

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

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

**FINANCIAL REPORT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2006**

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## ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

### REPORT FROM THE HONORARY TREASURER TO FELLOWS

**The Financial Report for the year ended 31 December 2006 is presented together with the Auditor's Report to the College for 2006.**

It is my pleasure to present this report and highlight the sound financial position of the College.

#### **Income Statement**

Total revenue in 2006 was \$36,017k compared to \$34,301k in 2005 while expenditure was \$33,211k compared to \$30,904k in 2005. This has resulted in an overall surplus of \$2,807k compared to \$3,397k in 2005.

The College Investment Portfolio is managed by the Investment Committee and in 2006 their endeavours resulted in an above market return of 19.2%. The College holds certain trust funds in the investment portfolio in the names of specialist societies who share in these returns.

The College has four distinct functions by which its activities are managed and reported.

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

In 2006, this revenue amounted to \$24,455k compared to \$22,391k in 2005 while expenditure was \$25,975k compared to \$24,559 in the previous year.

Overall, the deficit relating to operational activities for 2006 was \$1,520k compared to a deficit of \$2,168k in 2005. This includes a significant ongoing investment in our educational and training infrastructure which will continue with the implementation of the Surgical Education and Training program (SET).

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

The College is responsible for managing research, aid and audit projects with a total life value in excess of \$42 million. These projects include ASERNIP-S, Pacific Islands Project III, Papua New Guinea Tertiary Health Service III, East Timor Specialist Services, Nusa Tenggara Timur Specialist Services, Medical Equipment Maintenance Program to the Pacific and Mortality Audits. It is anticipated that all deliverables will be achieved within the requirements of the project contracts.

In 2006, project revenue amounted to \$7,119k compared to \$6,337k in 2005 and expenditure was \$6,763k compared to \$5,902k in 2005 resulting in a surplus of \$356k compared to \$435k in 2005.

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

A number of these activities do not completely cover their overheads and are therefore cross subsidised by the College and in 2006 this subsidy was \$471k.

**Scholarships and Research Grants** of \$456k are funded from College investments committed to this purpose and in addition RACS scholarships of \$543k are funded from College operations giving a total commitment for scholarships of \$999k.

The investment return of 19.2% on the committed bequest funds of \$11 million and donations of \$73k resulted in revenue of \$2,380k in 2006 compared to \$2,563k in 2005. These returns will ensure the continuation of scholarships in accordance with the conditions of the bequests. Expenditure was \$456k compared to \$411k in 2005. Overall, the surplus for 2006 was \$1,924k compared to \$2,152k in 2005.

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

Revenue for 2006 was \$2,063k compared to \$3,010k in 2005 while expenditure was \$16k in 2006 compared to \$32k in 2005. Overall, the surplus for 2006 was \$2,047k compared to \$2,978k in 2005.

## **ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

### **REPORT FROM THE HONORARY TREASURER TO FELLOWS**

#### **Highlights – 2006**

- Revenue from Subscriptions, Fees & Levies of \$7,799k compared to \$7,623k received in 2005.
- Investment returns for the College Investment portfolio of 19.2% in 2006 continue to meet or exceed market performance.
- Examination & Training Fees generated \$12,408k compared to \$11,013k in 2005. This increase reflects the increase in trainee numbers and approved fee increases.
- Personnel costs and consultancy fees remain the dominant expenses relating to the College activities and were \$13,962k compared with \$12,995k in 2005. Overall increases for this expenditure on College projects were \$639k which was supported by project funding. Operational increases of \$328k related to increased activities across most key areas of College activities.
- In 2006 Research and Education scholarships contribution from College operations was \$567k compared to \$560k in 2005. In addition, Bequest scholarships, funded from income earned by bequest funds, was \$432k compared to \$357k in 2005.

#### **Balance Sheet**

The Balance Sheet shows that College Funds and Reserves have increased by 7.2% to \$41,535k.

Key movements in assets included a decrease in cash and cash equivalents of \$3,534k offset by increases in investments held for trading of \$4,460 and trade and other receivables of \$2,771k. There was an increase in current liabilities of \$1,114k which has been offset by a reduction in interest bearing loans of \$1,000k.

Investment funds held by the College amount to \$27,890k of which \$21,810k relates to bequests, funds held for societies and associations, projects and the Foundation for Surgery. The Investment Reserve of \$4,978k includes revenue from investment returns on uncommitted funds in the investment portfolio. These returns are set aside for future developments as approved by Council.

#### **Cash Flow Statement**

The Cash Flow statement indicates a positive cash flow for 2006 provided by operating activities of \$306k and a net decrease in cash held of \$3,534k from 2005 represented by a pay down of commercial bills of \$1,000k, acquisition of fixed assets of \$1,110k and acquisitions of investment of \$1,731k.

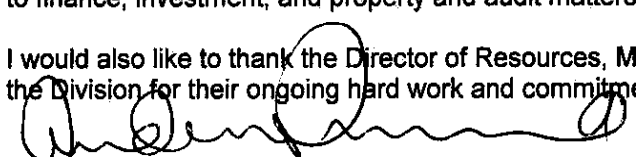
The current activities and reporting structure continue to improve the administration and management of the College.

**In summary** this sound financial position has enabled:

- The development of the new SET Program for implementation in 2007 and 2008.
- The support for the funding of the Investment Reserve which now totals \$4,978k.
- Annual increases in Fellows' subscriptions and fees being held at the level of the CPI.
- The reduction in borrowings for the East Wing loan from \$4,000k to \$3,000k in 2006.
- Investment in infrastructure (particularly IT web development and applications) to enable better levels of service and support be provided to Trainees and Fellows.
- Refurbishment and renovation of College properties to improve utilisation and availability of resources, especially in the regional offices.

