watters	300	600
- Professor M J Grigg	-	300
- Professor J Smith	-	300
- Mr S Williams	-	300
	<u>9,515</u>	<u>1,500</u>

21. 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>2015</u>	<u>2014</u>
	\$	\$
Total compensation to key management personnel	3,288,168	3,231,613

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

ACFID CODE OF CONDUCT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Information to be provided under the ACFID Code of Conduct

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

INCOME STATEMENT

For the year ended 31 December 2015

International Aid and Development Programs

	<u>2015</u>	<u>2014</u>
	\$	\$
REVENUE		
Donations and gifts – monetary	428,962	200,470
Donations and gifts – non-monetary	-	-
Bequests and legacies	-	-
Grants – Australian - Department of Foreign Affairs and Trade – formally AusAID	3,496,211	3,941,783
Grants – Other Australian	338,973	255,894
Grants – Other Overseas	-	-
Investment income	570,570	700,608
Other income – International programs	181,521	87,374
Revenue for international political or religious proselytisation program	-	-
Other income – all other College activities	<u>61,944,069</u>	<u>61,764,439</u>
Total Revenue	<u>66,960,306</u>	<u>66,950,568</u>
EXPENDITURE		
International Aid and Development Programs		
International Programs		
Funds to international programs	1,106,979	1,169,658
Other international program costs	2,516,283	2,454,186
Program support costs	790,169	840,024
Community education	-	-
Fundraising costs		
Public	-	-
Government, multilateral and private	-	-
Accountability and administration	145,819	118,454
Non-monetary expenditure	-	-
Expenses for international political or religious proselytisation program	-	-
Other expenditure – all other College activities	<u>59,547,383</u>	<u>56,046,300</u>
Total Expenditure	<u>64,106,633</u>	<u>60,628,622</u>
TOTAL ENTITY POSITION	<u>2,853,673</u>	<u>6,321,946</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

ACFID CODE OF CONDUCT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

SUMMARY OF CASH MOVEMENTS

For the year ended 31 December 2015	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	1,105,234	4,092,723	4,439,606	758,351
International Scholarships provided by the College from bequest funds	6,957,851	429,654	396,356	6,991,149
Foundation – International Projects	2,706,319	724,947	436,975	2,994,291
Other – Domestic Operations	5,596,693	58,562,411	57,197,664	6,961,440
Total	<u>16,366,097</u>	<u>63,809,735</u>	<u>62,470,601</u>	<u>17,705,231</u>

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		\$	\$
ASSETS			
Current Assets			
Cash and short-term deposits	6	17,705,231	16,366,097
Trade and other receivables	7	17,872,095	18,216,202
Inventories	8	248,594	181,907
Prepayments		2,083,443	1,533,344
Held for trading financial assets	9	<u>59,080,733</u>	<u>55,961,889</u>
Total Current Assets		<u>96,990,096</u>	<u>92,259,439</u>
Non-Current Assets			
Trade and other receivables	10	758,132	803,826
Property, plant and equipment	11	21,921,639	21,185,811
Lease incentive	12	<u>409,884</u>	<u>474,730</u>
Total Non-Current Assets		<u>23,089,655</u>	<u>22,464,367</u>
TOTAL ASSETS		<u>120,079,751</u>	<u>114,723,806</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

ACFID CODE OF CONDUCT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

STATEMENT OF FINANCIAL POSITION (continued)

For the year ended 31 December 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		\$	\$
LIABILITIES			
Current Liabilities			
Trade and other payables	13	3,464,423	3,205,607
Provisions	14	3,667,761	3,007,636
Income in advance	15	25,974,797	24,367,227
Government grants received in advance		5,650,739	6,422,884
Funds held on behalf of others	16	<u>8,109,245</u>	<u>7,344,592</u>
Total Current Liabilities		<u>46,866,965</u>	<u>44,347,946</u>
Non-Current Liabilities			
Provisions	17	<u>774,674</u>	<u>791,421</u>
Total Non-Current Liabilities		<u>774,674</u>	<u>791,421</u>
TOTAL LIABILITIES		<u>47,641,639</u>	<u>45,139,367</u>
NET ASSETS		<u>72,438,112</u>	<u>69,584,439</u>
COLLEGE FUNDS AND RESERVES			
Retained surplus		70,873,328	68,205,701
Foreign currency translation reserve		137,759	171,830
Investment earnings reserve		<u>1,427,025</u>	<u>1,206,908</u>
TOTAL COLLEGE FUNDS AND RESERVES		<u>72,438,112</u>	<u>69,584,439</u>

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	<u>Retained Surplus</u>	<u>Foreign Currency Translation Reserve</u>	<u>Investment Earnings Reserve</u>	<u>Total College Funds and Reserves</u>
	\$		\$	\$
At 1 January 2014	60,312,823	173,028	2,776,642	63,262,493
Surplus for the year	6,323,144	-	-	6,323,144
Other comprehensive loss	-	(1,198)	-	(1,198)
Surplus / (deficit) to reserve	(730,266)	-	730,266	-
Transfer in / (out) from reserve	2,300,000	-	(2,300,000)	-
At 31 December 2014	68,205,701	171,830	1,206,908	69,584,439
Surplus for the year	2,887,744	-	-	2,887,744
Other comprehensive loss	-	(34,071)	-	(34,071)
Surplus / (deficit) to reserve	(220,117)	-	220,117	-
At 31 December 2015	70,873,328	137,759	1,427,025	72,438,112