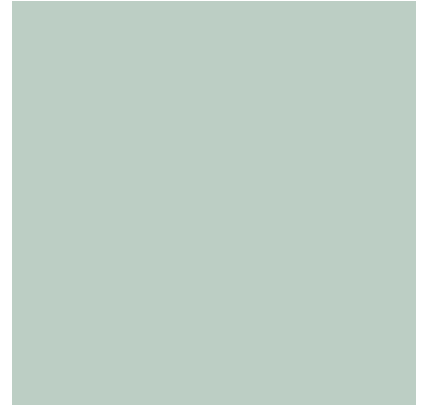




The Royal Australasian
College of Physicians

The RACP Annual Report 2012



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»» MOTTO

Hominum servire saluti - to serve the health of our people

»» VISION

Striving for excellence in health and medical care through lifelong learning, quality performance and advocacy.

»» VALUES

Professionalism, Excellence, Advocacy, Collaboration



PRESIDENT'S MESSAGE

Dear Fellows and trainee members,

I take pleasure in presenting The Royal Australasian College of Physicians' (RACP/the College) Annual Report for 2012.

I commend the efforts and hard work of RACP CEO Dr Jennifer Alexander, the College's Senior Leadership Group, RACP staff, and the many thousands of Fellows who have worked together to continue the growth and development of the College during a time of increasing change.

Striving for excellence

Our organisation is transforming, and will continue to do so as we respond to regulatory and community demands for heightened professionalism in the services we provide and the standards we keep.

This is a continuing journey in our quest to 'serve the health of our communities' and to:

- promote the College as a contemporary and responsive organisation meeting the needs of Fellows, trainee members and external stakeholders; and
- maintain and exceed our position as a leader in physician training and excellence.

Some of the many challenges facing the College include:

- the increasing demand for health services with limitations on healthcare expenditure;
- providing excellence in education and supervision for our future physicians – at a time when medical graduates are increasing - ensuring optimal healthcare for patients with assurance of quality and safety; and
- the increase in health literacy of our patients and the community when presenting for consultations.

The College is in the process of considering significant changes in governance to comply with modern standards and to ensure greater transparency and accountability.

Year in review

The last 12 months has certainly been a year of enormous achievement.

Fellows and trainee members contribute to the College in many ways including senior leadership positions, membership of committees and working groups and importantly, through the supervision of trainees.

The concept of having a College that is 'Fellow led – professionally managed' has now moved from concept to reality, as critical organisational projects are delivered through the combined collaborative efforts of Fellows and staff.

Throughout 2012 a range of strategically important activities were progressed with an abiding commitment to our four core Organisational Values:

- Professionalism
- Excellence
- Advocacy
- Collaboration.

These activities include the completion of major governance reviews of the College's education services and policy and advocacy – all of which are necessary for the College to build solid foundations for the future.

These were set out as key priority areas in the Board's six-point Statement of Strategic Direction 2012–2015.

In 2012 the College also completed the largest research exercise undertaken to date, with almost 3,000 of our physicians and future physicians participating in a landmark research study into your needs and perceptions. The resulting *RACP Member Research Study 2012* has provided us with valuable data and insights into the needs and wants of our membership.

Members have diverse preferences and perceptions; however, the vast majority want the College to continue focusing on the core business areas of education and representing their interests in the broader health and healthcare policy landscape.

Significant work will be needed over a number of years to develop the services that members identified in the survey and to ultimately meet the needs of the Fellowship. However, we have made an encouraging start and a range of initiatives are either already underway or in various phases of planning.

During 2012, the Board established the Fellowship Committee to ensure the voices of our Fellows and trainee members are heard in matters relating to our broad Fellowship, and to coordinate the diverse opinions and activities within the College.

The year ahead

As we progress through 2013, significant activities are already underway, including the implementation of the Online System for College Administration & Reporting – OSCAR – which will enable the College to move forward to more streamlined 21st century online and interactive processes.

This will make it easier for you to interact with the College in a simpler, faster and smarter way.

Excellence

In 2013 the College celebrates our 75th Anniversary and we should consider the theme of excellence. This means celebrating the excellence of the College as a leading educator and assurer of physician competence, and the excellence of our physicians as clinicians, educators and researchers.

It also means recognising that while we are 'One College', it is the synergy of our members that makes the College unique: "The whole is greater than the sum of its parts" (Aristotle).

I urge every one of you to engage with your professional colleagues and to take advantage of the services and activities your College provides.

Finally, it is appropriate that, in continuing to steer the College towards its strategic goals and objectives, I recognise the significant contributions of my colleagues on the RACP Board, including President-Elect Nicholas Talley. I also acknowledge my immediate predecessor, Professor John Kolbe, for his integral work and leadership during a time of rapid change.

While the College is now benefiting from the past efforts of many, it is important that we build on their professional approach to lead and manage the College through the next exciting stage of its development.



Associate Professor Leslie E Bolitho AM

President

CEO REPORT

Dear Members,

The past year has been one of enormous change, opportunity and growth for the College as we strive to raise our standards and professionalism to meet your expectations as well as those of the community and regulators. In keeping with the College's culture of 'Fellow led - professionally managed', the recent RACP Member Research Study has provided some valuable feedback on what you expect from the College including:

- more CPD offerings,
- clinical updates on specialties other than your own,
- better support and training for supervisors, and
- strengthening College policy and advocacy work.

I thank the almost 3,000 Members who participated in the 2012 RACP Member Research Study. Your participation has given the College valuable and tangible feedback on how we can better meet your needs. It complements the College's Strategic Direction Statement 2012–2015, which continues to set our path for the future. The statement outlines some of the challenges the College faces, the College's goals and objectives and the actions identified to achieve them.

As part of this plan, the Board, on your behalf, has focused on five key areas in 2012:

- Strategy
- Education Standards
- Research
- Stakeholders, Reputation and Culture
- Governance, Financial Management and Performance.

Against these five priorities, I am delighted to say the College achieved the following important milestones last year:

Education Standards

- The RACP announced 2012 as the 'Year of the Supervisor', which has resulted in the rollout of three new offerings for supervisors to 2014 – the '3 by 3' program.
- A record number of candidates sat the RACP Divisional Written and Clinical Examinations in Australia and New Zealand, with 1,094 candidates presenting for the Written Examination and 1,059 candidates being assessed in the Clinical Examination.
- The Supporting Physicians' Professionalism and Performance (SPPP) Guide was launched.
- Educational resources and tools were developed, and systems were enhanced, including improvements to the trainee education portals to better meet the needs of trainees and supervisors.
- To increase the input and involvement of Fellows and trainees, changes were introduced to the way that education policy is developed, how education program requirements are reviewed and how training program tools and resources are developed.
- The College received positive feedback on its 2012 Report to the Australian Medical Council (AMC) for its efforts in addressing a number of the issues that had been previously raised.

Research

- The College offered over 100 research awards to 120 recipients, totalling over \$1.9m in value.
- The Board approved the renaming of the former Research and Education Foundation as the RACP Foundation, and the establishment of the College Research Committee, which will oversee the structure of grants and consider other strategic issues in relation to the College's research initiatives.
- The Board also approved a new fundraising committee for the College and a fundraising strategy.

Strategy

- A five-year Divisional Written Examination Strategy was developed and approved. This will mean that, in time, the College will be able to offer the Divisional Written Examinations more than once annually, move to a computer-based examination format and allow trainees to sit the Written Examination from their second year of Basic Training.
- A Regional Resources Plan for Australia's regional committees was developed and approved.
- An accredited and structured dual-training pathway trial in NSW, developed in conjunction with the NSW Government, was approved. This pilot scheme, which will provide increased opportunities for rural-based trainees, is being viewed with interest by other Australian State Governments.
- The Board approved the establishment of the Fellowship Committee which is focused on improving delivery of services to Fellows.
- Investment was made in the IT systems and infrastructure, needed to support the College, Fellows and trainee members in the future through robust and efficient systems across the College.

Stakeholders, Reputation and Culture

- More than \$1.0m in funding was received from the Australian Federal Government to support the Physicians' Telehealth Support Project, providing an opportunity to deliver services to members to benefit them and their patients.
- The College completed the RACP Member Research Study 2012, the largest research exercise ever undertaken into the wants and needs of our membership. As noted, measures are being implemented to enhance the services respondents indicated they wanted the College to provide or improve.
- The College's media profile was enhanced and the RACP Media and External Communications Policy approved to guide the College's interaction with external media, to assist in its policy and advocacy work on behalf of members.
- The College enhanced its relationship with key stakeholders by developing initiatives in conjunction with external bodies including Health Workforce Australia and Health Workforce New Zealand.
- The College established stronger working relationships with governments in Australia and New Zealand, again allowing us to advocate more effectively on behalf of members with policy and decision makers in government.

