

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

A.B.N. 29 004 167 766

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

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ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

REPORT FROM THE HONORARY TREASURER TO FELLOWS

The Annual Financial Report for the year ended 31 December 2005 is presented together with the Auditor's Report to the College for 2005.

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

In the Income Statement for 2005, total revenue was \$34,301k compared to \$44,538k in 2004 while expenditure was \$30,904k compared to \$37,637k in 2004. This has resulted in the College making an overall surplus of \$3,397k.

The reason for the substantial drop in both revenue and expenditure is the impact of the change in accounting standards that was introduced in the previous financial year. All revenue and expenditure relating to projects is now recognised progressively throughout the life of the project. Consequently the revenue and expenditure recorded for 2005 is more reliable and indicative than in previous years.

In the overall result, the operating surplus was \$419k whilst the surplus relating to the Investment Reserve was \$2,627k.

The Investment Committee has achieved an excellent return of 24.34%. This compared to budget of 10%. 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 revenue and expenditure is reported.

College Operations relate to core operational activities and include administration, finance, corporate governance, education and training as well as conferences, workshops and the Annual Scientific Conference.

In 2005, this revenue amounted to \$22,779k compared to \$22,339k in 2004 while expenditure was \$24,218k compared to \$20,846 in 2004.

Overall, the deficit related to core College operations for 2005 was \$1,439k compared to a surplus of \$1,493k in 2004. This included a substantial investment in our infrastructure.

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 Island Project III, Papua New Guinea Tertiary Health Service III, East Timor Specialist Services and Mortality Audits. The projects are currently being managed on time, within budget and it is anticipated that all deliverables will be achieved within the requirements of the project contracts.

A number of these activities are cross subsidised by the College from other areas.

In 2005, this revenue amounted to \$6,333k compared to \$16,458k in 2004. Expenditure was \$5,716k compared to \$16,022k in 2004. The changes reflect the impact of all project revenue and expenditure being incorporated into the accounts due to changes in accounting standards in 2004.

Overall, the surplus for 2005 was \$617k compared to \$436k in 2004.

Bequests and Scholarships include bequests, donations and philanthropic activities and returns on committed funds from the investment portfolio. These fund research and education scholarships and other College activities.

In 2005, this revenue amounted to \$2,563k compared to \$3,805k in 2004 while expenditure was \$970k in 2005 compared to \$768k in 2004. Overall, the surplus for 2005 was \$1,593k compared to \$3,037k in 2004.

Investment Reserve Account includes revenue from investment returns on uncommitted funds in the investment portfolio. These returns are set aside for future developments.

In 2005, this allocation amounted to \$2,627k compared to \$1,936k in 2004.

Highlights – 2005

- During 2005, revenue from Subscriptions, Fees & Levies of \$7,623k was in line with \$7,689k received in 2004. Examination & Training Fees generated \$11,013k compared to \$9,424k in 2004. This increase reflects the increase in trainee numbers and fee increases in line with CPI.
- Personnel costs and consultancy fees remain the dominant expenses relating to the College activities and were \$12,995k compare with \$16,738k in 2004. The amount reflects the impact of all project expenditure being incorporated into the accounts due to changes in accounting standards in 2004. Overall salaries and oncosts in 2005 where inline with forecasts.

The Balance Sheet shows that College Funds and Reserves have increased by 9.6% to \$38,729k.

Key movements in assets included an increase in cash and cash equivalents offset by a reduction in non current assets of \$1,285k. There was an increase in current liabilities of \$1,360k due to an increase in trade payables of \$5,364k offset by Government grants unspent.

The Statement of Cash Flows indicates a positive cash flow for 2005 provided by operating activities of \$4,315k and a net increase in cash held of \$3,615k from 2004.

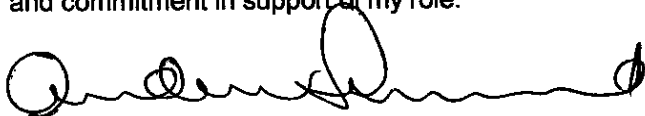
The new organisational structure implemented by the management team in 2004 continues to strengthen the administrative activities of the College. The analysis of costs of all College activities indicates that training initiatives are still being cross-subsidised by Fellows fees and this is being addressed in ongoing budget discussions.