In closing I would like to acknowledge the services of our Honorary Advisers for which the College remains indebted. I would like to thank Mr Anthony Lewis (Audit & Finance), Mr Robert Milne (Property), Mr Doug Oldfield OAM (Finance), Mr Brian Randall (Investment) and Mr Ken Welfare (Investment) for their generous and valued support during the year. The College Solicitor, Mr Michael Gorton AM continues to provide invaluable support in legal and governance matters to the College and Mr Graeme Hope of Goldman Sachs JB Were continues to provide excellent service in the management of our investment portfolio. The College is extremely grateful to all our Honorary Advisers for their wise counsel and support in relation to finance, investment, and property and audit matters.

I would also like to thank the Director of Resources, Mr Ian T Burke, and all the management and staff of the Division for their ongoing hard work and commitment in support of my role.

  
**Andrew D Sutherland**  
Honorary Treasurer  
22 February 2007

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**COUNCILLORS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

The Councillors of the Royal Australasian College of Surgeons submit herewith the Annual Financial Report of the College for the year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the Councillors report as follows:

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

During the year three Council Meetings and eight Executive Committee Meetings were held and the number of meetings attended by each Councillor is noted below.

		<b><u>Number of meetings attended</u></b>		<b><u>Number of meetings eligible to attend</u></b>	
		<b><u>Council</u></b>	<b><u>Executive</u></b>	<b><u>Council</u></b>	<b><u>Executive</u></b>
President	Russell William Stitz	3	8	3	8
Vice President	Stephen Arthur Deane	3	7	3	8
Censor-in-Chief (from May)	Ian Ronald Gough	3	7	3	8
Honorary Treasurer	Andrew Darcy Sutherland	3	8	3	8
General Elected Members of Council:					
	Robert Neville Atkinson	2	-	3	-
	Ross Douglas Blair	3	-	3	-
	Ian Donald Civil	3	3	3	4
	Patricia Margaret Davidson	3	1	3	1
	Ian Carnegie Dickinson	3	8	3	8
	John Campbell Graham	2	-	3	-
	Michael John Hollands	2	-	2	-
	Guy John Maddern	3	1	3	1
	Jenepher Ann Martin	3	3	3	4
	James Francis Powell	2	-	2	-
	Ivan John Thompson	3	-	3	-
	Bruce Philip Waxman	3	-	3	-
Specialty Elected Members of Council:					
	Robert John Black	3	4	3	4
	Mark Gordon Edwards	3	-	3	-
	Anthony Eric Hardy	3	-	3	-
	Glenn Anthony McCulloch	3	-	3	-
	Errol John Maguire	3	-	3	-
	Hugh Charles Martin	2	3	3	4
	Keith Louis Anthony Mutimer	3	4	3	4
	Helen Elizabeth O'Connell	3	2	3	4
	Peter William Woodruff	2	-	2	-
Co-Opted Members of Council:					
	Geoffrey Davies	3	-	3	-
	Anand Shanker Dixit	2	-	2	-
	Michael Anthony Sexton	2	-	2	-

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

Patrick Arthur Dewan	1	-	1	-
Michael John Grigg	1	-	1	-

## ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

### COUNCILLORS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

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

**Dr Russell William Stitz**, MBBS, FRCS (Eng), FRACS  
Colo-rectal Surgeon

**Professor Stephen Arthur Deane**, MBBS, FRACS, FRCSC, FACS  
Professor of Surgery, School of Medicine & Population Health, University of Newcastle; Clinical Chair, Division of Surgery, John Hunter Hospital, Newcastle; Member International Relations Committee, American College of Surgeons.

**Professor Ian Ronald Gough**, MBBS, MD(Qld), MRCP(UK), FRCS(Ed), FRACS, FACS  
Professor of Surgery University of Queensland; President Societe Internationale de Chirurgie (Australian Chapter); Head of Endocrine Surgery, Royal Brisbane and Womens' Hospitals.

**Mr Andrew Darcy Sutherland**, MBBS, FRCSC, FRACS, GradDip BA (Adel)  
Senior Visiting Orthopaedic Surgeon, Divisional Director, Division of Paediatric Surgery, Women's & Children's Hospital Adelaide; Director, Orthopaedics SA Pty Ltd.

**Dr Robert Neville Atkinson** RFD, MBBS, MA, DCH, FRACS, FAOrthA, MRACMA,  
Brigadier – Emeritus Consultant in Military Surgery to the ADF; Head of Department, Orthopaedics & Trauma, Modbury Public Hospital (SA), Clinical Associate Professor, University of Adelaide.

**Mr Ross Douglas Blair, ED**, MBChB, FRACS, FACS  
Thoracic Vascular Surgeon Hamilton NZ, Governor Australian and New Zealand Chapter American College of Surgeons.

**Mr Ian Donald Shepherd Civil**, MBE, OStJ, ED., BSc, MBChB, FRACS, FACS  
Director of Trauma Services, Auckland City Hospital; Member of Northern Regional Trust Board, Order of St John :Trustee, Auckland District Health Board Charitable Trust; Associate Editor, International Journal for Injury Care; Member Medical Practitioners Disciplinary Tribunal, Member of the Health Practitioner Disciplinary Tribunal.

**Professor Patricia Margaret Davidson**, MD, FRACS, FRCS (Glasgow), FRCP (UK)  
Paediatric Surgeon and Professor Faculty of Health, University of Newcastle; Area Director, Kaleidoscope, Hunter Children's Health Network.