Governance, Financial Management and Performance

- Major governance improvements were approved in Education and Policy and Advocacy, with the changes to be implemented throughout 2013. These changes will provide more effective structures for the development and delivery of education services and policy and advocacy by removing duplication and clarifying roles and responsibilities.
- Strong financial management and review of College costs and investments continued under the guidance of the Board Finance Committee to ensure the College remains financially viable and manages its resources as effectively as possible to achieve its objectives and strategies.
- The commitment to a stronger governance framework continued with a Board Induction Program and finance and governance training for new Board members.

Innovation in health will always be one of the College's core beliefs. It is pleasing to note, therefore, that the RACP Foundation celebrated 21 years of providing grants to worthy research recipients last year. It is also extremely pleasing to note that our Members continue to make a financial commitment to research, with a growing number of Fellows providing annual contributions. The Finance Committee continues to oversee the prudent management of the Foundation's corpus to ensure sufficient income streams are generated to allow the College to continue to provide these grants and scholarships in the future with certainty.

As in past years, Fellows and trainee members continue to contribute their time and expertise to assisting the College to achieve its goals. Much of the College's success over the past 12 months can be attributed to the collaboration between these groups and the RACP professional staff. I thank them all for their valuable contributions. Overwhelmingly, these working relationships display the College's four organisational values of Professionalism, Excellence, Advocacy and Collaboration (the 'PEAC' values).

Lastly, it is my great honour to recognise the dedication, expertise, commitment and professionalism of College employees across Australia and New Zealand. They are ably led by the Senior Leadership Group (SLG) of Professor Richard Doherty, Dean; Mr Walter Edgar, Director Business, IT & Finance; Ms Linda Smith, Director Fellowship Relations; Mr Michael Smith, Company Secretary; and Dr Marie-Louise Stokes, Director of Education.

As the College looks forward to the launch of its 75th Anniversary Program at the RACP Future Directions in Health Congress 2013 in Perth in May, it is fitting that the theme for the anniversary year is 'Striving for Excellence'. The College is on the path to excellence but it is a never-ending journey and one that I am committed to continuing.



Dr Jennifer Alexander

CEO

HONORARY TREASURER'S REPORT

Dear Colleagues,

I am pleased to report that the College has had a positive financial year with a surplus for the operations of the College of \$2,005,000 and, a surplus for the RACP Foundation, \$1,716,000. Overall, the consolidated surplus was \$3,721,000 against a budgeted surplus of \$1,450,000.

Consolidated result

The College made a surplus of \$2,005,000 for the operations of the College in 2012. The surplus is available for reserves and to pay for new activities and the development of infrastructure such as new software and hardware and to provide reserves to fund activities in the future.

As I foreshadowed in my report last year, the net financial result for the operations of the College for 2012 is considerably lower than the surplus achieved in 2011. The main reason for this was further investment by the College in providing professional support to members in Education, Policy & Advocacy and Member Services.

In 2012 we saw an increase in the number of Fellows and trainees in the College, with the total number of Fellows now being circa 15,000 and 6,000 trainees, resulting in the total membership of the College approaching 21,000. An additional 89 trainees undertook the College examinations in 2012 resulting in over 1,000 trainees presenting for the exams. This number creates a huge logistical challenge for College staff, for Fellows who are examiners and for the trainees themselves. In 2013 the College commenced a program of revising and improving the delivery, timing and frequency of both the Written and Clinical Examinations to ensure effective organisation and delivery, with equity to all trainees, examiners and staff.

It's an old cliché but pertinent for the College that "the College is a people business". A large percentage of the total costs for the College relate to paid staff. In 2012 staff costs rose by \$5.8m, compared to 2011, as the College continued to respond to members' requests for support, improvements and risk mitigation in training, examinations, fellowship learning, CPD, member services and governance. This was achieved with increased staff numbers and by upgrading the skills and experience of the leadership team and all staff. These additional staff have also been necessary because of the manual and complex nature of the College systems, processes and practices and the increase in membership numbers.

The table below explains to members the increase in staff costs between 2011 and 2012.

Increase in headcount by 32 positions	\$2,415,205
Full year impact of new recruits in 2011	\$410,193
Staff pay award @ 3%	\$810,286
Contractor costs for project development, business analysis and new admin system	\$2,016,769
Increase in recruitment, training and staff development	\$176,438
	<hr/>
	\$5,828,891

One of the strategies to overcome the manual and complex nature of current systems, processes and practices is the implementation of a new Trans-Tasman administration system that will be an integrated database covering training, exams, fellowship learning, CPD, Overseas Trained Physicians, administration of committees, membership services, and events. From what I have seen the new administration system, called OSCAR: Online System for College Administration & Reporting, and its automatic workflow will make all our lives, simpler, faster, smarter. The College has taken a prudent financial approach to the initial work of this project and has recognised the cost of this development in 2012 as an expense rather than treating the development work as capital expenditure and delaying the recognition of the cost until future years.

Funds provided by the College via the RACP Foundation for research and development grants were over \$1.9m. This amount has grown since 2011, but it is still far less than the requests by our well qualified applicants. Over the past 5 years the total grants have been circa \$7.5m to \$8m.

Financial strength of the College at 31 December 2012

The Balance Sheet included in the Statutory Financial Statements shows that, at the end of 2012, the consolidated financial position of the College remains strong.

Cash and near cash balances decreased by the end of 2012 compared to 2011. The main reason for this was the transfer of \$6m of cash from the Internally Funded accounts of the College to the RACP Foundation. The transfer related to funds that the various parts of the College had brought with them when they merged with the RACP. These funds were transferred into the RACP Foundation as individual corpuses, the income of which will be used to pay grants and awards specific to that College body, in addition to existing funds held in the RACP Foundation.

UBS Wealth Management, which manages College investments, has structured the investment portfolio in “liquid” type securities, allowing if necessary funds to be obtained by selling investments for the amount required. Combining cash, near cash and investments together, the College can cover its liabilities 5 times over, i.e. \$29.6m cash and \$5.6m current liabilities.

The strength of the Balance Sheet is that it does not carry any debt and has few long-term liabilities. The College has liquid reserves to cover 5.5 months of 2013 operating costs. If the College, for some reason, was unable to obtain funds, the College could continue to operate at its current level for 5 months.

As the College is tax exempt with regard to Income Tax and Payroll Tax due to its Charitable Not for Profit nature, the Balance Sheet does not contain any taxation provisions.

The RACP Foundation Balance Sheet also contains cash, near cash and investments that cover its liabilities 20 times over. The major liability expressed on the Balance Sheet is the commitment to the following year’s grants and awards.

Infrastructure investment for the future

There were a few items not in the 2012 Capital Expenditure Budget that were deemed necessary and approved by the Finance Committee. These included installation of Wi-Fi facilities as a service to Members, an upgrade to the College Accounting system, additional IT storage equipment, and office fit-outs for the new office in Perth and the existing office in Melbourne.

Appreciation

Again I am indebted to and appreciative of the work of the Finance Committee, the CFO and College staff in ensuring that the financial processes, practices and governance of members’ money is strongly managed. As Honorary Treasurer I am comforted that the finances of the College are in excellent shape and I have every confidence that this picture will continue for years to come.

Please look out for my column in *RACP News* for updates on the work of the Finance Committee and the progression of professional financial management for the College.

The Annual General Meeting will be held adjacent to the College Congress in Perth on Monday 27 May 2013 at 12.30pm local Perth time, at which time you can address any questions on the College finances for 2012 to the Board.



Michael J Hooper

Honorary Treasurer

DIRECTORS' REPORT

The Directors present their report, together with the Financial Report to the Members of The Royal Australasian College of Physicians (the College) for the year ended 31 December 2012.

Directors

The following persons were Directors of the College during the 2012 financial year and up to the date of this report as indicated:

Outgoing (Retired 27/5/12 unless indicated otherwise)	Ongoing (Remained in office for the whole of the Financial Year)	Incoming (Appointed 27/5/12 unless indicated otherwise)
Professor John Kolbe (President 2010–2012)	Associate Professor Leslie E Bolitho AM (President 2012–2014)	Professor Nick Talley (President-Elect 2012–2014)
Dr Gervase Chaney	Clinical Associate Professor Michael Hooper (Honorary Treasurer)	Dr Charles Guest
Dr Robin Chase	Mr Geoffrey Laurence	Professor Shane Houston (appointed 27/7/12)
Dr Joshua Francis (retired 1/11/12)	Dr Alasdair MacDonald	Clinical Associate Professor Mark Lane
Associate Professor Leena Gupta	Associate Professor Susan Moloney	Dr Nicola Murdock
Dr Amy Keir	Dr John O'Donnell	Dr James Newcombe
Dr Kathleen McCarthy	Professor Ron Paterson	Associate Professor Grant Phelps
Associate Professor Julie McGaughran	Professor John Wilson	Associate Professor Christopher Poulos
Dr Johan Morreau		Dr Helen Rhodes
Dr Catherine Yelland		Associate Professor James Ross
		Dr Simone Ryan (appointed 1/11/12)

Short-term and long-term objectives and strategy

The College currently has 8 objectives as detailed in its Constitution:

- i) Promote the highest quality medical care and patient safety through education, training and assessment;
- ii) Educate and train the next generation of physicians;
- iii) Maintain professional standards and ethics among physicians through Continuing Professional Development and other activities;
- iv) Promote the study of the science and art of medicine;
- v) Bring together physicians for their common benefit and for scientific discussions;
- vi) Increase the evidence and knowledge on which the practice of physicians is based through research and dissemination of new knowledge and innovation to the profession and the community;
- vii) Seek improved health for all people by developing and advocating health and social policy in partnership with health consumers and jurisdictions;
- viii) Support and develop physicians as clinicians, public health practitioners, teachers and researchers.

