



Statutory report 2019–20

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RACGP

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*We acknowledge the Traditional Custodians of the lands and
seas on which we work and live, and pay our respects to
Elders, past, present and future.*





Contents

| | |
|--|----|
| Directors' report | 2 |
| Declaration of auditor independence | 12 |
| Independent auditor's report | 13 |
| Directors' declaration | 16 |
| Consolidated statement of profit or loss and other comprehensive income | 17 |
| Consolidated statement of financial position | 18 |
| Consolidated statement of changes in equity | 19 |
| Consolidated statement of cash flows | 20 |
| Notes to the financial statements | 21 |

Statutory report



Directors' report

Your directors present this report to the members of the consolidated entity ('the group'), consisting of The Royal Australian College of General Practitioners Ltd ('the company' or 'RACGP') and its controlled entities at the end of, or during, the financial year ended 30 June 2020.

Principal objectives and activities

The RACGP is Australia's largest professional general practice organisation and represents urban, rural, regional and remote general practitioners (GPs). The RACGP is a not-for-profit entity and is endorsed as a deductible gift recipient (DGR-1) under subdivision 30B of the *Income Tax Assessment Act 1997* for donations made for education or research in medical knowledge or science.

Objectives

The RACGP's objectives are to:

- (a) improve the health and wellbeing of individuals and communities by supporting the pursuit of clinical excellence and high-quality patient care, clinical practice, education and research for general practice
- (b) establish and maintain high standards of knowledge, learning, experience, competence, learning, skills and conduct in general practice
- (c) set the standards for, and provide training and continuing professional development programs in relation to, general practice and related areas to improve the knowledge and skill in those fields or to extend knowledge and raise standards of learning and patient care
- (d) set the standards for, and provide undergraduate and postgraduate educational programs in, general practice and related subjects at or in any general practice, community-based medical practice, medical college, university, medical school, hospital, laboratory or other educational institution

- (e) provide grants or in-kind support in scholarly subjects related to general practice
- (f) support and publish research by any persons (whether members of the RACGP or not) into general practice and related subjects
- (g) award diplomas, certificates and other honours in recognition of competency, proficiency or attainment in general practice, or for outstanding work, or in appreciation of special services
- (h) encourage suitably trained persons to enter the specialty of general practice
- (i) promote social intercourse, good fellowship and peer support among members of the RACGP and people engaged in general practice, and promote good relations between such members and people and the community
- (j) advocate on any issue that affects the ability of RACGP members to meet their responsibility to patients and the community.

Performance measures

The RACGP monitors and reports on performance to the RACGP Board through governance reporting mechanisms during:

- Board of Directors' meetings
- Finance Audit and Risk Management Committee meetings
- Nomination and Remuneration Committee meetings
- other Board sub-committees.

Results of operations

- For the 2019–20 financial year, the RACGP recorded a net surplus of \$1,879,143. The surplus was primarily driven by the RACGP's positive emergency response plans to the impacts from COVID-19, significant reduction in discretionary expenditure and the successful application for the Australian

Government's JobKeeper payment of \$2,118,000 during the year, with remainder of accrued amounts at 30 June 2020 of \$1,600,500 received in July and August 2020.

- Net assets increased by 7.2% to \$49,108,889, compared with \$45,806,721 at June 2019.
- Current assets increased to \$76,508,657 from \$68,024,172 primarily due to new grant funding of contracts.
- A new category of right-of-use assets and lease liabilities in accordance of the new lease accounting standard AASB 16 has been included within reporting.
- As a result of the land and buildings revaluation during the year, an increment of \$996,072 was taken to the asset revaluation reserve.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the group that occurred during the financial year that are not otherwise disclosed in this report or the financial statements.

Performance in relation to environmental regulation

There was no environmental legislation applicable to the operations of the group that has not been complied with.

Likely developments and future results

The group anticipates that it will maintain in 2020–21 its positive financial position by making investments into the transition to a coronavirus (COVID-19)–compliant environment and improving operational efficiencies. We continue to strengthen the long-term sustainability of the RACGP by building reserves in line with the RACGP Reserve Fund Policy to manage risks to the organisation.

The group is continually updating, reviewing and improving its management and governance

practices to ensure that the objectives and obligations of the group and its directors are met.

Dividends

The company is a company limited by guarantee and its Constitution precludes the payment of dividends.

COVID-19 pandemic, the RACGP's response and events subsequent to the end of the financial year

The RACGP's operations were affected in the following ways due to COVID-19, and we successfully implemented our emergency response plans through the following measures:

- moving to work from home for the majority of staff under the Flexible Working Policy
- developing the RACGP COVID-safe Policy and Plan
- transitioning in-person examination delivery to online
- moving major events to a digital forum
- redeploying staff to areas of critical need
- applying for and receiving the JobKeeper wage subsidy
- as a precautionary measure to improve liquidity, in September 2020 the RACGP increasing its overdraft facility with the Commonwealth Bank of Australia to \$7,500,000. This facility continues to be secured as part of the first registered mortgage as detailed in Note 9.

The situation is rapidly developing, with dependencies on measures imposed by Australian state and federal governments as well as other global governing bodies. These include measures such as maintaining social distancing requirements, quarantine, travel restrictions and economic stimulus packages. The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the RACGP at the

reporting date. As responses by government continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on the RACGP, its operations, its future results and financial position.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may affect the operations of the RACGP, the results of the operations or the state of affairs of the RACGP in the future financial years.

Directors

The names and details of the company's directors in office at the date of this report are as follows.

Ms Christine Nixon APM

BA, MPA, Hon LLD, Hon LittD, DipLRellLaw, FIPAA, FANZSOG, FAIPM, FAIM

Chair of the Board

Appointed on 30 September 2016

Ms Christine Nixon is a prominent, experienced public speaker and advocate for women, disadvantaged youth, and multi-faith and multicultural communities. She is the Deputy Chancellor at Monash University, Chair of Monash College, and was Chair of Good Shepherd Microfinance from 2011 to 2019.

As Victoria Police Chief Commissioner from 2001 to 2009, Ms Nixon was the first woman in such a role in any Australian police service. After leaving Victoria Police, she was appointed Chair of the Victorian Bushfire Reconstruction and Recovery Authority, a position she held from February 2009 to July 2010.

Ms Nixon has extensive experience in policing, organisational reform, risk management, crisis management, corruption prevention, emergency management and human resource management. She is also a published author, having written her memoir, *Fair cop*, with Jo Chandler in 2011, and *Women leading* with Professor Amanda Sinclair in 2017.

Ms Nixon has received numerous accolades for her services and achievements, including the Australia Police Medal in 1997 and Save the Children Foundation's White Flame Award in 2009. She also has four honorary doctorates from multiple Australian universities and a Masters of Public Administration from Harvard University in the United States.