**Mr Ian Carnegie Dickinson**, MBBS, FRACS, FAOrthA  
Senior Orthopaedic Surgeon, Princess Alexandra Hospital; Director, Australian Orthopaedic Association; Trustee, Qld Orthopaedic Research Trust; Associate Professor of Surgery, University of Queensland.

**Mr John Campbell Graham**, MBBS, FRACS  
Vascular Surgeon, Lismore NSW

**Mr Michael John Hollands**, FRACS, MBBS  
General Surgeon

**Professor Guy John Maddern**, MBBS, PhD, MS, MD, FRACS  
R.P. Jepson Professor of Surgery, University of Adelaide, Director, Division of Surgery, The Queen Elizabeth Hospital, Director, Basil Hetzel Institute,; Surgical Director, ASERNIP-S,; President, Surgical Research Society of Australasia, Vice-President, Australian Patient Safety Foundation,.

**Associate Professor Jenepher Ann Martin**, MBBS, MS, MEd, FRACS  
Consultant General Surgeon, Austin Health, Vic. Associate Professor, Centre for Medical and Health Sciences Education, Monash University.

## **ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

### **COUNCILLORS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

**James Francis Powell, MBBS, FRACS**  
Orthopaedic Surgeon

**Mr Ivan John Thompson, MBBS, FRACS**  
General Surgeon

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

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

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

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

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

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

**Mr Anthony Eric Hardy, MBChB, FRACS**

Clinical Director Orthopaedic Surgery, Auckland Hospital.

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

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

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

Part-time Senior Staff Consultant, Gold Coast Hospital, Southport..

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

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

**Mr Keith Louis Anthony Mutimer, MBBS, FRACS**

Plastic & Reconstructive Surgeon

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

Urologist, Royal Melbourne and Melbourne Private Hospitals.

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

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

**The Hon Geoffrey Davies, AO, LLB**

**Mr Anand Dixit, MBBS, FRACS**

Cardiothoracic Surgeon; Director of Surgery Royal Hobart Hospital.

## **ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

### **COUNCILLORS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

**Mr Michael Anthony Sexton**, MBCHB, FRACS  
General Surgeon

**Professor Patrick Arthur Dewan**, PhD, MD, MS, MMedSc, FRCS, FRACS  
Chairman, Kind Cuts for Kids Foundation; Head, Paediatric Surgery, Sunshine Hospital.

**Professor Michael John Grigg**, FRACS  
Professor of Surgery, Monash University; Director of Surgical Services, Eastern Health, Melbourne.

#### **Chief Executive Officer**

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

3. The principal activities of the College in the course of the year were promoting the study of the science and art of surgery and clinical and scientific research. During the year there was no significant change in the nature of those activities.
4. The net surplus as shown in the Income Statement of the College for the year was \$2,806,577 (2005: \$3,397,451). The College is a company limited by guarantee which has no share capital and is prohibited by its constitution from paying dividends.
5. During the year, there was no significant change in the College's state of affairs other than that referred to in the financial statements or notes thereto.
6. There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the College's operations, the results of those operations, or the College's state of affairs in future financial years.
7. During the year the College paid a premium in respect of a contract insuring the Councillors and Officers of the College against a liability incurred as a Councillor or Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.
8. The College has not otherwise, during or since the year end, indemnified or agreed to indemnify an officer or auditor of the College or of any related body corporate against a liability incurred as an officer or auditor.



**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**COUNCILLORS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

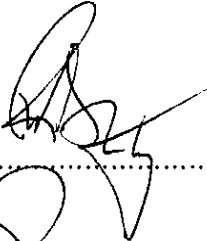
**Auditor's Independence Declaration**

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

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

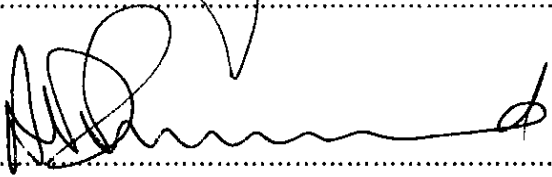
On behalf of the Councillors

R W STITZ



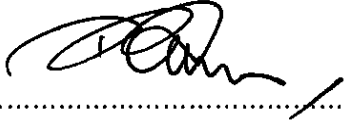
.....  
**President**

A D SUTHERLAND



.....  
**Honorary Treasurer**

D J HILLIS



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

**MELBOURNE  
22 FEBRUARY 2007**

## **Independent audit report to members of Royal Australasian College of Surgeons**

### **Matters relating to the Electronic Presentation of the Audited Financial Report**

This audit report relates to the financial report of Royal Australasian College of Surgeons (the company) for the year ended 31 December 2006 included on the company's web site. The company's councillors are responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of the company's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

### **Scope**

#### *The financial report and councillors' responsibility*

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the councillors' declaration for Royal Australasian College of Surgeons (the company), for the year ended 31 December 2006.

The councillors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit approach*

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the councillors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the councillors and management of the company.