In support of the attainment of these objects the College's Board has approved the following 6 strategic goals, with related performance targets, for the next 3 years, as detailed in the document "RACP Strategic Directions 2012–2015". This document is available on the College's website.

Strategic Goals

1. RACP is the preferred educator and assessor of physician performance
2. RACP shapes the medical workforce agenda
3. RACP is a respected supporter of research
4. RACP provides value for Members
5. RACP is able to shape the health policy agenda
6. RACP is a robust and effective College

Each strategic goal is supported by a number of supporting strategies.

Performance measures

The College has established performance targets for each strategic goal. These targets focus the efforts of the Board, Management and Staff and help to measure success in achieving the strategic goals stated above.

Principal activities

The College's principal activities during the year were unchanged from the previous year and included training, educating and representing physicians in Australia and New Zealand, and promoting the study of the science and art of medicine as well as clinical and scientific research.

Information on Directors

The Members of the Board in office as at the date of this Report, their qualifications, experience and special responsibilities are set out below:

Associate Professor Leslie E Bolitho AM		President
Qualifications	MBBS, FRACP, FACRRM Member of the Order of Australia	
Experience	Associate Professor Bolitho, AM, is a Consultant Physician in Internal Medicine in Wangaratta, North East Victoria.	
Special responsibilities	President of the RACP (2012–2014), Chair, RACP Board (2012–2014), Chair, RACP Board Executive (2012–2014), Ex-Officio Member, Finance Committee.	
Professor Nicholas Talley		President-Elect
Qualifications	MBBS, FRACP	
Experience	Professor Talley is Pro Vice-Chancellor of the Faculty of Health at the University of Newcastle.	
Special responsibilities	President-Elect, RACP (2012–2014), Member, RACP Board (2012–2014), Member, RACP Board Executive (2012–2014), Chair of the College Policy and Advocacy Committee (2012–2014).	
Dr Charles Guest		
Qualifications	MBBS, BA, MPH, PhD, FAFPHM	
Experience	Dr Guest is a Senior Specialist, Population Health Division, ACT Government Health Directorate; and Adjunct Professor in the College of Medicine, Biology and Environment, Australian National University.	
Special responsibilities	President, Australasian Faculty of Public Health Medicine (2012–2014), Member, RACP Board (2012–2014), Member, RACP Board Executive (2012–2014).	
Clinical Associate Professor Michael Hooper		Honorary Treasurer
Qualifications	MBBS, FRACP	
Experience	Clinical Associate Professor Hooper is in the Department of Medicine at the University of Sydney and an Endocrinologist in Private Practice.	
Special responsibilities	Honorary Treasurer of the RACP, Chair of the Finance Committee, Member, RACP Board (2008–2014), Chair, RACP Remuneration Committee (2012–2014).	
Professor Shane Houston		Community (Non-Fellow) Director
Qualifications	PhD	
Experience	Professor Houston is Deputy Vice-Chancellor of the Indigenous Strategy and Services Department at the University of Sydney.	
Special responsibilities	Member, RACP Board (2012–2015). Professor Houston's term concludes in 2015.	
Clinical Associate Professor Mark Lane		
Qualifications	MBBS, FRACP	
Experience	Clinical Associate Professor Lane is currently a senior medical officer in the Department of Gastroenterology and Hepatology at Auckland Hospital. He was Clinical Director of this Department for 17 years before stepping down from the role in 2008.	
Special responsibilities	President-Elect, New Zealand (2012–2014), Member, RACP Board (2012–2014), Member, New Zealand Committee, Member, Fellowship Committee.	

Mr Geoffrey Laurence	
Community (Non-Fellow) Director	
Qualifications	B Tech Hons, BBS, CA
Experience	Mr Laurence is a non-Fellow Board Member and Member of the Finance Committee. He brings to these positions 30 years of financial, commercial, funds management and not-for-profit experience. Mr Laurence's term concludes in 2013.
Special responsibilities	Member, RACP Board (2009–2013), Member, RACP Finance Committee, Member, Remuneration Committee, Member, New Zealand Committee.
Dr Alasdair MacDonald	
Qualifications	MBBS, FRACP
Experience	Dr MacDonald is a Hospital Specialist with a Private Practice in Tasmania.
Special responsibilities	President, Adult Medicine Division (2012–2014), Member, RACP Board (2012–2014), Chair, International Committee (2011–2012), Member, RACP Board Executive (2012–2014).
Associate Professor Susan Moloney	
Qualifications	MBBS, FRACP
Experience	Associate Professor Moloney is a General Paediatrician and currently the Director of Paediatrics at the Gold Coast Hospital.
Special responsibilities	President, Paediatrics and Child Health Division (2012–2014), Member, RACP Board (2012–2014) Member, RACP Board Executive (2012–2014).
Dr Nicola Murdock	
Qualifications	MBBS, FRACP
Experience	Dr Murdock is an assessor for the Postgraduate Medical Council of Queensland and sits on the Australian Medical Board, Queensland Committee.
Special responsibilities	President-Elect, Paediatrics and Child Health Division (2012–2014), Member, RACP Board (2012–2014), Chair, RACP Risk Management Committee, Member, Fellowship Committee.
Dr James Newcombe	
Qualifications	BMedSci(Hons), MPH(Hons), MBBS
Experience	Dr Newcombe is a dual Advanced Trainee in Paediatric Infectious Diseases and Microbiology.
Special responsibilities	Member, RACP Board (2012–2014), Co-Chair, College Trainees' Committee.
Dr John O'Donnell	
Qualifications	MBChB, Dip Obstet, FRACP, FRCPA, GAICD
Experience	Dr O'Donnell is a Clinical and Laboratory Immunologist and General Physician with the Canterbury District Health Board (New Zealand).
Special responsibilities	President, New Zealand (2012–2014), Member, RACP Board (2010–2014), Member, College Finance Committee, Member, Risk Management Steering Committee, Member, New Zealand Committee, Member, RACP Board Executive (2012–2014).
Professor Ronald Paterson	
Community (Non-Fellow) Director	
Qualifications	LLB (Hons), BCL
Experience	Professor Paterson is Chair in Law at the University of Auckland.
Special responsibilities	Member, RACP Board (2010–2013), Member, New Zealand Committee. Professor Paterson's term concludes in 2013.

Associate Professor Grant Phelps	
Qualifications	MBA, FRACP, FRACMA, GAICD, FAIM
Experience	Dr Phelps is Director of Service Quality and Improvement for the Tasmanian Department of Health and Human Services and Associate Professor of Clinical Leadership at Deakin University.
Special responsibilities	Member, RACP Board (2012–2014), Member, College Policy and Advocacy Committee and Acting Chair, Quality Expert Advisory Group.
Associate Professor Christopher Poulos	
Qualifications	MBBS, FRACP, FACRRM MBBS (Hons) MSc, FAFRM
Experience	Associate Professor Poulos is a Consultant Physician in Rehabilitation Medicine and Co-Chair of the EnableNSW Advisory Council.
Special responsibilities	President, Australasian Faculty of Rehabilitation Medicine (2012–2014), Member, RACP Board (2012–2014), Chair, Fellowship Committee.
Dr Helen Rhodes	
Qualifications	MBBS, FRACP
Experience	Dr Rhodes is a Renal Physician at Fremantle Hospital and for the past three years has also been Director of Physician Training at the hospital.
Special responsibilities	Member, RACP Board (2012–2014).
Associate Professor James Ross	
Qualifications	MBBS, MPH, MMED (Sports Med), GCert ehealth, AFACHSM, FAsMA, FAFPHM, FAFOEM, GAICD
Experience	Associate Professor Ross is in Private Practice in Canberra as the Medical Director of a private health services company.
Special responsibilities	President, Australasian Faculty of Occupational and Environmental Medicine (2012–2014), Member, RACP Board (2012–2014), Member, Risk Management Committee.
Dr Simone Ryan	
Qualifications	MBBS, FAFOEM, GradDipOccEnvMed, GradDipPubHlth
Experience	Dr Ryan is currently a Consultant Occupational Physician for IBM as well as Founding Medical Director for 'One Life. Live It.', a company specialising in corporate health and occupational medicine.
Special responsibilities	Member, RACP Board (2012–2014), Co-Chair, College Trainees' Committee, Member, Fellowship Committee.
Professor John Wilson	
Qualifications	BSc (Hons), MBBS, PhD, FRACP
Experience	Professor Wilson is the Director of Physician Training at the Alfred Hospital, Melbourne and was formerly Chair, Victorian State Committee.
Special responsibilities	Member, RACP Board (2012–2014), President-Elect, Adult Medicine Division Council (2012–2014), Chair, College Education Committee, Member, Fellowship Committee.
Mr Michael Smith	
Company Secretary	
Qualifications	BA, FAICD, FCIS
Experience	Michael Smith was appointed Company Secretary of the College in October 2011. Prior to this appointment, he has been Company Secretary for a number of major Australian listed public companies including Mirvac Group, Promina Group Limited, Australand Group, National Foods Limited and Macquarie Bank Limited. He has extensive experience in legal, risk management and insurance, corporate governance, compliance, capital raisings and M&A work, and company secretarial practice for over 25 years. He also leads the College's Governance Unit.