Dr Harry Nespolon

MBBS, DipRACOG, FRACGP, BEc, LLB (Hons), GCLP, FACLM, MBA, FAICD, MHL

President

Appointed on 11 October 2018

With more than 30 years' experience in general medical practice, Dr Harry Nespolon is the principal of three general practices: in the City of Sydney, the lower North Shore and Northern Beaches.

Dr Nespolon is an experienced chair and company director. He is President of the RACGP and a member of its Board. He is a director of the Northern Sydney Local Health District, and a Fellow of the Australian Institute of Company Directors.

As Chair of GP Synergy Limited, Dr Nespolon successfully led the company to become the largest general practice training provider in Australia. He was the Chair of Sydney North Health Network, a Primary Health Network. He had been Chair of a Division of General Practice and Medicare Local, and a director of Therapeutic Guidelines Limited.

Both before and after becoming RACGP President, Dr Nespolon has been called upon regularly to provide advice on clinical and health policy issues by government, private and public organisations.

Dr Nespolon was a long-serving member of several disciplinary committees, including Medicine Australia's Code of Conduct committee. He had worked as a management consultant, advising predominately in insurance and financial areas. Prior to this he worked as a senior member of the federal office of the Australian Medical Association.

Dr Harry Nespolon died on 26 July 2020, and the college is the poorer for his passing.

Associate Professor Ayman Shenouda

MBBCH, FRACGP, FARGP, DipDerm (UK), GAICD

Vice-President; Chair, Rural Faculty

Appointed on 10 October 2014

Associate Professor Ayman Shenouda was appointed Chair of RACGP Rural in October 2014, after serving as Deputy Chair for six years. He is also a member of RACGP NSW&ACT and was on the RACGP National Standard Committee – Education for several years. He is current Chair of Wagga Wagga GP After Hours Services. Former roles include Chair of the Remote Vocational Training Scheme, Director of Medical

Education Coast City Country General Practice Training Riverina/Murrumbidgee, and Director on the board of the Riverina Division of General Practice and Primary Health.

After migrating from Egypt more than 28 years ago, Associate Professor Shenouda commenced his medical career in Australia as a surgical registrar in Tasmania in 1995, and has been a rural GP in Wagga Wagga for the past 20 years, where he established Glenrock Country Practice. His main special interest is education and training. He is passionate about developing quality frameworks and systematic management tools to enable and enhance the work undertaken by GPs, and about improving patient access and delivering equitable, high-quality patient care in rural and remote Australia.

Associate Professor Shenouda was named the 2009 RACGP General Practitioner of the Year. His Glenrock Country Practice was named the 2007 NSW&ACT General Practice of the Year and awarded three Australian General Practice Accreditation Limited awards in 2009 and 2010.

Associate Professor Shenouda became Acting President on 27 July 2020 on the death of Dr Harry Nespolon.

Dr Tess van Duuren (Tess Joubert)

MBChB, BSc(Hons) (Sports Med), FRACGP

Acting Censor-in-Chief
Appointed 31 October 2019

Dr Tess van Duuren was appointed as Acting Censor-in-Chief in October 2019. No stranger to the demands of such a role, Dr van Duuren was RACGP NSW&ACT Censor immediately before her appointment.

Dr van Duuren has a special interest in medical education and assessment. Since achieving Fellowship, she has served the RACGP and Regional Training Organisations (RTOs) in a number of different roles, including Assessment Panel Chair, Censor, Senior Medical Educator Assessment Progression and Bi-College GP Reviewer for the RACGP, and Director of Training and subsequently Director of Supervisor Education in two different RTOs.

Working in a large group practice in regional New South Wales, Dr van Duuren is an experienced supervisor, providing teaching and training to general practice doctors and medical students.

She has previously been a GP in South Africa and New Zealand, and navigated her way through the RACGP Fellowship examinations as an international medical graduate.

Dr Zakaria Baig

MBBS, FRACGP, FACRRM

Board member; Chair, SA&NT Faculty
Appointed on 27 October 2017

Dr Zak Baig is the Chair of RACGP SA&NT. He has been a GP for more than 20 years and has had extensive experience in rural and emergency medicine in Australia and the United Kingdom.

Dr Baig graduated from medical school in Pakistan and has since received additional training in the United Kingdom, Ireland and Australia. He worked in emergency medicine for many years before transitioning to rural medicine, practising on the Yorke Peninsula in South Australia for more than a decade. He currently practises as a GP in the northern suburbs of Adelaide.

Heavily involved in education for medical students and doctors in training, Dr Baig has a special interest in assisting international medical graduates with their training. He has also been an examiner for the RACGP and the Australian Medical Council for many years.

Dr Krystyna de Lange

BPharm, MBBS, DRANZCOG,
DCH, FRACGP, GAICD

Board member; Chair, GPs in Training Faculty
Appointed on 11 October 2018

Dr de Lange works at an Aboriginal Medical Service in Brisbane and holds a GP with Special Interest position at a tertiary Brisbane hospital. She is the inaugural Chair of the RACGP GPs in Training Faculty.

Dr de Lange graduated from the University of Queensland in 2011 and spent four years working in hospital-based specialties before entering general practice training. During her training she gained experience in both small and large clinics as well as in Aboriginal and Torres Strait Islander health.

Dr de Lange took an active role within the registrar advocacy space as the Registrar Liaison Officer for General Practice Training Queensland (GPTQ) between 2016 and 2018. She also has an interest in medical education, having worked as a Registrar Medical Educator for GPTQ.

Associate Professor Charlotte Hespe

MBBS (Hons), FRACGP, DCH (Lon), GCUT, FAICD
Board member; Chair, Nominations and Remuneration Committee; Chair, NSW&ACT Faculty
Appointed on 27 October 2017

Associate Professor Charlotte Hespe is a GP and owner of an inner-city Sydney practice where she has worked for the past 21 years. She is a general practice supervisor, and her practice functions as a teaching practice for medical students and general practice doctors in training. She also works as Associate Professor, Head of General Practice and General Practice Research for the University of Notre Dame Australia, School of Medicine, Sydney.

Involved with the RACGP since achieving her FRACGP, Associate professor Hespe served as Examiner, Co-assessment Panel Chair, NSW for four years; National Objective Structured Clinical Examination (OSCE) facilitator for two years; and member of the RACGP Expert Committee – Quality Care in 2016–17. She became Chair, RACGP NSW&ACT on 27 October 2017 when she was appointed Vice-President by the Board. From 12 October 2018 to 25 October 2019 she was Chair of the RACGP Board, and is currently Chair of Nominations and Remuneration Committee, being appointed on 25 October 2019.

Associate Professor Hespe is a Fellow of the Australian Institute of Company Directors (FAICD) and has extensive board experience, with 20 years' prior experience as chair or director on several boards with a primary healthcare focus, including EIS Health Ltd (Central and Eastern Sydney Primary Health Network) and GP Synergy Limited.