### **Independence**

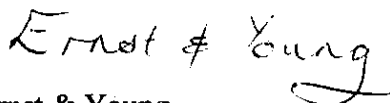
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the councillors of the company a written Auditor's Independence Declaration. In addition to our audit of the financial report,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

### **Audit opinion**

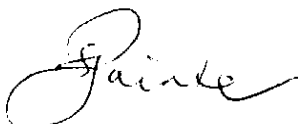
In our opinion:

the financial report of Royal Australasian College of Surgeons is in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of Royal Australasian of Surgeons at 31 December 2006 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



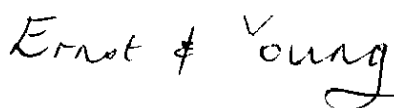
Ernst & Young



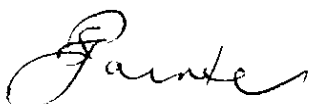
Stuart Painter  
Partner  
Melbourne  
22 February 2007

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

In relation to our audit of the financial report of Royal Australasian College of Surgeons for the financial year ended 31 December 2006, 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



Stuart Painter

Partner

Melbourne

22 February 2007

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**COUNCILLORS DECLARATION**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

The Councillors declare that:

- (a) The attached financial statements and notes thereto comply with Accounting Standards and Corporations Regulations 2001;
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position as at 31 December 2006 and performance for the year then ended of the College;
- (c) In the Councillors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) In the Councillors' opinion, there are reasonable grounds to believe that the College will be able to pay its debts as and when they become due and payable.

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

On behalf of the Councillors.

R W STITZ

.....  
**President**

A D SUTHERLAND

.....  
**Honorary Treasurer**

D J HILLIS

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

**MELBOURNE  
22 FEBRUARY 2007**

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**INCOME STATEMENT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	Note	2006 \$	2005 \$
Revenue from operating activities	4	36,017,254	34,301,383
<b>Expenditure</b>			
Personnel costs		11,665,171	10,344,488
Consultants fees		2,297,204	2,650,913
Telephone, teleconference and audio visual costs		715,791	732,408
Printing, stationery and photocopying		1,435,451	1,318,187
Postage and courier costs		579,232	548,110
Information system costs		680,071	608,566
Travel & accommodation		4,117,806	3,822,958
Associations and Publications		187,075	172,898
Audit, legal and professional fees		418,424	468,211
Bank fees and merchant charges		371,337	458,955
Borrowing costs		515,645	245,882
Rent, rates, power, repairs and other property costs		1,118,180	1,175,618
Insurance		249,597	273,626
Equipment purchases, hire and repairs		556,523	297,089
Training manuals and consumables used in education and field projects		1,047,290	774,327
Scholarships / Fellowships		999,004	917,045
Awards, Grants, Gifts and Prizes		333,549	707,166
Facilities hire and catering costs		2,405,173	1,834,679
Foreign Exchange loss		123,616	137,677
Depreciation and amortisation expense		1,690,238	1,908,714
Specialist Societies Funding and Office Bearers Costs		1,527,739	1,364,264
Doubtful debts expense / (reversal)		(123,507)	(164,399)
Other expenses from operating activities		300,068	306,553
<b>Total Expenditure</b>		<u>33,210,677</u>	<u>30,903,935</u>
<b>Surplus</b>	4	<u>2,806,577</u>	<u>3,397,451</u>

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

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**BALANCE SHEET**

**AS AT 31 DECEMBER 2006**

	<u>Notes</u>	<u>2006</u> \$	<u>2005</u> \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	7,252,351	10,786,783
Trade and other receivables	6	14,756,685	11,823,705
Inventories	7	108,030	90,028
Prepayments		226,160	354,095
Investments held for trading financial assets	8	<u>24,487,346</u>	<u>20,027,618</u>
<b>Total Current Assets</b>		<u>46,830,572</u>	<u>43,082,229</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	24,361,644	24,943,905
Receivables	10	<u>816,594</u>	<u>955,425</u>
<b>Total Non-Current Assets</b>		<u>25,178,238</u>	<u>25,899,330</u>
<b>TOTAL ASSETS</b>		<u>72,008,810</u>	<u>68,981,559</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	17,668,572	17,082,357
Provisions	12	1,177,634	913,822
Government grants received in advance		5,673,957	5,651,254
Funds held on behalf of others	13	<u>2,690,093</u>	<u>2,455,853</u>
<b>Total Current Liabilities</b>		<u>27,210,256</u>	<u>26,103,286</u>
<b>Non-Current Liabilities</b>			
Provisions	14	263,074	149,370
Interest bearing loans and liabilities	15	<u>3,000,000</u>	<u>4,000,000</u>
<b>Total Non-Current Liabilities</b>		<u>3,263,074</u>	<u>4,149,370</u>
<b>TOTAL LIABILITIES</b>		<u>30,473,330</u>	<u>30,252,656</u>
<b>NET ASSETS</b>		<u>41,535,480</u>	<u>38,728,903</u>
<b>COLLEGE FUNDS AND RESERVES</b>			
Retained surplus		36,557,479	34,521,096
Investment earnings Reserve		<u>4,978,001</u>	<u>4,207,807</u>
<b>TOTAL COLLEGE FUNDS AND RESERVES</b>		<u>41,535,480</u>	<u>38,728,903</u>

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

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**CASH FLOW STATEMENT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>Cash Flows from Operating Activities</b>		
Subscriptions and Entrance Fees	7,774,373	8,587,160
Training, Examination and Assessment Fees	11,588,485	12,000,165
Sponsorship and Donations	851,310	1,380,268
Conference Registrations	2,635,196	1,923,268
Property Rental and Recoveries	531,364	371,831
Project Income and Associated Fees	4,558,366	4,824,749
Interest Income	71,166	74,995
Other Income	1,374,788	1,283,279
Payments to suppliers and employees	(28,563,692)	(25,884,986)
Borrowing Costs	(515,645)	(245,882)
<b>Net cash provided by operating activities</b>	<b>5</b> 305,711	<b>4,314,847</b>
<b>Cash flows from financing and investing activities</b>		
Commercial Bill Facility used (repaid)	(1,000,000)	(1,000,000)
Net movement from investment securities	(1,730,590)	1,928,804
Payments for property plant and equipment	(1,109,553)	(1,628,500)
<b>Net cash (used in) financing and investing activities</b>	<b>(3,840,143)</b>	<b>(699,696)</b>
<b>Net increase / (decrease) in cash held</b>	<b>(3,534,432)</b>	<b>3,615,151</b>
<b>Cash at beginning of financial year</b>	<b>10,786,783</b>	<b>7,171,632</b>
<b>Cash at the end of the financial year</b>	<b>5</b> <u>7,252,351</u>	<u>10,786,783</u>