Information on Retired Directors

The Members of the Board who retired during the year, their qualifications, experience and special responsibilities are set out below:

Professor John Kolbe	
Qualifications	MBBS, FRACP
Experience	Professor Kolbe is currently a Respiratory Physician at Auckland City Hospital/Greenlane Clinical Centre and Professor of Medicine and Head, Department of Medicine, Faculty of Medical and Health Services, University of Auckland.
Special responsibilities	President of the RACP (2010–2012), RACP Board (2008–2012), Chair, RACP Board Executive (2010–2012).
Dr Gervase Chaney	
Qualifications	MBBS, FRACP
Experience	Dr Chaney is a General Paediatrician at Princess Margaret Hospital for Children in Perth, Western Australia.
Special responsibilities	President, Paediatrics and Child Health Division of the RACP (2010–2012), Member, RACP Board (2008–2012), Member, RACP Board Executive (2010–2012).
Dr Robin Chase	
Qualifications	MBBS, DPH (Diploma of Public Health), FAFOEM, FFOM RCP Ireland (Hon)
Experience	Dr Chase is in Private Practice in South Australia.
Special responsibilities	President, Australasian Faculty of Occupational and Environmental Medicine, Member, RACP Board (2010–2012), Member of the Risk Management Steering Committee (2011–2012).
Associate Professor Leena Gupta	
Qualifications	MBBS, MPH, FAFPHM, GAICD
Experience	Associate Professor Gupta is a Senior Staff Specialist, Public Health, South Western Sydney and Sydney Local Health District Public Health Unit.
Special responsibilities	President, Australasian Faculty of Public Health Medicine (2010–2012), Member, RACP Board (2010–2012).
Dr Joshua Francis	
Qualifications	B.AppSci (MedSci) and MBBS
Experience	Dr Francis is an Advanced Trainee in Paediatrics.
Special responsibilities	Chair, College Trainees' Committee (2010–2012), Member, RACP Board (2010–2012).
Dr Amy Keir	
Qualifications	MBBS
Experience	Dr Keir is an Advanced Trainee in Neonatal/Perinatal Medicine.
Special responsibilities	Member, RACP Board (2010–2012), Member, College Trainees' Committee (2009–2012).
Dr Kathleen McCarthy	
Qualifications	MBBS, Dip MSK, MScSoc, FAFRM
Experience	Dr McCarthy is a Rehabilitation Physician at the Westmead Hospital Brain Injury Unit in Sydney.
Special responsibilities	President, Australasian Faculty of Rehabilitation Medicine (2010–2012), Member, RACP Board (2010–2012), Member RACP Board Executive (2010–2012).
Associate Professor Julie McGaughran	
Qualifications	BSc (Hons), MB ChB (Hons), MD, FRCP (UK), FRACP, AFRACMA, MAICD
Experience	Associate Professor McGaughran is a Clinical Geneticist. She is the Director of Genetic Health Queensland and immediate past president of the Human Genetics Society of Australasia.
Special responsibilities	Member, Adult Medicine Division Council (2008–2012), Member, Adult Medicine Division Executive (2010–2012), Member, RACP Board (2010–2012), Member, International Committee (2011–2012), Member, Communication Committee (2010–2012).

Dr Johan Morreau	
Qualifications	BSc, MBChB, FRACP, MNZM
Experience	Dr Morreau is a General and Community Paediatrician from Rotorua Hospital, Lakes District Health Board, New Zealand.
Special responsibilities	New Zealand President (2010–2012), Member, RACP Board (2009–2012), Member, RACP Board Executive (2010–2012), Chair, New Zealand Committee (2010–2012), Member, International Committee (2011–2012).

Dr Catherine Yelland	
Qualifications	MBBS, FRACP
Experience	Dr Yelland is a Geriatrician and General Physician in full-time practice at Redcliffe Hospital, Brisbane.
Special responsibilities	President, Adult Medicine Division (2010–2012), Member, RACP Board (2009–2012), Member, RACP Board Executive (2010–2012).

Meetings of Directors

The number of meetings of the College's Board of Directors and of each Board Committee held during the year ended 31 December 2012, and the numbers of meetings attended by each Director are detailed on pages 18 and 19.

Finance Committee

The Finance Committee is made up of Board members, non-Board Fellow members and non-Fellow members. The non-Director members of the Finance Committee are listed below.

Dr Ross Boswell	
Experience	Dr Boswell is Chemical Pathologist and General Physician at Middlemore Hospital, New Zealand. He is a former Councillor of the RCPA and former Treasurer and Chairman of the NZ Medical Association.

Dr Stephen Chung	
Experience	Dr Chung is Consultant Physician in Rehabilitation Medicine, Staff Specialist, Central Coast Local Health Network, and former Honorary Secretary of the NSW & ACT Branch of the AFRM.

Ms Loretta Di Mento	
Experience	Ms Di Mento is an audit partner of Ernst & Young in Sydney, with 21 years' experience in audit across a range of organisations including health, aged care and not-for-profit entities.

Mr Tony Fitzgerald	
Experience	Mr Fitzgerald has over 38 years' experience in the financial services sector, both in banking and asset management. He is a board director of Teachers Mutual Bank, and a member of the Investment Committee of UniSuper. He is also a member of the Investment Advisory Committee of Altius Asset Management and is currently the Non-Executive Chairman of Colonial First State Global Asset Management's Credit Committee, the asset management division of the Commonwealth Bank of Australia. Mr Fitzgerald has extensive international experience having held senior roles in Australia, Europe, Asia and the US.

Ms Karen Phin	
Experience	Ms Phin is Managing Director, Head of Capital Management Advisory, Citigroup and has over 18 years' investment banking experience.

Remuneration Committee

The Remuneration Committee was formed in July 2011 as a subcommittee of the Finance Committee. Michael Hooper, Honorary Treasurer, chairs the Committee with Loretta Di Mento, Partner, Assurance, Ernst & Young and Geoffrey Lawrence, a Board Director, being the other members. Michael Smith, the Company Secretary is the secretary of the Remuneration Committee. The Committee operates under a Board approved Terms of Reference. A key role for the Committee is the review of the remuneration and employment contracts of the Chief Executive Officer, Senior Leadership Group and the President.

Key Personnel

Those persons having authority and responsibility for planning, directing and controlling the activities of the College, directly or indirectly, during 2012 and in office at balance date were:

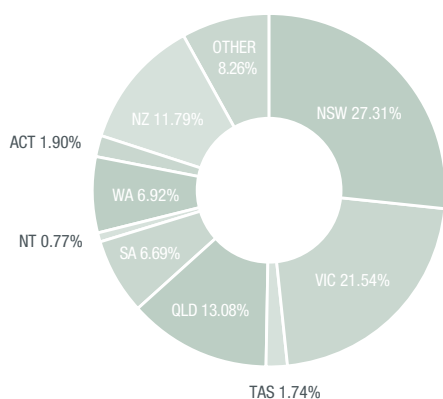
- Dr Jennifer Alexander, Chief Executive Officer
- Professor Richard Doherty, Dean
- Mr Walter Edgar, Director, Business, IT & Finance
- Mr Sasha Grebe, Director, Professional Affairs, Human Resources & Advocacy
- Dr Marie-Louise Stokes, Director of Education
- Mrs Linda Smith, Director, Fellowship Relations (appointed 26/03/2012)
- Mr Michael Smith, Company Secretary (appointed 21/02/2012)

Member Liability

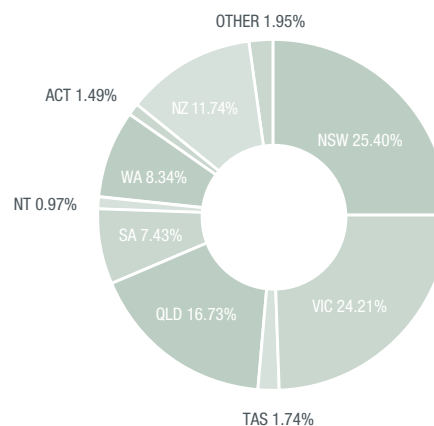
The College was incorporated under the *NSW Companies Act 1936* on 1 April 1938 as a company limited by guarantee. The College retains that status under the current Australian Corporations Legislation. If the College is wound up, the Constitution provides that each member is required to contribute to a maximum of \$50.00 each towards meeting any outstanding debts and obligations of the College. As at 31 December 2012, the number of Members was 20,860 comprising 14,337 Fellows and 6,523 Trainees.