This sound financial position has enabled:

- The replenishment of the Investment Reserve which now totals \$4.21 million.
- Annual increases in Fellows' subscriptions and fees have been held at the level of the CPI.
- Continued retirement of debt with the East Wing loan now reduced from \$5 million to \$4 million in 2005.
- Investment in infrastructure (particularly IT) to be able to provide better levels of service and support to Trainees and Fellows.
- Refurbishment of the South and West Wing of the College building.
- Detailed analysis of workforce, surveys of Fellowship requirements and publication of key issues.

In closing I would like to note that the College remains indebted to its Honorary Advisers. I would like to thank Mr Anthony Lewis, Mr Robert Milne, Mr Doug Oldfield OAM and Mr Brian Randall for their generous and valued support during the year. I would also like to welcome Mr Ken Welfare who has joined our honorary advisors on the Investment Committee. The College is extremely grateful for their wise counsel and support in relation to finance, investment, property and audit matters. The College Solicitor, Mr Michael Gorton AM continues to provide enormous support and wise counsel to the College. The College continues to receive excellent service in the management of our investment portfolio from Mr Graeme Hope of Goldman Sachs JB Were.

I would also like to thank the management and staff of the Resources Division for their on going hard work and commitment in support of my role.



Andrew D Sutherland
Honorary Treasurer
23 February 2006

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

The Councillors of the Royal Australasian College of Surgeons submit herewith the Annual Financial Report of the College for the year ended 31 December 2005. In order to comply with the provisions of the Corporations Act 2001, the Councillors report as follows:

- 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.

		<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 (from May)	Russell William Stitz	3	8	3	8
Vice President (from May)	Stephen Arthur Deane	3	6	3	8
Censor-in-Chief	Patricia Margaret Davidson	3	7	3	8
Honorary Treasurer	Andrew Darcy Sutherland	3	8	3	8
Chair, Professional Development & Standards Board	Ian Carnegie Dickinson	3	7	3	7
General Elected Members of Council:					
	Robert Neville Atkinson	3	-	3	-
	Ross Douglas Blair	3	1	3	1
	Ian Donald Civil	3	7	3	7
	Patrick Arthur Dewan	3	-	3	-
	Ian Ronald Gough	3	1	3	1
	Guy John Maddern	2	1	3	1
	Jenepher Ann Martin	3	7	3	7
	Bruce Philip Waxman	3	-	3	-
	Ivan John Thompson	3	-	3	-
Specialty Elected Members of Council:					
	Robert John Black	3	6	3	7
	Mark Gordon Edwards	3	-	3	-
	Michael John Grigg	2	-	2	-
	Anthony Eric Hardy	2	-	3	-
	Glenn Anthony McCulloch	3	-	3	-
	Errol John Maguire	3	-	3	-
	Hugh Charles Martin	3	-	3	-
	Keith Louis Anthony Mutimer	3	-	3	-
	Helen Elizabeth O'Connell	2	-	2	-
Co-Opted Members of Council:					
	John Campbell Graham	3	-	3	-
	Anand Shanker Dixit	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

• Anne Kolbe (President retired May 2005)	1	3	1	3
• Peter William Woodruff (Vice President resigned May 2005)	1	3	1	3
• Robert Nicholas Linacre (resigned March 2005)	1	-	1	-
• John Preston Harris (interim Vascular Surgery Rep)	1	-	1	-
• Stephen Graham Stening (retired as Urology Rep)	1	-	1	-

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

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

Dr Russell William Stitz, MBBS, FRCS, 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 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 Andrew Darcy Sutherland, MBBS, FRCSC, FRACS, GradDip BA (Adel)

Senior Visiting Orthopaedic Surgeon, Chief Division of Surgery, Women's & Children's Hospital Adelaide; Director, Orthopaedics SA Pty Ltd.

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.

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), 1985 – present.

Mr Ross Douglas Blair, MBChB, FRACS, FACS

Vascular Surgeon

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; Vice-President, Australasian Society of Otolaryngology – Head & Neck Surgery.

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

Director of Trauma Services, Auckland City Hospital; Deputy Chairman, Northern Regional Trust Board; Order of St John (2002 – present); Trustee, Auckland District Health Board Charitable Trust (2003 – present); Associate Editor, International Journal for Injury Care (1999 – present); Colonel-Commandant, RNZAMC (2000 – present); Member, Medical Practitioners Disciplinary Tribunal (1996 – present).