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



**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	<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 2005</b>	33,751,014	1,580,438	35,331,452
Surplus for the year	3,397,451	-	3,397,451
Transfer to reserve	(2,627,369)	2,627,369	-
<b>At 31 December 2005</b>	34,521,096	4,207,807	38,728,903
Surplus for the year	2,806,577	-	2,806,577
Transfer to reserve	(770,194)	770,194	-
<b>At 31 December 2006</b>	36,557,479	4,978,001	41,535,480

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

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

**1. CORPORATE INFORMATION**

The financial report of the Royal Australasian College of Surgeons for the year ended 31 December 2006 was authorised for issue in accordance with a resolution of Council on 22 February 2007.

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

Royal Australasian College of Surgeons, College of Surgeons Gardens, Spring Street, Melbourne Victoria 3000, telephone 03 9249 1200.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for 'Held for trading' financial assets which are measured at market value.

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

**(b) Statement of Compliance**

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

**(c) Investments**

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

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

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

**(d) Foreign Currency Translation**

Both the functional and presentation currency of the Royal Australasian College of Surgeons is Australian dollars (A\$).

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

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

**(d) Foreign Currency Translation (Continued)**

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

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

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

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

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

**(e) Property, Plant and Equipment**

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

	<u>2006</u>	<u>2005</u>
- Buildings	40 years	40 years
- Plant & Equipment	3-6 years	3-6 years

**Impairment**

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

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

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

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

**(f) Inventories**

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

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

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

**(g) Employee Benefits**

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and capable of being measured reliably. Provisions made in respect of annual leave and long service leave expected to be settled within 12 months are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All short-term employee benefits – wages, salaries, annual leave and sick leave for current employees are expected to be utilised within the 12 month period subsequent to balance date and as such have not been discounted to present value.

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

**(h) Borrowing Costs**

Borrowing costs are recognised as an expense when incurred.

**(i) Recoverable Amount of Assets**

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

**(j) Taxation**

**(i) Income Tax**

The College is exempt from income tax as it is considered an income tax exempt charitable entity under Subdivision 50-B of the Income Tax Assessment Act 1997.

**(ii) Other Taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

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

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

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

**(k) Revenue**

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

Subscriptions, Fees, Grants, Sponsorship, Donations

Revenue is recognised when at the reporting date the stage of completion of the transaction can be reliably measured and the costs incurred for the transaction and costs to complete for the transaction can be measured reliably.

College Projects (refer note 2l Government Grants)

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

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

Interest

Revenue is recognised as the interest accrues.

Rental Income

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

**(l) Government Grants Received in Advance**

Funding from the Commonwealth and State Governments are received for a wide range of Projects carried out by the College in the areas of overseas medical aid, rural and regional medicine, trauma, procedural registers and audits of breast cancer, mortality and morbidity. These funds are deferred for activities in future periods.

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

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

**(m) Income in Advance**

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

**(n) Contributions of Assets**

The College receives 'in kind' sponsorship in the form of specific equipment and materials for use in the College's education programmes. These contributions are recognised as income when all the following conditions have been met:

- i. the College obtains control of the contribution
- ii. it is probable economic benefits comprising the contribution will flow to the College
- iii. the amount of the contribution can be reliably measured.

**(o) Interest Bearing Liabilities**

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

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

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

**(p) Cash and Cash Equivalents**

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

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

**(q) Trade and Other Receivables**

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>3. REVENUES AND EXPENSES</b>		
<b>(a) Revenue – Significant Categories</b>		
Subscriptions & Entrance Fees	7,798,840	7,623,389
Training, Examination and Assessment Fees	12,407,626	11,012,853
Sponsorship & Donations	857,698	1,307,473
Contributing (in kind sponsorship)	180,265	180,265
Conference Registrations	2,506,794	1,836,592
Investment Revenue	4,351,258	5,235,697
Property Rental & Recoveries	531,364	371,831
Project Income & Associated Fees	6,934,629	6,338,688
Interest – Other Entities	71,166	74,995
Royalties	58,317	47,965
<b>(b) Expenses - Specified Categories</b>		
Remuneration of Auditors:		
Auditing the financial report – Ernst & Young	47,500	46,700
Assistance with the Implementation of AIFRS	-	16,100
Project audits 2005 and prior	-	83,300
Project audits 2006	15,250	-
Other Services – Ernst & Young	10,663	1,900
Borrowing costs	515,645	245,882
Net transfer to provisions for employee entitlements	769,494	734,671
Loss on sale of property, plant and equipment	183	3,014
Cost of inventories recognised as an expense	220,282	189,847
<b>(c) Employee Benefits Expense</b>		
Wages & Salaries	8,927,656	7,658,095
Workers' Compensation Costs	66,474	69,125
Superannuation Costs	804,088	695,478