Distribution of Fellows and Trainees by location

Fellows



Trainees



Insurance of Directors and Officers

During the financial year, the College paid a premium for an insurance policy insuring any past, present or future Director, Secretary or Executive Officer of the College against certain liabilities. In accordance with commercial practice, the insurance policy prohibits disclosure of the nature of the liabilities insured against and the amount of the premium.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers, as officers of the College, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else, or to cause detriment to the College.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration required under section 307C of the *Corporations Act 2001* is set out on page 20 of this Annual Report.

This report is made in accordance with a resolution of the Directors.

A handwritten signature in black ink that reads "Michael Hooper". The signature is written in a cursive style with a long, sweeping initial 'M'.

Michael J Hooper

Director

23 April 2013

Information on Directors' meeting attendance for 2012

Director (in office at any time during the year)	Board		Board Executive		Education Committee ¹		Fellowship Committee ¹		Finance Committee ¹		Policy and Advocacy Committee ¹	
	A	B	A	B	A	B	A	B	A	B	A	B
Professor John Kolbe ²	2	2	2	2	-	-	-	-	4	4	1	1
Associate Professor Leslie E Bolitho AM ²	5	5	4	5	-	-	-	-	3	5	2	3
Professor Nick Talley	3	3	3	3	-	-	-	-	-	-	2	2
Dr Gervase Chaney	2	2	2	2	-	-	-	-	-	-	-	-
Dr Robin Chase	2	2	-	-	-	-	-	-	-	-	-	-
Dr Joshua Francis	4	4	-	-	-	-	-	-	-	-	-	-
Dr Charles Guest	3	3	2	3	-	-	-	-	-	-	-	-
Associate Professor Leena Gupta	2	2	-	-	-	-	-	-	-	-	-	-
Clinical Associate Professor Michael Hooper	3	5	-	-	-	-	-	-	8	9	-	-
Professor Shane Houston	1	3	-	-	-	-	-	-	-	-	-	-
Dr Amy Keir	2	2	-	-	-	-	-	-	-	-	-	-
Clinical Associate Professor Mark Lane	3	3	-	-	-	-	1	1	-	-	-	-
Mr Geoffrey Laurence	4	5	-	-	-	-	-	-	9	9	-	-
Dr Kathleen McCarthy	5	5	-	-	-	-	-	-	-	-	-	-
Dr Alasdair MacDonald	2	2	3	3	-	-	-	-	-	-	2	2
Associate Professor Julie McGaughran	2	2	-	-	-	-	-	-	-	-	-	-
Associate Professor Susan Moloney	5	5	3	3	2	2	-	-	-	-	-	-
Dr Johan Morreau	2	2	2	2	-	-	-	-	-	-	-	-
Dr Nicola Murdock	3	3	-	-	-	-	1	1	-	-	-	-
Dr James Newcombe	3	3	-	-	-	-	-	-	-	-	-	-
Dr John O'Donnell	5	5	3	3	-	-	-	-	9	9	-	-
Professor Ronald Paterson	4	5	-	-	-	-	-	-	-	-	-	-
Associate Professor Grant Phelps	2	3	-	-	-	-	-	-	-	-	2	2
Associate Professor Christopher Poulos	3	3	-	-	-	-	1	1	-	-	-	-
Dr Helen Rhodes	3	3	-	-	-	-	-	-	-	-	-	-
Associate Professor James Ross	3	3	-	-	-	-	-	-	-	-	-	-
Dr Simone Ryan	1	1	-	-	-	-	-	-	-	-	-	-
Professor John Wilson	4	5	-	-	-	-	1	1	-	-	1	2
Dr Catherine Yelland	2	2	2	2	3	4	-	-	-	-	-	-

A Indicates the number of meetings attended during the period the Director was a member of the Board or Committee.

B Indicates the number of meetings held during the period the Director was a member of the Board or Committee.

¹ Each of these Committees contains members who are not Directors of the College.

² The President of the College is an ex-officio Member of the Finance Committee.

Information on non-Directors' meeting attendance for 2012

Non-Directors	Finance Committee ¹	
	A	B
Dr Ros Boswell	9	9
Dr Stephen Chung*	7	9
Ms Loretta Di Mento	8	9
Mr Tony Fitzgerald	6	9
Ms Karen Phin	8	9

A Indicates the number of meetings attended during the period the non-Director was a member of the Committee.

B Indicates the number of meetings held during the period the non-Director was a member of the Committee.

1 Each of these Committees contains members who are not Directors of the College.

* Dr Stephen Chung retired from the Committee at the conclusion of the December 2012 Meeting and has been replaced by Dr Stephen Inns, who was formerly the Chair of the New Zealand Finance Committee. This Committee was disbanded in the latter half of 2012. Dr Inns attended the three meetings of the Finance Committee in 2012 as an observer.

AUDITOR'S DECLARATION OF INDEPENDENCE



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**Auditor's Independence Declaration
To the Directors of The Royal Australasian College of Physicians**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of The Royal Australasian College of Physicians for the year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in cursive script that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in cursive script that reads "James Winter".

James Winter
Partner - Audit & Assurance

Sydney, 23 April 2013

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 \$	2011 \$
General fund			
Revenue			
Subscriptions & other Fellow receipts	3(a)	14,168,227	12,990,246
Admissions, training and examination fees	3(b)	19,394,842	17,428,385
Other	3	8,075,387	8,299,147
Total revenue		41,638,456	38,717,778
Expenditure			
Employee benefits	4(a)	24,589,876	18,760,985
Travel, accommodation & meetings		4,740,734	4,834,447
Bad and doubtful debt provision	4(b)	252,111	194,849
Other	4	10,051,565	10,365,476
Total expenditure		39,634,286	34,155,757
General fund surplus		2,004,170	4,562,021
RACP Foundation fund			
Revenue			
Interest & dividend income		2,013,407	1,761,950
Donations from Fellows and other grants		1,004,562	600,788
Gain on disposal of financial assets		502,971	993,039
Other		326,948	-
Total revenue		3,847,888	3,355,777
Expenditure			
Grants paid or payable		1,698,174	1,656,398
Other		432,594	122,143
Total expenditure		2,130,768	1,778,541
RACP Foundation fund surplus		1,717,120	1,577,236
Total surplus		3,721,290	6,139,257

The statement of comprehensive income is to be read in conjunction with the attached notes.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	\$	\$
Surplus for the year	3,721,290	6,139,257
Other comprehensive income:		
Net gain (loss) on revaluation of financial assets	1,655,921	(2,451,628)
Foreign currency translation gain/(loss)	263,213	(56,419)
Total comprehensive income for the year	5,640,424	3,631,210

The statement of comprehensive income is to be read in conjunction with the attached notes.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 \$	2011 \$
Assets			
Current assets			
Cash & cash equivalents	6	13,623,219	19,361,582
Trade & other receivables	7	2,327,944	2,690,703
Other current assets	8	308,509	317,828
Other financial assets	9	1,099,628	27,718,776
Total current assets		17,359,300	50,088,889
Non-current assets			
Other financial assets	9	62,328,659	28,421,241
Property, plant & equipment	10	8,621,501	9,259,781
Other non-current assets	11	1,430,156	1,337,524
Total non-current assets		72,380,316	39,018,546
Total assets		89,739,616	89,107,435
Liabilities			
Current liabilities			
Trade & other payables	12	15,353,360	20,514,535
Provisions	13	1,289,442	1,206,412
Total current liabilities		16,642,802	21,720,947
Non-current liabilities			
Provisions	13	246,305	176,403
Total non-current liabilities		246,305	176,403
Total liabilities		16,889,107	21,897,350
Net assets		72,850,509	67,210,085
Funds			
General funds	17	32,163,179	31,712,481
RACP Foundation funds	17	38,946,769	35,676,177
Reserves	17	1,740,561	(178,573)
Total Funds		72,850,509	67,210,085