Professor Patrick Arthur Dewan, PhD, MD, MS, MMedSc, FRCS, FRACS

Chairman, Kind Cuts for Kids Foundation; Head, Paediatric Surgery, Sunshine Hospital.

Mr Anand Dixit, MBBS, FRACS

Cardiothoracic Surgeon; Director of Surgery Royal Hobart Hospital.

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.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

2. Councillors' and Chief Executive Officer's Qualifications and Experience (Continued):

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 John Campbell Graham, MBBS, FRACS
Vascular Surgeon, Lismore NSW 1992 – Present.

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

Mr Anthony Eric Hardy, MBChB, FRACS
Clinical Director Orthopaedic Surgery, Auckland Hospital; Past President New Zealand Orthopaedic Association.

Mrs Anne Kolbe, MBBS (Hons), FRACS
Paediatric Surgeon.

Mr Robert Nicholas Linacre, MBBS, FRACS
Secretary / Treasurer, General Surgeons Australia.

Professor Guy John Maddern, MBBS, PhD, MS, MD, FRACS
R.P. Jepson Professor of Surgery, University of Adelaide, 1993 – present; Director, Division of Surgery, The Queen Elizabeth Hospital, 1993 – present; Director, Basil Hetzel Institute, 1996 – present; Surgical Director, ASERNIP-S, 1997 – present; President, Surgical Research Society of Australasia, 2002 – present; Vice-President, Australian Patient Safety Foundation, 2000 – present.

Professor Errol John Maguire, AM, RFD, ILHS, MB, BS, PhD, FRCS Ed, FRCS (Eng), FRACS, FACTM
Professor of Surgery, Bond University; Senior Surgeon, Townsville Hospital; President, General Surgeons Australia.

Mr Hugh Charles Ormsby Martin, MBBS (Hons), FRACS, FRCS
Senior Visiting Surgeon, The Children's Hospital at Westmead.

Associate Professor Jenepher Ann Martin, MBBS, MS, Med, FRACS
Consultant General Surgeon, Austin Health, Vic. 1994-present; Associate Professor, Centre for Medical and Health Sciences Education, Monash University, 2004-present.

Mr Glenn Anthony John McCulloch, MBBS, FRCS(Ed), FRACS
Head of Department of Neurosurgery – The Queen Elizabeth Hospital, Woodville, South Australia, up to April 2004; Member of Executive of Neurosurgical Society of Australasia; 1983 – 2005; Member, Editorial Board of the Journal of Clinical Neuroscience 1999 – 2005.

Mr Keith Louis Anthony Mutimer, MBBS, FRACS
Plastic & Reconstructive Surgeon

Dr Helen Elizabeth O'Connell, MD, MBBS, MMed, FRACS
Urologist in Academic and Private Practice, Royal Melbourne and Melbourne Private Hospitals.

Mr Stephen Graham Stening, MBBS, FRACS, FRCS
Urological Surgeon

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

2. Councillors' and Chief Executive Officer's Qualifications and Experience (Continued):

Mr Ivan John Thompson, MBBS, FRACS
General Surgeon

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

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

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

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

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 \$3,397,451 (2004: \$6,901,760). 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. Disclosure of information regarding likely developments in the operations of the College in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the College. Accordingly, this information has not been disclosed in this report.
8. 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.
9. 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 2005

Auditors Independence Declaration

We, the Councillors, hereby declare and note that the Auditors 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

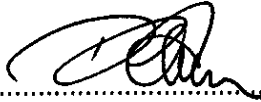
R STITZ
President



A D SUTHERLAND
Honorary Treasurer



D HILLIS
Chief Executive Officer



MELBOURNE
23 FEBRUARY 2006

Independent audit report to members of Royal Australasian College of Surgeons

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 2005.

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:

1. 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 at 31 December 2005 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.

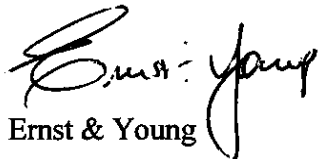

Ernst & Young



Stuart Alford
Partner
Melbourne
23 February 2006

Auditor's Independence Declaration to the members 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 2005, 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 Alford
Partner
23 February 2006

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

COUNCILLORS DECLARATION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

The Councillors declare that:

- (a) The attached financial statements and notes thereto comply with accounting standards;
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance 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.