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	<u>2006</u> \$	<u>2005</u> \$
<b>4. REVENUE AND EXPENDITURE BY FUNCTION</b>		
<b>Revenue</b>		
College Operations	24,455,242	22,391,331
College Projects	7,119,465	6,337,468
Bequest Scholarships	2,380,020	2,562,633
Foundation and Investment Account	<u>2,062,527</u>	<u>3,009,951</u>
<b>Total Revenue</b>	<u>36,017,254</u>	<u>34,301,383</u>
<b>Expenditure</b>		
College Operations	25,975,476	24,559,114
College Projects	6,763,344	5,902,211
Bequest Scholarships	455,766	410,856
Foundation and Investment Account	<u>16,091</u>	<u>31,751</u>
<b>Total Expenditure</b>	<u>33,210,677</u>	<u>30,903,932</u>
<b>Surplus / (Deficit)</b>		
College Operations	(1,520,234)	(2,167,783)
College Projects	356,121	435,257
Bequest Scholarships	1,924,254	2,151,777
Foundation and Investment Account	<u>2,046,436</u>	<u>2,978,200</u>
<b>Total Surplus / (Deficit)</b>	<u>2,806,577</u>	<u>3,397,451</u>



**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>5. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	1,989,496	2,924,502
Funds at call	<u>5,262,855</u>	<u>7,862,281</u>
	<u>7,252,351</u>	<u>10,786,783</u>

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

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

The fair value of cash and cash equivalents is \$7,252,351 (2005: \$10,786,783).

**Reconciliation of Cash**

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

Cash at bank and in hand	1,989,496	2,924,502
Funds at call	<u>5,262,855</u>	<u>7,862,281</u>
	<u>7,252,351</u>	<u>10,786,783</u>

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

<b>Operating Surplus</b>	2,806,577	3,397,451
Non cash items		
Depreciation of non-current assets	1,690,238	1,908,714
Net (increase) / decrease in carrying value of investments	(2,481,880)	(2,193,379)
Write off of non-current assets	1,576	3,014
Estimated surpluses on projects	(595,773)	(615,108)
Changes in assets and liabilities:		
(Increase) in receivables	(2,932,980)	(1,049,286)
(Increase) / Decrease in inventories	(18,002)	96,055
Decrease in prepayments	127,935	12,907
Decrease in non current receivables	138,831	1,001,990
Increase in trade & other payables	586,215	5,364,354
Increase in current provisions	263,812	271,783
Increase / (Decrease) in Funds held on behalf of other surgical societies	(13,017)	440,018
Increase / (Decrease) in non-current provisions	113,703	(5,834)
Increase / (Decrease) in Government grants	<u>618,476</u>	<u>(4,317,832)</u>
Net cash flow from operating activities	<u>305,711</u>	<u>4,314,847</u>

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	<u>2006</u> \$	<u>2005</u> \$
<b>6. TRADE &amp; OTHER RECEIVABLES (CURRENT)</b>		
Subscriptions, fees & levies in advance	5,007,342	5,799,469
Other sundry debtors	8,772,015	5,827,683
Provision for doubtful debts	(113,302)	(238,383)
College Projects – work in progress	1,090,630	434,936
	<u>14,756,685</u>	<u>11,823,705</u>

Subscriptions, fees and levies in advance are not interest bearing

**7. INVENTORIES**

Finished goods at cost	<u>108,030</u>	<u>90,028</u>
Total inventories at lower of cost and net replacement cost	<u>108,030</u>	<u>90,028</u>

The amount of finished goods at cost recognised as an expense during 2006 was \$220,282 (2005: \$189,847).

**8. INVESTMENTS – HELD FOR TRADING FINANCIAL ASSETS**

At fair value		
Domestic equities	18,418,677	15,364,159
International equities	494,568	-
Property trusts	2,483,287	1,954,994
Domestic fixed interest	2,446,753	1,543,579
International alternatives	644,061	1,164,886
	<u>24,487,346</u>	<u>20,027,618</u>

Interest rate risk exposure is shown on note 16

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

**9. PROPERTY, PLANT AND EQUIPMENT**

	Freehold Land	Buildings	Plant and Equipment (incl WIP)	Treasures , Gordon Craig Library and Great Mace	TOTAL
	\$	\$	\$	\$	\$
<b>Year ended 31 December 2006</b>					
Net Carrying Amount at 1 January 2006	5,665,337	15,762,195	3,189,566	326,807	24,943,905
Additions	-	624,602	484,951	-	1,109,553
Disposals	-	-	(1,576)	-	(1,576)
Depreciation charge for the year	-	(425,425)	(1,264,813)	-	(1,690,238)
Net Carrying Amount at 31 December 2006	<u>5,665,337</u>	<u>15,961,372</u>	<u>2,408,128</u>	<u>326,807</u>	<u>24,361,644</u>
<b>At 1 January 2006</b>					
Cost	5,665,337	16,934,817	10,135,948	326,807	33,062,909
Accumulated depreciation and impairment	-	(1,172,622)	(6,946,382)	-	(8,119,004)
Net Carrying Amount	<u>5,665,337</u>	<u>15,762,195</u>	<u>3,189,566</u>	<u>326,807</u>	<u>24,943,905</u>
<b>At 31 December 2006</b>					
Cost	5,665,337	17,559,420	10,602,474	326,807	34,154,038
Accumulated depreciation and impairment	-	(1,598,048)	(8,194,347)	-	(9,792,394)
Net Carrying Amount	<u>5,665,337</u>	<u>15,961,372</u>	<u>2,408,127</u>	<u>326,807</u>	<u>24,361,644</u>
Depreciation rates used	0%	2.5%	20% 33 <sup>1</sup> / <sub>3</sub> %	0%	