The statement of financial position is to be read in conjunction with the attached notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	2012 \$	2011 \$
General and Foundation funds		
Balance, 1 January	67,388,658	61,249,401
General fund surplus	2,004,170	4,562,021
RACP Foundation fund surplus	1,717,120	1,577,236
Balance, 31 December	71,109,948	67,388,658
Available for sale reserve		
Balance, 1 January	(201,714)	2,249,914
Movement in available for sale financial assets	1,655,921	(2,451,628)
Balance, 31 December	1,454,207	(201,714)
Foreign currency translation reserve		
Balance, 1 January	23,141	79,560
Foreign currency translation gain/(loss)	263,213	(56,419)
Balance, 31 December	286,354	23,141
Total funds	72,850,509	67,210,085

STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 \$	2011 \$
Cash flow from operating activities			
Cash receipts from training fees, memberships and operations		30,762,570	31,445,284
Cash payments applied in operations		(41,248,629)	(33,535,917)
Payments to Specialist Training Program posts		(25,681,602)	(15,663,589)
Proceeds from Government for Specialist Training Program posts		28,008,113	9,652,089
Interest received		1,662,542	2,771,765
Proceeds from government grants		5,400,939	4,129,696
Net cash provided by (used in) operating activities	14	(1,096,067)	(1,200,672)
Cash flow from investing activities			
Payments for property, plant and equipment		(1,302,892)	(3,045,156)
Payments for investments		(32,319,228)	(3,429,943)
Proceeds from disposal of property, plant and equipment		-	2,888
Proceeds from investments		29,009,246	1,861,935
Net cash provided by (used in) investing activities		(4,612,874)	(4,610,276)
Net increase/(decrease) in cash		(5,708,941)	(5,810,948)
Cash at the beginning of the year		19,361,582	25,198,474
Effects of exchange rate fluctuations on the balance of cash held in denominated foreign currencies		(29,422)	(25,944)
Cash at the end of the year	6	13,623,219	19,361,582

The statement of cash flows is to be read in conjunction with the attached notes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. Corporate information

The College is a medical college that provides training and education and represents physicians in Australia and New Zealand. The College is an Australian company limited by guarantee registered under the *Corporations Act 2001* and domiciled in Australia.

The financial report of the College for the year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 23 April 2013.

2. Statement of accounting policies for the year ended 31 December 2012

a. Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board.

The Directors have elected under Section 334(5) of the *Corporations Act 2001* to apply the following Accounting Standards in advance of their effective dates:

AASB 1053 Application of Tiers of Australian Accounting Standards; and

AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

These Accounting Standards are not required to be applied until annual reporting periods beginning on or after 1 July 2013.

AASB 1053 establishes a differential financial reporting framework consisting of two tiers of reporting requirements for general purpose financial statements:

Tier 1 – Australian Accounting Standards

Tier 2 – Australian Accounting Standards – Reduced Disclosure Requirements.

AASB 2010-2 makes amendments to each Standard and Interpretation indicating the disclosures not required to be made by Tier 2 entities or inserting RDR paragraphs requiring simplified disclosures for Tier 2 entities.

The company complies with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board.

The adoption of these Standards has resulted in significantly reduced disclosures in respect of related parties and financial instruments. There was no other impact on the current or prior year financial statements.

b. Statement of compliance

The financial report complies with Australian Accounting Standards. Some of these Standards contain requirements specific to not-for-profit entities that are inconsistent with the requirements of International Financial Reporting Standards (IFRS) requirements. The following Australian Accounting Standards include not-for-profit specific requirements which have been applied in preparing this financial report:

AASB 116: Property, Plant and Equipment

AASB 136: Impairment of Assets

AASB 1004: Contributions

c. Significant accounting judgments, estimates and assumptions

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of the underlying transaction and other events is reported.

In the application of Australian Accounting Standards, management is required to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting judgments

The College has entered into leases of premises and office equipment as disclosed in Note 15 (a). Management has determined that all of the risks and rewards of ownership of these premises and equipment remain with the lessor and has therefore classified the leases as operating leases.

Significant accounting estimates and assumptions

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Provisions for employee benefits

Provisions for employee benefits payable after 12 months from the reporting date are based on future wage and salary levels, experience of employee departures and periods of service, as discussed in Note 2 (o). The amount of these provisions would change should any of these factors change in the next 12 months.

d. Revenue

Revenue is recognised when the College is legally entitled to the income and the amount can be quantified with reasonable accuracy. Revenues are recognised net of the amounts of goods and services tax (GST) payable.

Trainee fees

Revenue from trainee fees is recognised when the service is provided.

Membership fees

The College recognises membership subscription fees as revenue over the period of the membership, or where members have not notified the College that they have ceased to be members and not paid the subscription, the amount for which they are deemed to be liable.

Externally funded grant income

Grant income is recognised when there is reasonable assurance that the grant will be received and all attaching conditions complied with. When the grant relates to an expense item, it is recognised as income over the period on a systematic basis to the costs that it is intended to compensate.

Investment income

Investment income comprises interest and dividends. Interest income is recognised as it accrues, taking into account the effective yield on the financial asset. Dividends and trust distributions from listed entities are recognised when the right to receive a dividend or distribution has been established.

Donations

Donations are recognised as revenue when the company gains control, economic benefits are probable and the amount of the donation can be measured reliably.

Asset sales

The gain or loss on disposal of all non-current assets is determined as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal.

e. Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to a particular category they have been allocated to activities on a basis consistent with use of the resources. Support costs are those costs incurred directly in support of expenditure on the objects of the College. Management and administration costs are those incurred in connection with administration of the College and compliance with constitutional and statutory requirements.

f. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

g. Trade and other receivables

Trade receivables, which comprise amounts due from provision of services are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Normal terms of settlement are thirty (30) days. The notional amount of the receivable is deemed to reflect fair value.

An allowance for doubtful debts is made when there is objective evidence that the College will not be able to collect the debts. Bad debts are written off when identified.

h. Property, plant and equipment

Property, plant and equipment including land and buildings is shown at cost, less accumulated depreciation and impairment losses.

Any property, plant and equipment donated to the College are recognised at fair value at the date the company obtains control of the assets.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the College and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the income statement. When revalued assets are sold, the amounts included in asset revaluation reserves, in respect of those assets, are transferred to retained earnings.

Software

Costs incurred in developing IT products or systems are capitalised and included as an asset when it is probable the development project will be successfully completed, the College will be able to use the assets as part of its operations, there is a continuing intention to complete the development project and the costs can be reliably measured. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Acquired software is also capitalised.

Amortisation of software is calculated on a straight line basis over periods generally ranging from 3 to 5 years.

At the end of each reporting period the College assesses whether there is any indication that a software asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In respect of not-for-profit entities such as the College, value in use is the depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits. Depreciated replacement cost is the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings and strata title building units	40 years	(2.5%)
Plant & equipment	10 years	(10%)
Furniture & fittings	10 years	(10%)
Computer equipment & software	3 years–5 years	(20%–33.3%)
Equipment held under finance lease	life of lease	

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. Depreciated replacement cost is used to determine value in use. Depreciated replacement cost is the current replacement cost of an item of property, plant and equipment less, where applicable, accumulated depreciation to date, calculated on the basis of such cost.

Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the income statement.

i. Library and College collection

The library and College collection consists of items of historical, scientific and artistic nature which appreciates in value, therefore no provision for depreciation is required. The College library was valued in 1979 by the Library Committee in conjunction with the College insurers on the basis of minimum resale value. Acquisitions since then in the case of donated volumes have been valued by the Library Committee on the same basis, and purchases at cost. Paintings, antiques and historical objects were independently valued on 30 June 1985 by a licensed valuer and were recorded in the books. Paintings, antiques, historical objects and the library were independently valued in 2009 for insurance purposes by the College's insurers but the changes were not brought to account in accordance with College policy. In 2012, the New Zealand library collection was independently valued and recorded in the books at deemed cost.

j. Financial assets

The College classifies its financial assets into the following four categories:

1. financial assets at fair value through profit or loss,
2. loans and receivables,
3. held-to-maturity investments, and
4. available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the income statement.

Purchases and sales of investments are recognised on trade-date, the date on which the College commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the College has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. The quoted market price used is the current bid price.

The four categories of financial assets are:

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the Statement of Financial Position date.

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the income statement.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the income statement. Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

Held to maturity investments

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that the College has the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the income statement.

Available-for-sale financial assets

Financial assets at fair value through equity are those that are designated as available-for-sale financial assets or are not classified in any of the other categories above.

This category encompasses investments that the College intends to hold long-term but which may be realised before maturity. After initial recognition these investments are measured at their fair value. Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the income statement.