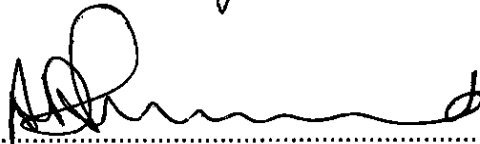
Signed in accordance with a resolution of the Councillors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the Councillors.

R STITZ
President



A D SUTHERLAND
Honorary Treasurer



D HILLIS
Chief Executive Officer



MELBOURNE
23 FEBRUARY 2006

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	2005 \$	2004 \$
Revenue from operating activities	3	34,301,383	44,538,342
Expenditure			
Personnel costs and consultancy fees		12,995,401	16,737,937
Telephone, teleconference and audio visual costs		732,408	601,520
Printing, stationery and photocopying		1,318,187	1,276,141
Postage and courier costs		548,110	588,074
Information system costs		608,566	557,894
Travel & accommodation		3,822,958	5,841,203
Associations and Publications		172,898	194,928
Audit, legal and professional fees		468,211	301,826
Bank fees and merchant charges		458,955	509,443
Borrowing costs		245,882	320,457
Rent, rates, power, repairs and other property costs		1,175,618	805,169
Insurance		273,626	279,707
Equipment purchases, hire and repairs		297,089	911,045
Training manuals and consumables used in education and field projects		774,327	1,389,483
Scholarships / Fellowships		917,045	737,627
Awards, Grants, Gifts and Prizes		707,166	321,099
Facilities hire and catering costs		1,834,679	1,862,272
Foreign Exchange loss		137,677	40,892
Depreciation and amortisation expense		1,908,714	1,733,803
Specialist Societies Funding and Office Bearers Costs		1,364,264	864,922
Doubtful debts expense		(164,399)	187,541
Other expenses from operating activities		306,550	1,573,599
Total Expenditure		<u>30,903,935</u>	<u>37,636,582</u>
Surplus	3	<u>3,397,451</u>	<u>6,901,760</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 2005

	<u>Notes</u>	<u>2005</u> \$	<u>2004</u> \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	10,786,783	7,171,632
Trade and other receivables	6	11,823,705	10,774,419
Inventories	7	90,028	186,083
Prepayments		354,095	367,002
Investments held for trading financial assets	8	<u>20,027,618</u>	<u>19,546,671</u>
Total Current Assets		<u>43,082,229</u>	<u>38,045,807</u>
Non-Current Assets			
Property, plant and equipment	9	24,943,905	25,227,133
Other financial assets	10	<u>955,425</u>	<u>1,957,415</u>
Total Non-Current Assets		<u>25,899,330</u>	<u>27,184,548</u>
TOTAL ASSETS		<u>68,981,559</u>	<u>65,230,355</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	11	17,082,357	11,718,004
Provisions	12	913,822	642,039
Government Grants		5,651,254	10,584,194
Funds held on behalf of others	13	<u>2,455,853</u>	<u>1,799,462</u>
Total Current Liabilities		<u>26,103,286</u>	<u>24,743,699</u>
Non-Current Liabilities			
Provisions	14	149,370	155,204
Interest bearing loans and liabilities	15	<u>4,000,000</u>	<u>5,000,000</u>
Total Non-Current Liabilities		<u>4,149,370</u>	<u>5,155,204</u>
TOTAL LIABILITIES		<u>30,252,656</u>	<u>29,898,903</u>
NET ASSETS		<u>38,728,903</u>	<u>35,331,452</u>
COLLEGE FUNDS AND RESERVES			
Retained surplus		34,521,096	33,751,014
Investment earnings Reserve		<u>4,207,807</u>	<u>1,580,438</u>
TOTAL COLLEGE FUNDS AND RESERVES		<u>38,728,903</u>	<u>35,331,452</u>