Dr Timothy Jackson

MBBS, BMedSci, DRANCOG, Advanced Clinical Cert Skin Cancer and Surgery, GAICD
Board member; Chair, Tasmania Faculty
Appointed on 13 January 2020

Dr Timothy Jackson has more than 25 years' experience as a GP and practice owner. He completed the RACGP Family Medicine Program in Launceston, Tasmania and Gosford, New South Wales. Together with his practice partners, he is co-principal of three general practices and a skin cancer clinic on Hobart's Eastern Shore.

Dr Jackson has previously worked as Supervisor Liaison Officer Southern Tasmania for General Practice Training Tasmania, and is a former Chair of General Practice Training Tasmania. He continues to provide supervision for registrars and medical students in his practices.

A graduate of the Australian Institute of Company Directors, Dr Jackson is also currently a Board member of The Hutchins School, Hobart and the not-for-profit organisation Skin Cancer Tasmania. He and his family live on their farm near Hobart.

Dr Cameron Loy

MBBS, BMedSc (Hons), FRACGP, FARGP, DCH, DRANZCOG, GAICD
Board member; Chair, Victoria Faculty
Appointed on 30 September 2016

Dr Cameron Loy is a practising GP in Lara, Victoria, and in correctional services. He has worked in south-western Victoria and internationally in Timor-Leste.

Dr Loy has held a number of prominent professional roles. He was Chair of the General Practice Registrars Association in 2002, Director of the Remote Vocational Training Scheme in 2006–10 and Chair in 2011, and Director of Greater Green Triangle General Practice Education and Training in 2001–03. He has also held a number of roles within the RACGP, including Deputy Chair of RACGP Rural in 2003–14, and Deputy Chair of RACGP Victoria in 2014. Dr Loy is an RACGP examiner and quality assurance examiner, was Chair of the RACGP Assessment Panel for six years, and was a member of the RACGP Expert Committee – Standards for General Practice.

Dr Loy is currently the Principal Medical Officer at Justice Health, Victoria. For six years he was on the advisory groups for the Victorian opioid substitution programs and hepatitis C therapy training programs. He is a trustee of the Shepherd Foundation, which provides grants for research into prevention and occupational health.

Dr Loy remains a committed general practice supervisor and mentor for general practice doctors in training, residents and medical students. In his spare time, he is a keen amateur astronomer.

Professor Peter O'Mara

FRACGP, MBBS, FARGP, GradDipRural

Board member; Chair, National Faculty of Aboriginal and Torres Strait Islander Health

Appointed on 30 September 2016

Professor Peter O'Mara is a Wiradjuri man from New South Wales. He has worked with the Tobwabba Aboriginal Medical Service since 2002 and describes himself as an Aboriginal man who loves being a doctor. With a love for working one-on-one with patients, Professor O'Mara finds satisfaction in the knowledge that, in his own small way, his work contributes toward closing the gap in health outcomes between Aboriginal and Torres Strait Islander peoples and non-Indigenous Australians.

Professor O'Mara began pursuing his other passion – making good doctors – in 2008, where he took on the position of Associate Professor, Indigenous Medical Education and Head of Discipline, Indigenous Health at the University of Newcastle. He is now a professor at the university and Director of the Thuru Indigenous Health Unit within the School of Medicine and Public Health, Faculty of Medicine and Public Health.

Professor O'Mara has served on many national and government committees. He was President of the Australian Indigenous Doctors Association, 2009–12. He has received several awards, including the 2010 Deadly Award for Outstanding Achievement in Indigenous Health (individual), 2012 inductee into WACE International Hall of Fame, and the 2013 Leaders of Indigenous Medical Education (LIME) Award for Outstanding Leadership in Indigenous Health.

Dr Lara Roeske

BMedSc (Hons), MBBS (Hons), FRACGP, DipVen, MAICD

Board member; Chair, National Faculty of Specific Interests

Appointed on 14 November 2018

Dr Lara Roeske is a GP and practice owner, and has held many senior positions at the RACGP, such as Co-Deputy Chair of RACGP Specific Interests, RACGP Victoria Council member, inaugural Chair of the RACGP Specific Interests – Sexual Health Medicine network, and previous Chair of the Women in General Practice RACGP Victoria committee.

With a professional background spanning more than 15 years, Dr Roeske has worked in advisory roles to key stakeholders, on steering committees and guideline working parties, and has represented the RACGP across a range of domains relevant to sexual and reproductive health, cervical cancer prevention and translation of evidence into practice at state and national levels.

Dr Sean Stevens

MBBS, DRACOG, FRACGP, MBA, GAICD

Board member; Chair, WA Faculty

Appointed on 11 October 2018

Dr Sean Stevens is the Chair of RACGP WA and immediate past Chair of the RACGP Specific Interests – Business of General Practice network.

Dr Stevens is a second-generation GP, growing up in the town of Albany in the south-west of Western Australia. He went to medical school at the University of Western Australia and undertook his general practice training in Perth and country Western Australia. During his training, he served as the National Registrars Association (now General Practice Registrars Australia) representative for Western Australia and was intimately involved in negotiating the first national terms and conditions document.

In addition to being a practice owner for 17 years, Dr Stevens has supervised 30 general practice doctors and was awarded the 2005 General Practice Education and Training (GPET) Australian Supervisor of the Year. He is a founding member and the inaugural Chair of the RACGP Specific Interests – Business of General Practice network. He was also the inaugural Vice-Chair of the Australian GP Alliance and has been on the RACGP WA Council for nine years, four of those as Deputy Chair.

Mr Martin Walsh

FCA, FGIA, GAICD

Board member; Chair, Finance, Audit and Risk Management Committee; Chair, RACGP Oxygen Pty Ltd
Appointed on 21 September 2015

Mr Martin Walsh has been an international partner and advisor in assurance and advisory services at EY and Deloitte. He is currently Chair of the Trustee Board for the IOOF Group APRA Regulated Entities. In addition, he has been a director of

Hastings Funds Management Ltd, StatePlus Ltd and Surf Life Saving Australia Ltd. He has also participated in senior executive development courses at Mt Eliza Business School, Kellogg Business School and Harvard University.

Mr Walsh has experience in strategy, finance, investments, risk, compliance and governance. He is a Fellow of the Institute of Chartered Accountants and the Governance Institute, as well as a graduate member of the Australian Institute of Company Directors.

Dr Bruce Willett

MBBS, FRACGP

Board member; Chair, Queensland Faculty
Appointed on 27 October 2017

Dr Bruce Willett is a GP and practice owner in Victoria Point in Redland City, south of Brisbane. Most important to him is 'just being a good GP', but innovation, improvement and education in general practice are also passions.

Dr Willett has been enjoying his current practice – just a few kilometres from where he grew up – for the past 25 years.