On derecognition the cumulative gain or loss previously recognised in equity is recognised in the income statement.

k. Impairment of financial assets

At each balance date the College assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the income statement.

l. Trade creditors and other payables

Trade creditors and other payables represent liabilities for goods and services provided to the College prior to the end of the financial year that are unpaid. These amounts are usually settled in thirty (30) days. The notional amount of the creditors and payables is deemed to reflect fair value.

m. Unexpended funds

The liability for unexpended funds is the unutilised amounts of government grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions usually fulfilled within 12 months of receipt of the government grant.

n. Employee benefits

Employee benefits comprise wages and salaries, annual, long service and accumulating but non-vesting sick leave, and contributions to superannuation plans.

Liabilities for wages and salaries expected to be settled within 12 months of balance date are recognised in other payables in respect of employees' services up to the reporting date. Liabilities for annual leave in respect of employees' services up to the reporting date which are expected to be settled within 12 months of the balance date are recognised in the provision for annual leave. Both liabilities are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for accumulating but non-vesting sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

The College pays contributions to certain defined contribution superannuation plans. Contributions are recognised in the income statement when they are due. The College has no obligation to pay further contributions to these plans if the plans do not hold sufficient assets to pay all employee benefits relating to employee service in current and prior periods.

o. Provisions

The College recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

p. Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowing costs are recognised as an expense in the period in which they are incurred.

q. Taxation

Income tax

The College is exempt from income tax in both Australia and New Zealand. Accordingly there is no accounting for income tax or the application of tax effect accounting.

Goods and services tax (GST)

All items in the financial report are stated exclusive of GST, except for receivables and payables which are stated on a GST inclusive basis. Where GST is not recoverable as input tax it is recognised as part of the related asset or expense.

The net amount of GST recoverable or payable is included as part of receivables or payables in the Statement of Financial Position.

r. Leases

Finance lease

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the College recognises finance leases as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased items or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life.

Operating lease

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

s. Funds

Funds are disaggregated and classified into a number of reserves. The components of funds are:

General funds
RACP Foundation funds
Available for sale reserves
Foreign exchange translation reserves

t. Foreign currency

All foreign currency transactions are shown in Australian dollars.

Foreign currency transactions

Transactions in foreign currencies are initially recorded in functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at balance date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rate prevailing at the date the fair value was determined.

Exchange differences are recognised in profit and loss in the period they occur.

Foreign currency operations

The assets and liabilities of the College's New Zealand operations are translated at the exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising, if any, are recognised in the foreign currency translation reserve.

3. Revenue

	2012	2011
	\$	\$
General fund		
Externally funded grants	4,570,326	4,673,518
Registration and workshop fees	1,104,536	627,090
Interest & dividend income	1,760,136	1,936,900
Gain/(loss) on disposal of financial assets	15,361	307,302
Advertising & publication income	324,120	271,968
Event management	12,786	83,074
Administrative fees & recoveries	186,247	234,002
Commissions received	-	130,063
State offices income	-	1,404
Other	101,875	33,826
Total other revenue (General fund)	8,075,387	8,299,147

3 (a) Revenue (Subscriptions)

The College recognises membership subscriptions as revenue over the period of the membership. The College has recognised unpaid amounts totalling \$189,280 in 2012 (2011 – \$88,359) as revenue as the College has a right to enforce the payment and intends to pursue the debt.

The increase in outstanding subscriptions is due to an increase in the number of Fellows from 60 to 121 (>1% of eligible Fellows in 2012) choosing not to pay the 2012 fees by 31 December 2012. These Fellows have been contacted and some have subsequently paid. Those who have not paid by April 2013 will have their Fellowship terminated as per clause 4.1.1(d) of the Constitution.

3 (b) Revenue (Training fees)

The College recognises training fees as revenue over the period of the training. The College has recognised unpaid amounts totalling \$486,933 in 2012 (2011 – \$261,626) as revenue as the College has a right to enforce the payment and intends to pursue the debt.

The increase in outstanding training fees is a timing issue as the second intake of Advanced Training fee notices were sent in the month of November as opposed to the month of September in 2011.

4. Expenses

	2012	2011
	\$	\$
General fund		
Rent & outgoing/occupancy cost	2,038,924	1,581,984
Repairs & maintenance	242,562	1,329,296
Depreciation & amortisation	2,002,217	1,128,723
Printing, publication & postage	1,603,894	1,877,860
Contract, professional & consulting fees	772,616	1,336,431
Bank & investment management fees	432,978	430,919
Web hosting and information technology consumables	367,641	232,030
Insurance expense	158,275	158,702
General office stationery	214,353	208,000
Telephone	305,532	275,925
Training tools, development & delivery	641,670	457,522
IT hardware & software maintenance and support	581,474	484,631
Hospital assessment costs (Clinical exams)	369,771	341,500
OTP interview fees paid to Fellows	103,431	124,958
Other expenses	216,227	396,995
Total other expenditure (General fund)	10,051,565	10,365,476

4 (a) Employee Benefits

The increase in employment benefits expense includes additional staff in 2012, plus the full cost of additional staff from 2011, general salary increases and personnel costs including contactors associated with major IT projects.

4 (b) Bad and doubtful debt provision

Opening balance as at 1 January 2012	462,870
Less	
Prior year debts collected	(423,202)
Debts written off against provision	(18,975)
Add provision for 2012 outstanding debts	675,313
	696,006

5. Auditors' remuneration

	2012	2011
	\$	\$
Amounts paid to auditors for:		
The audit of the financial report		
Australia (Grant Thornton)	48,160	45,000
New Zealand (Other)	7,813	7,563
	55,973	52,563
Other audit services		
Australia (Other)	13,500	14,050
New Zealand (Other)	-	-
	13,500	14,050

6. Cash and cash equivalents

	2012	2011
	\$	\$
Cash at bank and on hand	3,984,402	9,154,181
Short-term deposits with financial institutions	9,638,817	10,207,401
	13,623,219	19,361,582

Restricted funds

Cash includes \$8,388,801 (2011 – \$5,080,040) held by the College for distribution to third parties or for a specific purpose under contractual arrangements with government departments. These funds are not available for general working capital requirements. Unexpended funding at year-end is disclosed in Note 12.

Cash also includes RACP Foundation funds of \$3,017,261 (2011 – \$10,892,992) which is not available for general working capital requirements.

7. Trade and other receivables

Trade & other debtors	2,379,921	2,567,189
Less: Allowance for doubtful debts	(696,006)	(462,870)
Other accrued income	644,029	586,384
	2,327,944	2,690,703

8. Other current assets

Prepaid expenses	308,509	317,828
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9. Other financial assets

Current

Bank bills & term investments	1,099,628	27,718,776
	1,099,628	27,718,776

Non-current

Available for sale financial assets	62,328,659	28,421,241
	62,328,659	28,421,241

In 2012, the College's strategy was to consolidate all short-term investments into longer term bonds and securities as the returns on short-term deposits was diminishing with the reduction in the cash rate compared to 2011. With this in mind and the College's investment strategy of being a long-term investor, the College restructured its investments into longer term bonds and securities.

Restricted funds

Bank bills and term investments include \$500,000 (2011 – \$500,000) held by the College for distribution to third parties or for a specific purpose under contractual arrangements with government departments. These funds are not available for general working capital requirements. Unexpended funding at year end is disclosed in Note 12. Also included in the balances is funds for the RACP Foundation which is nil for 2012 (2011 – \$1,041,508) and is not available for general working requirements.

The non-current available for sale of financial assets \$192,727 (2011 – \$512,527) relates to funds the College manages on behalf of a separate entity. A corresponding Liability is also shown in the accounts in Note 12.

The non-current available for sale of financial assets also includes funds for the RACP Foundation \$37,932,573 (2011 – \$24,385,774) in non-current available for sale financial assets that is not available for general working capital requirements. It should be noted that during 2011 and 2012, the College transferred \$5,216,527 from its General funds to the RACP Foundation funds. This amount was the agreed historical funds for groups that joined the College over time.