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

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
Cash Flows from Operating Activities		
Subscriptions and Entrance Fees	8,587,160	7,397,090
Training, Examination and Assessment Fees	12,000,165	9,466,895
Sponsorship and Donations	1,380,268	3,047,333
Conference Registrations	1,923,268	1,736,786
Property Rental and Recoveries	371,831	257,323
Project Income and Associated Fees	4,824,749	7,207,705
Interest Income	74,995	73,324
Other Income	1,283,279	2,894,730
Payments to suppliers and employees	(25,884,986)	(20,464,520)
Borrowing Costs	(245,882)	(320,457)
Net cash provided by / (used in) operating activities	5 4,314,847	11,296,209
Cash flows from investing activities		
Commercial Bill Facility used (repaid)	(1,000,000)	(2,000,000)
Net movement from investment securities	1,928,804	(2,336,431)
Payments for property plant and equipment	(1,628,500)	(2,171,947)
Net cash provided by / (used in) investing activities	(699,696)	(6,508,378)
Net increase / (decrease) in cash held	3,615,151	4,787,831
Cash at beginning of financial year	7,171,632	2,383,801
Cash at the end of the financial year	5 10,786,783	7,171,632

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 2005

	Retained Surplus	Investment Earnings Reserve	General Reserves	Total College Funds & Reserves
	\$	\$	\$	\$
At 1 January 2004	28,551,654	(355,598)	233,636	28,429,692
Transfer of asset revaluation reserve	233,636	-	(233,636)	-
	28,785,290	(355,598)	-	28,429,692
Surplus for the year	4,965,724	1,936,036	-	6,901,760
At 31 December 2004	33,751,014	1,580,438	-	35,331,452
Surplus for the year	770,082	2,627,369	-	3,397,451
At 31 December 2005	34,521,096	4,207,807	-	38,728,903

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 2005

1. CORPORATE INFORMATION

The financial report of the Royal Australasian College of Surgeons for the year ended 31 December 2005 was authorised for issue in accordance with a resolution of Council on 23 February 2006.

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').

This is the first financial report prepared based on AIFRS and comparatives for the year ended 31 December 2005 have been restated accordingly. Reconciliations of AIFRS equity and surplus for 31 December 2005 to the balances reported in the 31 December 2004 financial report are detailed in Note 2 (r) below.

The College has elected not to adopt AASB139 – 'Financial Investments: Recognition and Measurement' in relation to the fair value measurement of non-current receivables (financial assets) on transition to AIFRS. This means that the application of AASB139 will apply prospectively to transactions entered into after 1 January 2005. The College has determined that the financial effect of discounting such receivables to present value is immaterial.

(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 2005

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>2005</u>	<u>2004</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 2005

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 2005

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

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 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 2005

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.

(r) Impact of Adoption of AIFRS

The impact of adopting AIFRS on total equity and surplus as reported under previous Australian Generally Accepted Accounting Principles (AGAAP) are illustrated below.

i. Reconciliation of total equity as presented under previous AGAAP to that under AIFRS

	31.12.2004	01.01.2004
	\$	\$
Total equity under previous AGAAP	35,331,452	28,429,692
Total equity under AIFRS	<u>35,331,452</u>	<u>28,429,692</u>

ii. Reconciliation of surplus under previous AGAAP to that under AIFRS

	31.12.2004
	\$
Prior year surplus as previously reported	6,901,760
Prior year surplus under AIFRS	<u>6,901,760</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
3. REVENUES AND EXPENSES		
(a) Revenue – Significant Categories		
Subscriptions & Entrance Fees	7,623,389	7,688,871
Training, Examination and Assessment Fees	11,012,853	9,423,659
Sponsorship & Donations	1,307,473	894,824
Contributing (in kind sponsorship)	180,265	877,195
Conference Registrations	1,836,592	2,036,833
Investment Revenue	5,235,697	4,977,853
Property Rental & Recoveries	371,831	257,323
Project Income & Associated Fees	6,338,688	15,625,157
Interest – Other Entities	74,995	73,297
Royalties	47,965	61,141
(b) Other Expenses		
Remuneration of Auditors:		
Auditing the financial report – Ernst & Young	46,700	35,500
Assistance with the Implementation of AIFRS	16,100	-
Project audits 2004	39,800	9,500
Project audits 2005	44,500	-
Other Services – Ernst & Young	1,900	-
Interest expense	245,882	320,457
Net transfer to provisions for employee entitlements	265,949	149,592
Loss on sale of property, plant and equipment	3,014	10,791
Write off of book value associated with the demolition of Great Hall*	-	265,685
Write back of prior year surpluses in relation to funds held on behalf of others as a result of change in accounting policy*	-	773,269
Cost of inventories recognised as an expense	189,847	52,069
(c) Employee Benefits Expense		
Wages & Salaries	7,658,095	8,512,224
Workers' Compensation Costs	69,125	72,580
Superannuation Costs	695,478	711,713