Having been on the Board of General Practice Supervisors Australia (GPSA) since 2010, Dr Willett was Chair of GPSA in 2015–16, and Chair of the GP Supervisor Liaison Officer Network in 2010–15.

Dr Willett has been the Supervisor Liaison Officer and Medical Educator for General Practice Training Queensland. He has served on the boards of his local Division of General Practice and the Queensland Health Diabetes Network, and has been an RACGP examiner since 1994.

Company Secretary

Ms Ruth Feltoe

BA (Hons), LLB, LLM, GradDipCSP, GAICD, ACIS, AGIA

Company Secretary
Appointed on 27 February 2019

Ms Ruth Feltoe was appointed as the RACGP's General Counsel on 18 October 2018 and Company Secretary on 27 February 2019. She leads the RACGP's legal, secretariat and governance functions. She advises the CEO and the Board on legal matters

and is also responsible for delivering an integrated and consistent approach to corporate governance.

Ms Feltoe holds a Master of Laws, Bachelor of Laws and Bachelor of Arts (Hons) degrees, and a Graduate Diploma in Company Secretarial Practice. She is a member of the Law Institute of Victoria, the Governance Institute of Australia and the Australian Institute of Company Directors. She is also a Graduate of the Australian Institute of Company Directors.

RACGP member payments and remuneration

The Nomination and Remuneration Committee was formed in August 2018. Chaired by Associate Professor Charlotte Hespe, and including Dr Harry Nespolon, Ms Christine Nixon, Dr Tess van Duuren and Professor Peter O'Mara, the committee has met four times this year.

The committee has overseen the preparation of this remuneration report to be approved by the Board. In keeping with 2018–19, the levels of disclosure and transparency in reporting of remuneration of directors, management and members exceed the regulatory requirements prescribed by the Australian Charities and Not-for-profits Commission (ACNC).

The RACGP employed the services of independent external consultants (KPMG) in the latter half of 2019 in connection with the remuneration arrangements of the directors and President. Advice provided as part of this engagement supported the Board's recommendation for a 2.1% increase to the remuneration paid to the directors, including the President and Chair, effective from 25 October 2019. The 2.1% remuneration increase is within the maximum aggregate cap of \$950,000 approved by the members at the RACGP's 2019 Annual General Meeting (AGM). The President's allowance is approved by member vote at the AGM, based on the Board's recommendation.

The RACGP's Board has reviewed all of the information and commends this remuneration report to the general meeting of members.

Table 1. Board remuneration

| Remuneration by director | Total remuneration* paid and payable for financial year 2019–20 (\$) | Total remuneration* paid and payable for financial year 2018–19 (\$) |
|--------------------------|--|--|
| RACGP President | 132,081 | 128,680 |
| Board | 770,250 | 757,602 |
| Total | 902,331 | 886,282 |

*Total remuneration for Board includes salary and superannuation.

Table 2. Other payments to directors

| Remuneration by director | Total remuneration* for financial year 2019–20 (\$) | Total remuneration* paid for financial year 2018–19 (\$) |
|--------------------------|---|--|
| Harry Nespolon | 1,747 | 15,264 |
| Charlotte Hespe | – | 1,316 |
| Jennifer Presser | – | 54 |
| Bastian Seidel | – | 577 |
| Cameron Loy | 690 | 802 |
| Sean Stevens | – | 732 |
| Mark Miller | – | 404 |
| Zakaria Baig | 1,035 | – |
| Krystyna De Lange | 1,489 | – |
| Total | 4,961 | 19,149 |

*Other payments include professional services, salary and superannuation. Financial year 2018–19 includes applicable superannuation back payment.

Table 3. Key management personnel remuneration (excluding directors)

| Remuneration by role | Total remuneration* paid and payable for financial year 2019–20 (\$) | Total remuneration* paid and payable for financial year 2018–19 (\$) |
|--|--|--|
| Chief Executive Officer (2020: n = 2, 2019: n = 1) | 1,383,578 | 553,475 |
| Other key management personnel (2020: n = 13, 2019: n = 10) | 2,468,612 | 2,443,180 |
| Total | 3,852,189 | 2,996,655 |

*Total remuneration for CEO and general managers includes salary, termination and superannuation payments.

Table 4. RACGP member remuneration

| Category of member remuneration | Total remuneration* paid for financial year 2019–20 (\$) | Total remuneration* paid for financial year 2018–19 (\$) |
|---|--|--|
| Member professional services payments (2020: n = 1705, 2019: n = 2175) Note 1 | 2,917,569 | 5,894,266 |
| Members employed as staff (2020: n = 71, 2019: n = 111) Note 2 | 2,421,289 | 2,706,347 |
| RACGP Expert Committee chair and member payments (2020: n = 90, 2019: n = 125) | 345,782 | 329,002 |
| Total | 5,684,640 | 8,929,615 |

*Total remuneration includes salary and superannuation.

Notes:

1. Member professional services payments, RACGP Expert Committee chair payments and RACGP Expert Committee member payments are paid as contractor payments. The financial year 2018–19 includes payment of superannuation for services provided to the RACGP prior to 2018–19. The change in member participation numbers between 2018–19 and 2019–20 reflects the cancellation of the 2020.1 Objective Structured Clinical Examination (OSCE).
2. Members employed as staff are paid as salaries and wages and appropriate PAYG tax is remitted to the Australian Taxation Office.

Board meetings

The number of meetings of Board (including meetings of committees of Board) held during the year and the numbers of meetings attended by each director were as follows.

| | Board | | Finance Audit and Risk Management | | Nomination and Remuneration | |
|-------------------|-----------------|-------------|-----------------------------------|-------------|-----------------------------|-------------|
| | Number attended | Number held | Number attended | Number held | Number attended | Number held |
| Zakaria Baig | 12 | 12 | 2 | 3 | – | – |
| Tess van Duuren | 8 | 9 | – | – | 2 | 3 |
| Krystyna de Lange | 12 | 12 | 3 | 3 | – | – |
| Charlotte Hespe | 12 | 12 | – | – | 4 | 4 |
| Timothy Jackson | 7 | 7 | – | – | – | – |
| Cameron Loy | 11 | 12 | – | – | – | – |
| Harry Nespolon | 12 | 12 | 3 | 4 | 4 | 4 |
| Christine Nixon | 12 | 12 | – | – | 4 | 4 |
| Peter O'Mara | 11 | 12 | – | – | 1 | 3 |
| Lara Roeske | 12 | 12 | – | – | – | – |
| Ayman Shenouda | 12 | 12 | – | – | – | – |
| Sean Stevens | 12 | 12 | 6 | 7 | – | – |
| Martin Walsh | 12 | 12 | 7 | 7 | – | – |
| Bruce Willett | 12 | 12 | 4 | 4 | – | – |
| Kaye Atkinson | 2 | 2 | – | – | 1 | 1 |
| Jennifer Presser | 2 | 2 | – | – | – | – |