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 2006**

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

	Freehold Land	Buildings	Plant and Equipment (incl WIP)	Treasure s, Gordon Craig Library and Great Mace	TOTAL
	\$	\$	\$	\$	\$
<b>Year ended 31 December 2005</b>					
Net Carrying Amount at 1 January 2005	5,665,337	16,010,345	3,224,644	326,807	25,227,133
Additions	-	171,602	1,456,898	-	1,628,500
Disposals	-	-	(3,014)	-	(3,014)
Depreciation charge for the year	-	(419,752)	(1,488,962)	-	(1,908,714)
Net Carrying Amount at 31 December 2005	<u>5,665,337</u>	<u>15,762,195</u>	<u>3,189,566</u>	<u>326,807</u>	<u>24,943,905</u>
<b>At 1 January 2005</b>					
Cost	5,665,337	16,763,215	8,703,779	326,807	31,459,138
Accumulated depreciation and impairment	-	(752,870)	(5,479,135)	-	(6,232,005)
Net Carrying Amount	<u>5,665,337</u>	<u>16,010,345</u>	<u>3,224,644</u>	<u>326,807</u>	<u>25,227,133</u>
<b>At 31 December 2005</b>					
Cost	5,665,337	16,934,817	10,135,948	326,807	33,062,909
Accumulated depreciation and impairment	-	(1,172,622)	(6,946,382)	-	(8,119,004)
Net Carrying Amount	<u>5,665,337</u>	<u>15,762,195</u>	<u>3,189,566</u>	<u>326,807</u>	<u>24,943,905</u>
Depreciation rates used	0%	2.5%	20% 33 <sup>1</sup> / <sub>3</sub> %	0%	

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

**10. RECEIVABLES (NON-CURRENT)**

	2006	2005
		\$
Fellowship entrance fees (due 1 to 4 years)	716,594	875,425
Loans to Fellows	<u>100,000</u>	<u>80,000</u>
	<u>816,594</u>	<u>955,425</u>

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

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	<u>2006</u>	<u>2005</u>
	\$	\$
<b>11. TRADE AND OTHER PAYABLES (CURRENT)</b>		
Trade payables	1,467,844	966,216
Other payables	1,690,585	1,970,335
Net external conferences monies held	121,757	165,286
Sponsorship & donations billed in advance	313,271	636,021
Subscriptions billed in advance	7,303,190	7,066,105
Examination entry & annual training fees billed in advance	6,771,925	6,278,394
	<u>17,668,572</u>	<u>17,082,357</u>

**12. PROVISIONS (CURRENT)**

Employee benefits

Annual leave (note 14)	836,623	616,663
Long service leave (note 14)	341,011	297,159
	<u>1,177,634</u>	<u>913,822</u>

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

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

	<u>2006</u>	<u>2005</u>
	\$	\$

**13. FUNDS HELD ON BEHALF OF OTHERS (CURRENT)**

Funds held on behalf of other surgical societies and groups	<u>2,690,093</u>	<u>2,455,853</u>
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These funds have been deposited with the College to enable these surgical societies and groups to benefit from the investment returns earned on the College investment portfolio. Investment income is credited to these funds at the investment portfolio return rate less 2% pa. These funds are guaranteed the bank bill rate of return should the investment return fall below the bank bill rate.

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

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	<u>2006</u> \$	<u>2005</u> \$
<b>14. PROVISIONS (NON-CURRENT)</b>		
<b>Employee Benefits</b>		
Long service leave	<u>263,074</u>	<u>149,370</u>
<p>The following table summarises the components of long service leave – non-current recognised in the income statement and the funded status recognised in the balance sheet (Refer notes 2(g) and 12).</p>		
Opening provision balance	149,370	155,204
Amount provided (expensed) during year	<u>113,704</u>	<u>(5,834)</u>
Closing provision balance	<u>263,074</u>	<u>149,370</u>
<p>The aggregate employee benefit liability recognised and calculated in the financial statement is as follows:</p>		
Current (note 12)	1,177,634	913,822
Non-current (note 14)	<u>263,074</u>	<u>149,370</u>
	<u>1,440,708</u>	<u>1,063,192</u>

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	2006 \$	2005 \$
<b>15. INTEREST-BEARING LOANS &amp; BORROWINGS (NON - CURRENT)</b>		
Secured:		
Bank Commercial Bills	<u>3,000,000</u>	<u>4,000,000</u>
Bank Commercial Bills held comprised of:		
Roll Date    Maturity Date    Term Days    Effective Interest Rate		
10/10/2005    10/04/2006    182    5.79%	-	2,500,000
14/11/2005    13/02/2006    91    6.36%	-	1,500,000
9/10/2006    8/01/2007    91    6.51%	1,000,000	-
9/10/2006    8/01/2007    91    6.50%	1,000,000	-
9/10/2006    9/01/2007    92    6.54%	500,000	-
13/11/2006    13/03/2007    120    6.48%	<u>500,000</u>	<u>-</u>
	<u>3,000,000</u>	<u>4,000,000</u>

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

College of Surgeons Gardens, Spring Street Melbourne, VIC

177A Albion St, Surry Hills, NSW

51-54 Palmer Place, North Adelaide, SA

**Financing Facilities Available**

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

Total facilities:

-bank Commercial bills 3,000,000 5,000,000

Facilities used at reporting date

-bank Commercial bills 3,000,000 4,000,000

Facilities unused at reporting date

-bank Commercial bills - 1,000,000

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

**16. FINANCIAL INSTRUMENTS**

**(a) Significant Accounting Policies**

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

**(b) Interest Rate Risk**

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

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

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

<b>2006</b>	<b>&lt;1 Year</b>	<b>&gt;1-&lt;2</b>	<b>&gt;2-&lt;3</b>	<b>&gt;3-&lt;4</b>	<b>&gt;4-&lt;5</b>	<b>&gt;5</b>	<b>Total</b>
	<b>\$</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>\$</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Floating</b>							
Cash at Bank-ANZ	1,989,496	-	-	-	-	-	1,989,496
Cash at call-GS JBWere	5,262,854	-	-	-	-	-	5,262,854
ECHTEC Project	(4,458,724)	-	-	-	-	-	(4,458,724)
Outer Metropolitan Training Project	(221,612)	-	-	-	-	-	(221,612)
Bank Commercial Bills – secured	-	(3,000,000)	-	-	-	-	(3,000,000)
<b>Fixed</b>							
Investments – Domestic Fixed Interest	2,446,753	-	-	-	-	-	2,446,753



**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

**16. FINANCIAL INSTRUMENTS (continued)**

2005	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	>5 Years	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Floating</b>							
Cash at Bank-ANZ	2,924,502	-	-	-	-	-	2,924,502
Cash at call-GS JBWere	7,662,281	-	-	-	-	-	7,662,281
Cash – International	200,000	-	-	-	-	-	200,000
ECHTEC Project	(4,523,187)	-	-	-	-	-	(4,523,187)
Outer Metropolitan Training Project	(16,951)	-	-	-	-	-	(16,951)
Bank Commercial Bills – secured	-	(2,000,000)	(2,000,000)	-	-	-	(4,000,000)
<b>Fixed</b>							
Investments – Domestic Fixed Interest	1,543,579	-	-	-	-	-	1,543,579

**(c) Credit Risk**

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

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

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

**(d) Net Fair Value**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values determined in accordance with the accounting policies disclosed in note 2 of the financial statements.

**(e) Foreign Currency**

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

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

**(f) Liquidity Risk**

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

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

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

**17. SUPERANNUATION COMMITMENTS**

The College sponsors a superannuation fund for its employees which is administered by an independent superannuation organisation. The details of the fund are set out below:

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

Type of Benefits	Accumulation of contributions of employee and employer. Covering all employees and providing benefits on retirement, death or disability.
Contributions by: - Employee	Contributions are optional.
- Employer	At rates varying between 9% and 19% of base salary of employee.  The College has a legal obligation to contribute as set out in the trust deed but has the right to vary the rate of, or terminate, contributions upon giving notice as prescribed in the deed. Any variations to contributions would nevertheless ensure that contributions of up to 9% of employee's wages and salaries are in accordance with Australian legal requirements.
Date of annual review	31 March 2007 Funds are available to satisfy all benefits that would have vested under the plan in the event of termination of the plan or voluntary or compulsory termination of employment of each employee. The date of the last annual review was 31 March 2006.

**18. COMMITMENTS AND CONTINGENCIES**

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

During 2006, the ECHTEC project was discontinued. As at balance date, the College was undertaking further discussions with the related parties in order to have the disbursement of unspent funds resolved.

**Operating Lease Commitments - Photocopiers**

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

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

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

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

	2006 \$	2005 \$
Within one year	108,441	157,392
After one year but not more than five years	130,180	348,023
	<u>238,621</u>	<u>505,415</u>

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

**19. EVENTS AFTER BALANCE SHEET DATE**

There were 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. COUNCILLORS' REMUNERATION**

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

Russell William Stitz	Michael John Grigg (resigned May 2006)
Stephen Arthur Deane	Anthony Eric Hardy
Ian Ronald Gough	Michael John Hollands (elected May 2006)
Andrew Darcy Sutherland	Glenn Anthony John McCulloch
Robert Neville Atkinson	Guy John Maddern
Robert John Black	Errol John Maguire
Ross Douglas Blair	Hugh Charles Ormsby Martin
Ian Donald Shepherd Civil	Jenepher Ann Martin
Patricia Margaret Davidson	Keith Louis Anthony Mutimer
Geoffrey Davies (coopted Jan 2006)	Helen Elizabeth O'Connell
Patrick Arthur Dewan (resigned May 2006)	James Francis Powell (elected May 2006)
Ian Carnegie Dickinson	Michael Anthony Sexton (coopted May 2006)
Anand Shanker Dixit	Ivan John Thompson
Mark Gordon Edwards	Bruce Philip Waxman
John Campbell Graham	Peter William Harold Woodruff (elected May 2006)

Aggregate income received, or due and receivable by Councillors of the Royal Australasian College of Surgeons in connection with the management of the College was:	2006 \$	2005 \$
	<u>NIL</u>	<u>NIL</u>

**21. MEMBERS' GUARANTEES**

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

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

At 31 December 2006 the number of members was 5,788 (31 December 2005 - 5,650).

**22. RELATED PARTY TRANSACTIONS**

	2006 \$	2005 \$
During the year Professor G Maddern FRACS, a Councillor of the College, provided consultancy services as Medical Director for the ASERNIP projects. These services were provided on a normal commercial basis.		
Consultancy fees	<u>91,520</u>	<u>95,406</u>

**ROYAL AUSTRALASIAN COLLEGE OF SURGEONS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

**23. FINANCIAL REPORTING BY SEGMENTS**

The College is an internationally recognised organisation for 7,100 surgeons, including 1,650 trainees who are based mainly in Australia and New Zealand.

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