*Included in 'other expenses from operating activities' on the Income Statement.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
4. REVENUE AND EXPENDITURE BY FUNCTION		
Revenue		
College Operations	22,778,646	22,338,988
Bequests and Scholarships	2,562,633	3,805,576
College Projects	6,332,735	16,457,742
Investment Account	<u>2,627,369</u>	<u>1,936,036</u>
Total Revenue	<u>34,301,383</u>	<u>44,538,342</u>
Expenditure		
College Operations	24,218,130	20,846,346
Bequests and Scholarships	969,916	768,269
College Projects	<u>5,715,886</u>	<u>16,021,967</u>
Total Expenditure	<u>30,903,932</u>	<u>37,636,582</u>
Surplus / (Deficit)		
College Operations	(1,439,484)	1,492,642
Bequests and Scholarships	1,592,717	3,037,307
College Projects	616,849	435,775
Investment Account	<u>2,627,369</u>	<u>1,936,036</u>
Total Surplus / (Deficit)	<u>3,397,451</u>	<u>6,901,760</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
5. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	2,924,502	1,427,255
Funds at call	<u>7,862,281</u>	<u>5,744,377</u>
	<u>10,786,783</u>	<u>7,171,632</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 \$10,786,783 (2004: \$7,171,632).

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	2,924,502	1,427,255
Funds at call	<u>7,862,281</u>	<u>5,744,377</u>
	<u>10,786,783</u>	<u>7,171,632</u>

Reconciliation from the surplus to the net cash flows from operations

Operating Surplus	3,397,451	6,901,760
Non cash items		
Depreciation of non-current assets	1,908,714	1,733,803
Net (increase) / decrease in carrying value of investments	(2,193,379)	(2,321,666)
Write off of non-current assets	3,014	276,476
Estimated surpluses on projects	(615,108)	(481,378)
Loss associated with change in accounting treatment of certain funds held on behalf of Specialist Groups and Societies	-	773,269
In Kind sponsorship of Laparoscopic stacks	-	(877,195)
Changes in assets and liabilities:		
(Increase) in receivables	(1,049,286)	(1,005,995)
(increase) / Decrease in inventories	96,055	(52,069)
(Increase) / Decrease in prepayments	12,907	338,138
(Increase) / Decrease in non current recivables	1,001,990	(1,450,545)
Increase / (Decrease) in trade & other payables	5,364,354	(2,680,799)
Increase / (Decrease) in current provisions	271,783	124,283
Increase / (Decrease) in Funds held on behalf of other surgical societies	440,018	1,933,878
Increase / (Decrease) in non-current provisions	(5,834)	25,309
Increase / (Decrease) in Government grants	<u>(4,317,832)</u>	<u>8,058,940</u>
Net cash flow from / (used in) operating activities	<u>4,314,847</u>	<u>11,296,209</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
6. TRADE & OTHER RECEIVABLES (CURRENT)		
Subscriptions, fees & levies in advance	5,799,469	4,797,997
Other sundry debtors	5,827,683	5,985,908
Provision for doubtful debts	(238,383)	(406,977)
College Projects – work in progress	434,936	397,491
	<u>11,823,705</u>	<u>10,744,419</u>

Subscriptions, fees and levies in advance are not interest bearing

7. INVENTORIES

Finished goods at cost	<u>90,028</u>	<u>186,083</u>
Total inventories at lower of cost and net replacement cost	<u>90,028</u>	<u>186,083</u>

The amount of finished goods at cost recognised as an expense during 2005 was \$189,847 (2004: \$52,069).