Not all directors were appointed to Board or the relevant committee for the entire year. The above columns show the number of meetings of Board and relevant committees that were held during each director's tenure on Board and those committees.

| | Awards | | COVID-19 Advisory* | |
|-------------------|-----------------|-------------|--------------------|-------------|
| | Number attended | Number held | Number attended | Number held |
| Zakaria Baig | - | - | - | - |
| Tess van Duuren | 3 | 3 | - | - |
| Krystyna de Lange | - | - | - | - |
| Charlotte Hespe | 1 | 1 | 25 | 25 |
| Timothy Jackson | - | - | - | - |
| Cameron Loy | - | - | - | - |
| Harry Nespolon | 4 | 4 | - | - |
| Christine Nixon | 3 | 3 | - | - |
| Peter O'Mara | - | - | - | - |
| Lara Roeske | - | - | 25 | 25 |
| Ayman Shenouda | - | - | - | - |
| Sean Stevens | - | - | 25 | 25 |
| Martin Walsh | - | - | - | - |
| Bruce Willett | - | - | - | - |
| Kaye Atkinson | 1 | 1 | - | - |
| Jennifer Presser | - | - | - | - |

Not all directors were appointed to Board or the relevant committee for the entire year. The above columns show the number of meetings of Board and relevant committees that were held during each director's tenure on Board and those committees.

*The COVID-19 Advisory Committee was convened as a joint Board and management committee to enable the RACGP to respond to the rapidly changing events of the COVID-19 pandemic. The work of this committee has continued past 30 June 2020.

Auditor independence

A copy of the auditor's independence declaration is set out on the following page.

Corporate information

The RACGP registered office and principal place of business is:

100 Wellington Parade
East Melbourne, Victoria 3002

Corporate structure

The company is incorporated in New South Wales and domiciled in Australia as a company limited by guarantee, with the liability of its members limited to \$20 per member.

Signed in accordance with a resolution of the directors.



Christine Nixon, Chair of Board

17 September 2020
Melbourne

Declaration of auditor independence



RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of the Royal Australian College of General Practitioners Ltd for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Australian professional accounting bodies; and
- (ii) any applicable code of professional conduct in relation to the audit.

Rsm

RSM AUSTRALIA PARTNERS

K J Dundon

K J DUNDON
Partner

Dated: 17 September 2020
Melbourne, Victoria

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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Independent auditor's report



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INDEPENDENT AUDITOR'S REPORT

To the Members of The Royal Australian College of General Practitioners Ltd

Opinion

We have audited the financial report of The Royal Australian College of General Practitioners Ltd ("RACGP"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end.

In our opinion, the financial report of the RACGP has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance and cash flows for the year ended on that date; and
- (b) complying with Australian Accounting Standards– Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the RACGP in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the RACGP's annual report for the year ended 30 June 2020 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Report

The directors of the company 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 *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and for 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.

In preparing the financial report, the directors are responsible for assessing the RACGP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the RACGP or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



RACGP Member Payments and Remuneration

We have audited the RACGP Member Payments and Remuneration details included in tables 1 to 4 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the RACGP Member Payments and Remuneration details included in tables 1 to 4 of the Directors' Report for the year ended 30 June 2020 give a true and fair view of the RACGP payments and remuneration which are disclosed.

Rsm

RSM AUSTRALIA PARTNERS

K J Dundon

K J DUNDON
Partner

Dated: 23 September 2020
Melbourne, Victoria

Directors' declaration

**Per section 60.15 of the Australian Charities and Not-for-profits
Commission Regulation 2013**

The directors declare that in the directors' opinion:

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

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

On behalf of the directors



Christine Nixon, Chair of Board
17 September 2020
Melbourne

Consolidated statement of profit or loss and other comprehensive income

The Royal Australian College of General Practitioners Ltd

| For the year ended 30 June 2020 | Notes | 2020 (\$) | 2019 (\$) |
|--|-------|-------------------|-------------------|
| Revenue | 2 | 78,922,767 | 83,104,302 |
| Other income | 2 | 3,718,500 | – |
| Total revenue and income | | 82,641,267 | 83,104,302 |
| Expenses | | | |
| Employee benefits and on-costs | | 43,901,541 | 36,671,895 |
| GP sessional and sitting payments | | 3,495,219 | 6,240,188 |
| Consultancy and professional services | | 6,076,268 | 4,545,742 |
| Conferences, meetings, travel and accommodation | | 6,584,237 | 7,978,805 |
| Telecommunications and office expenses | | 2,088,327 | 2,034,079 |
| Postage and freight | | 624,246 | 745,303 |
| Publications, advertising and media | | 3,028,915 | 4,779,446 |
| Printing and stationary | | 242,139 | 348,970 |
| Subscriptions and periodicals | | 538,892 | 512,459 |
| IT-related costs | | 3,098,040 | 3,989,478 |
| Grants and donations | | 422,360 | 346,340 |
| External grant project administration | | 7,152,877 | 4,735,775 |
| Finance costs | | 585,112 | 547,556 |
| Depreciation and amortisation | 3 | 2,565,980 | 2,014,001 |
| Other expenses | | 298,357 | 711,554 |
| Total expenses | | 80,702,510 | 76,201,591 |
| Surplus from operation activities | | 1,938,757 | 6,902,711 |
| Net investment (expenses)/income | 7 | (219,291) | 313,363 |
| Share of net surplus of associates accounted for using the equity method | 8 | 159,677 | 152,504 |
| Total surplus after tax | | 1,879,143 | 7,368,578 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Revaluation increment to land and buildings | 14 | 996,072 | 4,420,745 |
| Other comprehensive income for the year, net of tax | | 2,875,215 | 11,789,323 |
| Total comprehensive income for the year | | 2,875,215 | 11,789,323 |