10. Property, plant and equipment

	Land & Building	Leasehold Improvements	Furniture, Fixtures & Fittings	Plant & Equipment	IT Hardware	IT Software	Total
Cost	\$	\$	\$	\$	\$	\$	\$
Balance at 31 December 2011	5,632,949	1,672,696	2,083,242	926,192	1,593,211	1,511,223	13,419,513
Additions and reclassifications	-	-	198,580	99,945	1,577,535	989,694	2,865,754
Disposals	-	-	-	-	(24,794)	-	(24,794)
Balance at 31 December 2012	5,632,949	1,672,696	2,281,822	1,026,137	3,145,952	2,500,917	16,260,473
Accumulated depreciation							
Balance at 31 December 2011	2,101,325	1,296,248	629,142	515,206	894,202	686,274	6,122,397
Depreciation expense	318,113	203,456	208,481	85,858	762,256	424,053	2,002,217
Disposals	-	-	-	-	(24,794)	-	(24,794)
Forex translation	(26,066)	-	(30,693)	(5,434)	(948)	(42)	(63,183)
Balance at 31 December 2012	2,393,372	1,499,704	806,930	595,630	1,630,716	1,110,285	8,036,637
Net carrying amount							
at 31 December 2011	3,531,624	376,448	1,454,100	410,986	699,009	824,949	7,297,116
2011 Fixed Assets under construction							1,962,665
							9,259,781
at 31 December 2012	3,239,577	172,992	1,474,892	430,507	1,515,236	1,390,632	8,223,836
2012 Fixed Assets under construction							397,665
							8,621,501

11. Other non-current assets

	2012	2011
	\$	\$
Library		
At cost	1,066,084	973,452
Paintings, antiques and historical objects		
At cost	364,072	364,072
Total other non-current assets	1,430,156	1,337,524

12. Trade and other payables

	2012	2011
	\$	\$
Trade creditors & other payables	868,106	2,632,781
Accruals	3,586,073	3,497,948
Income received in advance for subscriptions and exam fees	1,557,946	7,685,728
Unexpended funds	9,341,235	6,698,078
	15,353,360	20,514,535

13. Provisions

Current

Employee entitlements	1,289,442	1,206,412
Total current provisions	1,289,442	1,206,412

Non-current

Employee entitlements	246,305	176,403
Total non-current provisions	246,305	176,403
	1,535,747	1,382,815

14. Reconciliation of cash

Net surplus for the year	3,721,290	6,139,257
Add/(subtract) non-cash items		
Depreciation of property, plant & equipment	2,002,217	1,128,723
Impairment on financial asset	-	-
Add/(subtract) investing activities		
(Profit)/loss on disposal of property, plant & equipment	-	580
(Profit)/loss on sale of investments	(8,248)	(30,498)
Investment distributions reinvested	(2,166,654)	(1,672,626)
Changes in assets and liabilities		
(Increase)/decrease in trade and other debtors	435,292	(630,310)
Increase/(decrease) in trade and other creditors and accruals	(5,230,763)	(6,057,873)
Increase/(decrease) in provisions	150,799	(77,925)
Net cash provided by/(used in) operating activities	(1,096,067)	(1,200,672)

15. Commitments and contingencies

a. Operating leases

The College has entered into commercial leases of buildings and office equipment. These leases have an average life of between three and five years with some having a renewal option included in the contracts. There are no restrictions placed upon the lessee upon entering into these leases.

	2012	2011
	\$	\$
Lease expenditure commitments		
Operating leases (non-cancellable)		
Not later than one (1) year	1,123,539	1,005,155
Later than one (1) year & not later than two (2) years	845,531	745,546
Later than two (2) years & not later than five (5) years	669,057	652,670
Later than five (5) years	548,278	-
	3,186,405	2,403,371

b. Capital expenditure commitments

There is no known capital commitment.

c. Contingencies

There are no known contingencies.

d. Events after the balance date

There have been no significant events after balance date.

16. Related parties and related party transactions

a. Directors

Directors of the College in office during the year are disclosed in the Directors' Report that accompanies these financial statements.

b. Directors' compensation

The Directors act in an honorary capacity and receive no compensation for their services as Directors. During the year travel expenses incurred by the Directors in fulfilling their role were reimbursed to the Directors if not paid directly by the College.

c. Related party transactions

The RACP had a contract with the University of Auckland to reimburse the University for 2 sessions per week relating to the time the President, Professor John Kolbe, was not available to the University. Professor John Kolbe's tenure as the President of the College was finalised in May 2012 and he is no longer an office bearer.

The current President, Associate Professor Leslie E Bolitho, is reimbursed for services that Associate Professor Bolitho has performed as the President. As at year end, the College owed Associate Professor Bolitho \$30,000.

There are no other amounts payable to or receivable from Directors or Director-related entities at the reporting date.

Professor John Wilson, a Director of the College, was also a director and shareholder of an entity holding shares in Attend Anywhere Pty Ltd, a company of which the College has 10 per cent shareholding. The College's investment in Attend Anywhere Pty Ltd was written down to nil in 2009.

The College provides services and accommodation to a number of Specialty Societies and some provide services back to the College and members of the College may be members of these Societies. There is no charge for the services provided between the College and the Societies. During 2012, Associate Professor Julie McGaughran was the Past President of Human Genetics Society of Australasia (a Specialty Society), the President of the Australian Association of Clinical Geneticists, and also a Director of the College until May 2012.

Dr Johan Morreau was a Council Member of the Paediatric Society of New Zealand during 2012, and a Director of the College until May 2012.

d. Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the College, directly or indirectly, including any Director (whether executive or otherwise) of the College.

The aggregate compensation made to key personnel is set out below.

	2012	2011
	\$	\$
Total compensation	2,361,527	1,742,386

17. Details of funds

General funds

The amounts held in the general funds are used to finance the operations of the College

General Funds

Balance, 1 January	31,712,481	30,813,513
General Fund surplus	2,004,170	4,562,021
Allocation to RACP Foundation Funds	(1,553,472)	(3,663,053)
Balance, 31 December	32,163,179	31,712,481

RACP Foundation funds

The amounts held in the RACP Foundation funds are used to finance awards and grants in research activities in Australia and New Zealand.

RACP Foundation Funds

Balance, 1 January	35,676,177	30,435,888
RACP Foundation Fund surplus	1,717,120	1,577,236
Allocation from General Funds	1,553,472	3,663,053
Balance, 31 December	38,946,769	35,676,177

Reserves

The amounts in the reserves represent the unrealised gains resulting from movements in the fair value of the investment portfolio of the General funds and RACP Foundation funds, and movements in exchange rates.

18. Limitation of Fellows' liability

The College is a company limited by guarantee; in accordance with the Constitution, the liability of each Fellow in the event of the College being wound up would not exceed \$50.

19. Other information

The registered office and principal place of business is:

145 Macquarie Street

Sydney NSW 2000

DIRECTORS' DECLARATION

The Directors of The Royal Australasian College of Physicians declare that:

- a.) the financial statements for the year ended 31 December 2012 and notes thereto comply with the Australian Accounting Standards; and
- b.) the financial statements and notes thereto give a true and fair view of the financial position and performance of the College for the year ended 31 December 2012;
- c.) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*; and
- d.) in the directors' opinion, there are reasonable grounds to believe that The Royal Australasian College of Physicians will be able to pay its debts as and when they become due and payable.

Signed in accordance with the resolution of the Board of The Royal Australasian College of Physicians

For and on behalf of the Board

A handwritten signature in black ink that reads "Michael Hooper". The signature is written in a cursive, flowing style.

Michael J Hooper

Director

23 April 2013

DECLARATION BY RESPONSIBLE MEMBER OF THE GOVERNING BODY

I, Jennifer Alexander, the Chief Executive Officer of The Royal Australasian College of Physicians (the College) declare that in my opinion:

- a) The financial statements and notes thereto for the year ended 31 December 2012 give a true and fair view of all income and expenditure of the College with respect to fundraising appeals;
- b) The Statement of Financial Position as at 31 December 2012 gives a true and fair view of the state of affairs with respect to fundraising appeals;
- c) The provisions of the *Charitable Fundraising Act 1991* and the regulations under that Act and the conditions attached to the authority have been complied with; and
- d) The internal controls exercised by the College are appropriate and effective in accounting for all income received.



Sydney 23rd day of April 2013

INDEPENDENT AUDIT REPORT TO THE FELLOWS OF THE ROYAL AUSTRALASIAN COLLEGE OF PHYSICIANS



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Independent Auditor's Report To the Members of The Royal Australasian College of Physicians

We have audited the accompanying financial report of The Royal Australasian College of Physicians (the "College"), which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the College.

Directors' responsibility for the financial report

The Directors of the College are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the College's preparation of the financial report that gives a true and fair view in order to design

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audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

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

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

A handwritten signature in cursive script that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in cursive script that reads "James Winter".

James Winter
Partner - Audit & Assurance

Sydney, 23 April 2013

ABOUT THE ROYAL AUSTRALASIAN COLLEGE OF PHYSICIANS (RACP)

The RACP trains, educates and advocates on behalf of more than 14,300 physicians – often referred to as medical specialists – and 6,500 trainees, across Australia and New Zealand. The College represents more than 32 medical specialties including paediatrics and child health, cardiology, respiratory medicine, neurology, oncology and public health medicine, occupational and environmental medicine, palliative medicine, sexual health medicine, rehabilitation medicine, geriatric medicine and addiction medicine. Beyond the drive for medical excellence, the RACP is committed to developing health and social policies which bring vital improvements to the wellbeing of patients.

www.racp.edu.au