8. INVESTMENTS – HELD FOR TRADING FINANCIAL ASSETS

At fair value		
Domestic equities	15,364,159	14,988,828
International equities	-	234,225
Property trusts	1,954,994	1,719,274
Domestic fixed interest	1,543,579	1,705,713
International alternatives	1,164,886	898,631
	<u>20,027,618</u>	<u>19,546,671</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 2005

9. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Plant and Equipment (incl WIP)	Treasures, Gordon Craig Library and Great Mace	TOTAL
	\$	\$	\$	\$	\$
Year ended 31 December 2005					
At 1 January 2005	5,665,337	16,010,345	3,224,644	326,807	25,227,133
net of accumulated depreciation					
Additions		171,602	1,456,898		1,628,500
Disposals			(3,014)		(3,014)
Depreciation charge for the year					
At 31 December 2005	<u>5,665,337</u>	<u>(419,752)</u>	<u>(1,488,962)</u>	<u>326,807</u>	<u>(1,908,714)</u>
net of accumulated depreciation	<u>5,665,337</u>	<u>15,762,195</u>	<u>3,189,566</u>	<u>326,807</u>	<u>24,943,905</u>
At 1 January 2005					
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>
At 31 December 2005					
Cost	5,665,337	16,934,817	10,135,948	326,807	33,062,909
Accumulated depreciation and impairment		<u>(1,172,622)</u>	<u>(6,946,382)</u>		<u>(8,119,004)</u>
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 ¹ / ₃ %	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 2005

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold Land	Buildings	Plant and Equipment (incl WIP)	Treasures, Gordon Craig Library and Great Mace	TOTAL
	\$	\$	\$	\$	\$
Year ended 31 December 2004					
At 1 January 2004	5,665,337	15,999,690	2,196,435	326,807	24,188,269
net of accumulated depreciation					
Additions		690,435	2,362,976		3,053,411
Disposals		(269,955)	(10,789)		(280,744)
Depreciation charge for the year					
At 31 December 2004		<u>(409,825)</u>	<u>(1,323,978)</u>		<u>(1,733,803)</u>
net of accumulated depreciation	<u>5,665,337</u>	<u>16,010,345</u>	<u>3,224,644</u>	<u>326,807</u>	<u>25,227,133</u>
At 1 January 2004					
Cost	5,665,337	16,372,256	6,387,259	326,807	28,751,659
Accumulated depreciation and impairment	-	(372,566)	(4,190,824)	-	(4,563,390)
Net carrying amount	<u>5,665,337</u>	<u>15,999,690</u>	<u>2,196,435</u>	<u>326,807</u>	<u>24,188,269</u>
At 31 December 2004					
Cost	5,665,337	16,763,215	8,703,779	326,807	31,459,138
Accumulated depreciation and impairment		<u>(752,870)</u>	<u>(5,479,135)</u>	-	<u>(6,232,005)</u>
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>
Depreciation rates used	0%	2.5%	20%- 33 ¹ / ₃ %	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. OTHER FINANCIAL ASSETS (NON-CURRENT)

	2005	2004
	\$	\$
Fellowship entrance fees (due 1 to 4 years)	875,425	1,099,915
Project invoice due in 2006/2007	-	797,500
Loans to Fellows	<u>80,000</u>	<u>60,000</u>
	<u>955,425</u>	<u>1,957,415</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 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
11. TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables	966,216	1,208,991
Other payables	1,970,335	690,909
Net external conferences monies held	165,286	786,386
Sponsorship & donations billed in advance	636,021	379,138
Subscriptions billed in advance	7,066,105	6,751,378
Examination entry & annual training fees billed in advance	6,278,394	1,901,202
	<u>17,082,357</u>	<u>11,718,004</u>

12. PROVISIONS (CURRENT)

Employee benefits

Annual leave (note 14)	616,663	524,954
Long service leave (note 14)	297,159	117,085
	<u>913,822</u>	<u>642,039</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	Total
	\$	Leave	\$
		\$	
Provision balance as at 01.01.2005	524,954	117,085	642,039
Amount provided (expensed) during year	544,185	190,486	734,671
Amount used during year	(452,476)	(10,412)	(462,888)
Provision balance as at 31.12.2005	<u>616,663</u>	<u>297,159</u>	<u>913,822</u>

	<u>2005</u>	<u>2004</u>
	\$	\$
13. FUNDS HELD ON BEHALF OF OTHERS (CURRENT)		
Funds held on behalf of other surgical societies and groups	<u>2,455,853</u>	<u>1,799,462</u>

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.