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

The Royal Australian College of General Practitioners Ltd

| As at 30 June 2020 | Notes | 2020 (\$) | 2019 (\$) |
|--------------------------------------|-------|--------------------|--------------------|
| Current assets | | | |
| Cash and cash equivalents | 4 | 66,919,162 | 57,588,132 |
| Trade and other receivables | 5 | 3,770,621 | 3,673,810 |
| Financial assets | 6 | – | 720,530 |
| Other financial assets | 7 | 5,818,874 | 6,041,700 |
| Total current assets | | 76,508,657 | 68,024,172 |
| Non-current assets | | | |
| Investments | 8 | 708,999 | 649,322 |
| Property, plant and equipment | 9 | 48,863,462 | 48,598,807 |
| Intangible assets | 10 | 2,739,609 | 2,229,345 |
| Financial assets | 6 | 700,000 | 700,000 |
| Trade and other receivables | 5 | 21,493 | 53,733 |
| Right of use asset | 16 | 1,641,902 | – |
| Total non-current assets | | 54,675,465 | 52,231,207 |
| Total assets | | 131,184,122 | 120,255,379 |
| Current liabilities | | | |
| Trade and other payables | 11 | 5,815,628 | 6,450,211 |
| Current tax liabilities | | – | (20,553) |
| Contract liabilities | 12 | 68,745,921 | 63,269,215 |
| Provisions | 13 | 4,856,778 | 4,075,628 |
| Lease liability | 16 | 438,149 | – |
| Total current liabilities | | 79,856,476 | 73,774,501 |
| Non-current liabilities | | | |
| Provisions | 13 | 849,551 | 674,157 |
| Lease liability | 16 | 1,369,206 | – |
| Total non-current liabilities | | 2,218,757 | 674,157 |
| Total liabilities | | 82,075,233 | 74,448,658 |
| Net assets | | 49,108,889 | 45,806,721 |
| Equity | | | |
| Reserves | 14 | 32,843,618 | 29,968,403 |
| Accumulated surplus | 14 | 16,265,271 | 15,838,318 |
| Total equity | | 49,108,889 | 45,806,721 |

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

The Royal Australian College of General Practitioners Ltd

| For the year ended 30 June 2020 | Notes | Accumulated surplus (\$) | Asset revaluation reserve (\$) | Reserve fund (\$) | Total (\$) |
|---|-----------|-----------------------------|-----------------------------------|----------------------|-------------------|
| Balance at 1 July 2018 | | 14,969,740 | 19,047,658 | – | 34,017,398 |
| Total surplus for the year | | 7,368,578 | – | – | 7,368,578 |
| Transfer | | (6,500,000) | – | 6,500,000 | – |
| Total other comprehensive income for the year | | – | 4,420,745 | – | 4,420,745 |
| Balance at 30 June 2019 | 14 | 15,838,318 | 23,468,403 | 6,500,000 | 45,806,721 |
| Adjustment for change in accounting policy | 14 | 426,953 | – | – | 426,953 |
| Total surplus for the year | | 1,879,143 | – | – | 1,879,143 |
| Transfer | | (1,879,143) | – | 1,879,143 | – |
| Total other comprehensive income for the year – revaluation increment to land and buildings | | – | 996,072 | – | 996,072 |
| Balance at 30 June 2020 | 14 | 16,265,271 | 24,464,475 | 8,379,143 | 49,108,889 |

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

The Royal Australian College of General Practitioners Ltd

| For the year ended 30 June 2020 | Notes | 2020 (\$) | 2019 (\$) |
|---|----------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Receipts from membership activities, publications, government and other grants and JobKeeper (inclusive of GST) | | 93,114,564 | 99,250,592 |
| Payments to suppliers and employees (inclusive of GST) | | (82,435,820) | (81,362,830) |
| Income tax received/(paid) | | 20,553 | (42,421) |
| Net cash inflow from operating activities | | 10,699,296 | 17,845,341 |
| Cash flows from investing activities | | | |
| Purchase of property and office equipment | | (313,114) | (417,279) |
| Purchase of intangibles assets | | (1,631,993) | (1,839,377) |
| Interest received | | 322,603 | 593,041 |
| Dividends received | | 100,000 | 100,000 |
| Sale of financial assets | | 623,252 | 7,717,637 |
| Investment income from other financial assets | | – | 168,442 |
| Net cash (outflow)/inflow from investing activities | | (899,251) | 6,322,464 |
| Cash flows from financing activities | | | |
| Repayment of lease liabilities including interest | | (469,015) | – |
| Net cash inflow/(outflow) from financing activities | | (469,015) | – |
| Net increase in cash held | | 9,331,030 | 24,167,805 |
| Cash at beginning of financial year | | 57,588,132 | 33,420,327 |
| Cash and cash equivalents at end of financial year | 4 | 66,919,162 | 57,588,132 |

The accompanying notes form part of these financial statements.

Notes to the financial statements

The Royal Australian College of General Practitioners Ltd

For the year ended 30 June 2020

Note 1. Statement of significant accounting policies

The consolidated financial statements ('financial statements') and notes represent those of The Royal Australian College of General Practitioners Ltd (RACGP) and controlled entities ('the group').

The financial statements were authorised for issue by the directors on 17 September 2020. The directors have the power to amend and reissue the financial statements.

Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012*. The group is a not-for-profit entity for the purpose of preparing the financial statements. The financial statements of the group comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

New and amended standards adopted by the group

The group has adopted the following new standards for the first time for its annual reporting period commencing 1 July 2019:

- AASB 15 *Revenue from Contracts with Customers*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 16 *Leases*

AASB 15 Revenue from Contracts with Customers

The RACGP has adopted AASB 15 from 1 July 2019. The standard provides a single, comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

AASB 1058 Income of Not-for-Profit Entities

The RACGP has adopted AASB 1058 from 1 July 2019. The Australian Accounting Standards Board issued the new Australian accounting standard and implementation guidance on the recognition and measurement of income for not-for-profit (NFP) entities. This new standard establishes principles for NFP entities that apply specifically to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable an NFP entity to further its objectives; and to volunteer services received. Where such a transaction meets the requirements of AASB 15 *Revenue*

from *Contracts with Customers*, revenue will be recognised in accordance with the requirements of this standard. Where a transaction does not meet the requirements to be accounted for under AASB 15, as it is either not an enforceable contract or the performance obligations are not sufficiently specific, the college needs to assess whether the transactions should be accounted for under AASB 1058.

Impact of adoption

AASB 15 and AASB 1058 were adopted using the modified retrospective approach, and as such comparatives have not been restated. The impact to opening retained earnings as at 1 July 2019 was an increase to accumulated surplus of \$547,204.

AASB 16 Leases

The RACGP has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 *Leases* and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the interest portion and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to

performing an impairment review – there were no onerous contracts as at 1 July 2019

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such comparatives have not been restated. The college has applied AASB 16 practical expedient and elected not to recognise right-of-use assets and lease liabilities for short-term leases with less than 12 months of lease term and leases of low-value assets. Right-of-use assets are measured from lease commencement date. The following table shows the impact on the financial statements as at the date of initial adoption:

| | 1 July 2019 (\$) |
|---|------------------|
| Operating lease commitments as at 1 July 2019 (AASB 117) | 1,456,116 |
| Lease transition adjustment | 381,945 |
| Lease option extension applied | 254,809 |
| Operating lease commitments discounted based on the average incremental borrowing rate used under AASB 16 | (200,580) |
| Reduction in accumulated surplus as at 1 July 2019 | (120,251) |
| Right-of-use assets as at 1 July 2019 | 1,772,040 |

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical cost, except for the revaluation of certain non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the group's functional and presentation currency.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

1.1 Basis of consolidation

The financial statements incorporate the assets and liabilities and results of The Royal Australian College of General Practitioners Ltd as at 30 June 2020 and the results of its subsidiary for the year then ended.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Income and expenses of the subsidiary are included in the 'Consolidated statement of profit or loss and other comprehensive income' from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the group's ownership interests in its subsidiary that do not result in the group losing control are accounted

for as equity transactions. The carrying amounts of the group's interests are adjusted to reflect the changes in their relative interests in the subsidiary.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between a) the aggregate of the fair value of the consolidation received and the fair value of any retained interest, and b) the previous carrying amount of the assets and liabilities of the subsidiary. When assets of the subsidiary are carried at revalued amounts or fair values, and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the group had directly disposed of the relevant assets (ie reclassified to the 'Consolidated statement of profit or loss and other comprehensive income', or transferred directly to accumulated surplus as specified by applicable standards).

1.2 Investments in associates

Associates are entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the group's financial statement using the equity method of accounting, after initially being recognised at cost.

The group's share of its associates' post-acquisition profits or losses is recognised in the 'Consolidated statement of profit or loss and other comprehensive income'. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment (refer to Note 8).

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other

unsecured long-term receivables, the group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

1.3 Property and office equipment

Land and buildings are shown at fair value determined by the group and based on annual reviews effective 30 June of each year, which apply standard property valuation techniques, including reference to an independent valuer. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property and office equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the 'Consolidated statement of profit or loss and other comprehensive income' during the financial period in which they are incurred.

Any revaluation increases on the revaluation of land and buildings are credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for land and buildings previously recognised as an expense in the 'Consolidated

statement of profit or loss and other comprehensive income'. In this case, the increase is credited to the 'Consolidated statement of profit or loss and other comprehensive income' to the extent of the decrease previously charged. A decrease in the carrying amount arising on revaluation of land and buildings is charged as an expense in the 'Consolidated statement of profit or loss and other comprehensive income' to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of land and buildings.

1.4 Intangible assets

Costs incurred in developing the software, educational curriculum and training material are recognised as an intangible asset when it is probable that the costs incurred to develop the curriculum will generate future economic benefits and can be measured reliably. The expenditure recognised comprises all directly attributable costs, largely consisting of labour and direct costs of material. Other development expenditure that does not meet these criteria are recognised as an expense as incurred. The recognised costs are amortised from the date when the asset becomes available for use.

1.5 Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that a carrying amount may not be recoverable. At a minimum, assets are reviewed for impairment annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

1.6 Depreciation and amortisation

Depreciation (except for land, which is not a depreciable item) is calculated on a straight-line basis so as to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life or, in the case of leasehold improvements, the shorter lease term. Depreciation rates used are as follows.

| | |
|---|----------------|
| Buildings | 2.5% |
| Leasehold improvements | 5.0% |
| Office equipment and training equipment | 15.0% |
| Office furniture | 7.5% |
| Computer equipment | 33.3% |
| Computer software | 33.3% to 14.3% |
| Right of use assets | 33.3% to 12.5% |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.3). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the 'Consolidated statement of profit or loss and other comprehensive income'. The right-of-use assets' useful lives are reviewed and assessed based on the current rental contracts in place, which currently range from three to eight years (Note 1.8).

1.7 Lease liabilities

The RACGP leases various offices. Rental contracts are typically made for fixed periods of up to eight years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. Up until 30 June 2019, leases of property, plant and equipment were

classified as either finance leases or operating leases, with the college only having operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the right-of-use asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- the exercise price of a purchase option if the consolidated entity is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the consolidated entity exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the college uses bank borrowing rates. The college is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made on or before the commencement date, less any lease incentives received
- any initial direct costs
- restoration costs.

1.8 Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, or any initial direct costs incurred.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the RACGP expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities. The useful life of the college's leases range from three to eight years.

1.9 Trade receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

1.10 Trade payables

Trade payables represent liabilities for goods and services provided to the

group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

1.11 Contract liabilities

Contract liabilities represent the group's obligation to transfer goods or services to a customer, and are recognised when a customer pays consideration, or when the group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer. Contract liabilities relate to income received in advance for membership subscriptions and Continuing Professional Development (CPD) Program fees, grants, examinations and other revenue items.

1.12 Employee benefits

The group has recognised and brought to account employee benefits as follows.

a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be wholly settled within 12 months of the reporting date, are recognised in trade and other payables in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities for annual leave and other short-term employee obligations are recognised in trade and other payables.

b) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave that are not expected to be wholly settled within 12 months after the end of the period in which employees render the related service are recognised in the provision for employee benefits. The provision

amount is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on notional corporate bonds, with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the statement of financial position if the group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

1.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.14 Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price, which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on

the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised. Revenue is recognised on the following bases.

a) Membership subscriptions

Subscriptions are recorded as revenue over time in the year to which the subscription relates. Subscriptions received in advance are shown in the 'Consolidated statement of financial position' as contract liabilities.

b) Continuing Professional Development (CPD) Program and other fees

Fees are recorded as revenue in the year to which the fees relate. Fees received in advance are shown in the 'Consolidated statement of financial position' as contract liabilities.

c) Revenue from courses and examinations

All revenue and expenditure relating to specific courses/examinations is recognised upon completion of the course/examination.

d) Specific-purpose grants

Grants are recognised as revenue over time, as and when the group delivers the performance obligations stated within the funding agreements. Grant monies received but not yet expended – that is, when services have not yet been performed, or performance obligations have not been fulfilled – are shown in the 'Consolidated statement of financial position' as contract liabilities.

e) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

f) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

1.15 Income tax

The parent company is endorsed as an income tax exempt charitable entity under subdivision 50-B of the *Income Tax Assessment Act 1997*.

The subsidiary of The Royal Australian College of General Practitioners Ltd, RACGP Oxygen Pty Ltd, is not income tax exempt. Therefore, income tax for the period is the tax payable on the current period's taxable income based upon the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Australia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1.16 Goods and services tax

Revenues and expenses from ordinary activities, and assets, are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or part of the item of the expenses from ordinary activities. Receivables and payables are stated with the amount of GST included. Items in the 'Consolidated statement of cash flows' are inclusive of GST where applicable.

1.17 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates that, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies. The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. These include the following:

a) Estimation of fair values of land and buildings and financial assets held at fair value – refer to Note 9 and Note 7

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the company on known information. This consideration extends to land and buildings and financial assets measured at fair value. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions that may affect the company unfavourably as at the reporting date or subsequently as a result of the pandemic.

b) Provision for employee benefits

Management uses judgement to determine when employees are likely to take annual leave and long service leave. Employee benefits that are expected to be settled within one year are measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made for those

benefits. Accordingly, assessments are made on employee wage increases and the probability the employee may not satisfy the vesting requirements. Likewise, these cash flows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of the cash outflow.

c) Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

d) Lease term

The lease term is a significant component in measuring both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity

reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

1.18 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.