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	<u>2005</u> \$	<u>2004</u> \$
14. PROVISIONS (NON-CURRENT)		
Employee Benefits		
Long service leave	<u>149,370</u>	<u>155,204</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>		
Provision balance as at 01.01.2005	155,204	
Amount provided (expensed) during year	(5,834)	
Amount used during year	<u>-</u>	
Provision balance as at 31.12.2005	<u>149,370</u>	
<p>The aggregate employee benefit liability recognised and calculated in the financial statement is as follows:</p>		
Current (note 12)	913,822	642,039
Non-current (note 14)	<u>149,370</u>	<u>155,204</u>
	<u>1,063,192</u>	<u>797,243</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

15. INTEREST-BEARING LOANS & BORROWINGS

Secured:

Bank Commercial Bills	4,000,000	5,000,000
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Bank Commercial Bills held comprised of:

Roll Date	Maturity Date	Term Days	Effective Interest Rate		
8/10/2004	8/04/2005	182	5.79%		2,500,000
12/11/2004	14/02/2005	94	6.36%		1,500,000
12/11/2004	11/05/2004	180	5.60%		500,000
15/11/2004	13/05/2005	179	5.60%		500,000
10/10/2005	10/04/2006	182	5.79%	2,500,000	
14/11/2005	13/02/2006	91	6.36%	1,500,000	
				<u>4,000,000</u>	<u>5,000,000</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	5,000,000	5,000,000
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Facilities used at reporting date

-bank Commercial bills	4,000,000	5,000,000
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Facilities unused at reporting date

-bank Commercial bills	1,000,000	-
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ROYAL AUSTRALASIAN COLLEGE OF SURGEONS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

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.

2005	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	>5 Years	Total
	\$	\$	\$	\$	\$	\$	\$
Floating							
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	(1,000,000)	(1,000,000)	(2,000,000)	-	-	-	(4,000,000)
Fixed							
Investments – Domestic Fixed Interest	1,543,579	-	-	-	-	-	1,543,579

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

16. FINANCIAL INSTRUMENTS (continued)							
2004	<1 Year	>1-<2	>2-<3	>3-<4	>4-<5	>5	Total
	\$	\$	\$	\$	\$	\$	\$
Floating							
Cash at Bank-ANZ	1,427,255	-	-	-	-	-	1,427,255
Cash at call-GS JBWere	5,744,377	-	-	-	-	-	5,744,377
ECHTEC Project	(3,811,955)	-	-	-	-	-	(711,230)
Outer Metropolitan Training Project	(109,072)	-	-	-	-	-	92,120
Bank Commercial Bills – secured	(1,000,000)	(1,000,000)	(1,000,000)	(2,000,000)	-	-	(5,000,000)
Fixed							
Investments – Domestic Fixed Interest	1,705,713	-	-	-	-	-	1,705,713

(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 2005

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 employees wages and salaries are in accordance with Australian legal requirements.
Date of annual review	31 March 2006 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.

18. COMMITMENTS AND CONTINGENCIES

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

During 2005, 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:

	2005	2004
	\$	\$
Within one year	157,392	55,788
After one year but not more than five years	348,023	150,529
More than five years	-	-
	<u>505,415</u>	<u>206,317</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

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	Anthony Eric Hardy
Stephen Arthur Deane	John Preston Harris (resigned May 2005)
Patricia Margaret Davidson	Anne Kolbe (retired May 2005)
Andrew Darcy Sutherland	Robert Nicholas Linacre (resigned March 2005)
Ian Carnegie Dickinson	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
Patrick Arthur Dewan	Keith Louis Anthony Mutimer
Anand Shanker Dixit (coopted May 2005)	Helen Elizabeth O'Connell (elected May 2005)
Mark Gordon Edwards	Stephen Graham Stening (retired May 2005)
Ian Ronald Gough	Ivan John Thompson
John Campbell Graham	Bruce Philip Waxman
Michael John Grigg (elected May 2005)	Peter William Harold Woodruff (resigned May 2005)

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:	2005 \$	2004 \$
	<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 2005 the number of members was 5,650 (31 December 2004 - 5,496).

22. RELATED PARTY TRANSACTIONS

	2005 \$	2004 \$
During the year Professor G Maddern FRACS, a Councillor of the College, provided consultancy services as Medical Director for the ASERNIP projects.		
Consultancy fees	<u>95,406</u>	<u>91,520</u>

ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

23. FINANCIAL REPORTING BY SEGMENTS

The College promotes the study of science and art of medicine and clinical and scientific research.

The College operates predominantly in Australia and New Zealand.