1.19 Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2019.

1.20 Parent entity financial information

The financial information for the parent entity, The Royal Australian College of General Practitioners Ltd, disclosed in Note 21, has been prepared on the same basis as the financial statements, with the exception of the policy set out below.

a) Investments in subsidiaries and associates

Investments in subsidiaries are accounted for at cost, while investments in associates are equity accounted in the financial statements of The Royal Australian College of General Practitioners Ltd.

b) Income tax

The parent company is endorsed as an income tax exempt charitable entity under subdivision 50-B of the *Income Tax Assessment Act 1997*.

1.21 Capital management

The objective of the group is to safeguard its ability to continue as a going concern, so that it can continue to provide benefits to its members.

1.22 Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This assumes that the transaction will take place either in the principal market or, in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

1.23 Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition, and subsequent reclassification to other categories is restricted. Financial assets are derecognised when the rights to

receive cash flows from the financial assets have expired or have been transferred, and the consolidated entity has transferred substantially all the risks and rewards of ownership.

a) Financial assets at fair value through profit or loss

Other financial assets are designated fair value through profit or loss on initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Fair value movements are recognised in profit or loss for the financial year.

b) Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise grant; it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

1.24 Comparatives

Where necessary, comparatives have been reclassified and realigned for consistency with current year disclosures.

Note 2. Revenue from ordinary activities

| | 2020 (\$) | 2019 (\$) |
|---|-------------------|-------------------|
| Revenue from operating activities | | |
| Membership subscriptions and CPD Program fees | 35,510,527 | 34,571,647 |
| Education, course registration and other fees | 23,509,808 | 29,407,555 |
| Research and other grants and donations | 14,677,770 | 11,917,412 |
| Publications and subscriptions | 112,166 | 127,162 |
| Sponsorship and advertising | 1,620,790 | 3,057,515 |
| Other operating income | 2,135,126 | 2,369,043 |
| Other revenue from ordinary activities | | |
| Interest | 322,603 | 630,367 |
| Rent | 1,033,977 | 1,023,601 |
| Total revenue | 78,922,767 | 83,104,302 |
| Other income – JobKeeper wage subsidy | 3,718,500 | – |
| Revenue from contracts with customers by timing of revenue recognition under AASB 15 | | |
| Revenue recognised over time | 52,384,614 | 47,546,471 |
| Revenue recognised at a point in time | 25,181,573 | 33,903,863 |
| Total revenue from operating activities | 77,566,187 | 81,450,334 |

Note 3. Expenses

| | 2020 (\$) | 2019 (\$) |
|---|------------------|------------------|
| Surplus from operating activities includes the following specific expenses | | |
| Depreciation and amortisation | | |
| Buildings and building improvements | 697,500 | 595,745 |
| Computer equipment | 291,221 | 691,753 |
| Intangibles assets | 1,121,729 | 714,609 |
| Other plant and equipment | 10,558 | 11,894 |
| Right-of-use assets | 444,971 | – |
| | 2,565,980 | 2,014,001 |
| Rental expense relating to operating leases* | 67,532 | 599,497 |
| Finance costs – interest on lease liabilities | 69,245 | – |

*As a result of AASB 16 Leases, 30 June 2020 relates to low-value leases only.

Note 4. Cash and cash equivalents

| | 2020 (\$) | 2019 (\$) |
|------------------------------------|-------------------|-------------------|
| Cash at bank and on hand | 14,055,426 | 12,137,371 |
| | 14,055,426 | 12,137,371 |
| Deposits on call and term deposits | 52,863,736 | 45,450,761 |
| | 66,919,162 | 57,588,132 |

\$26,575,173 (2019: \$20,157,967) relate to grant funds held for disbursement.

Note 5. Trade and other receivables

| | 2020 (\$) | 2019 (\$) |
|--|------------------|------------------|
| Current assets | | |
| Trade receivables* | 1,077,669 | 2,109,247 |
| Prepayments | 1,014,971 | 1,494,997 |
| Other receivables | 1,664,055 | 69,566 |
| Income tax receivable | 13,926 | – |
| | 3,770,621 | 3,673,810 |
| Non-current assets | | |
| Other receivables – lease incentives | 21,493 | 53,733 |
| <p>*Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The carrying amounts of amounts receivable approximate net fair values, as determined by reference to the expected future net cash flows and due to their short-term nature.</p> <p>Other receivables generally arise from transactions outside the usual operating activities of the group.</p> | | |

Note 6. Financial assets

| | 2020 (\$) | 2019 (\$) |
|---|-----------|-----------|
| Current assets | | |
| Term deposits | – | 720,530 |
| Non-current assets | | |
| Term deposits* | 700,000 | 700,000 |
| <p>*During the financial year 2015–16, the RACGP received a bequest of \$700,000 from the Lynn Harvey Joseph estate. The Trust deed stipulates that the RACGP is to hold the \$700,000 for 50 years while applying the income earned from the fund to research, education and training in general practice medicine. Upon expiry of 50 years the funds will become available to be applied as the RACGP determines appropriate.</p> | | |

Note 7. Other financial assets

| | 2020 (\$) | 2019 (\$) |
|--|------------------|------------------|
| Cash and cash management accounts | 1,056,167 | 1,009,442 |
| Fixed-interest securities | 1,639,103 | 1,901,276 |
| Equity investments | 3,123,604 | 3,130,982 |
| | 5,818,874 | 6,041,700 |
| <p>Other financial assets are managed by Escala Partners Ltd and are held at fair value. The economic downturn as a result of the COVID-19 pandemic may have an impact on the future fair value of these assets.</p> | | |
| Net investment income | | |
| <p>Net investment income is presented net of investment management fees in the 'Consolidated statement of profit or loss and other comprehensive income'.</p> | | |
| Interest | 4,972 | 13,895 |
| Trust distributions | 53,840 | 103,393 |
| Dividend income | 83,921 | 104,209 |
| Investment management fees | (35,353) | (33,509) |
| Foreign tax expense | (2,779) | (2,949) |
| Net realised gain/(loss) on investment | (67,687) | (16,596) |
| Net unrealised gain/(loss) on investment | (256,205) | 144,920 |
| | (219,291) | 313,363 |

Note 8. Investments accounted for using the equity method

| | 2020 (\$) | 2019 (\$) |
|---|----------------|----------------|
| Share in associates | 708,999 | 649,322 |
| Share in associates | | |
| <p>i. The group holds 33.33% of the units in the Australian Medicines Handbook Unit Trust (the Unit Trust). The Unit Trust's principal activity is the production and sale of the <i>Australian medicines handbook</i>. The Unit Trust has a 30 June reporting period. The group's share of the results of its associate's assets and liabilities are as follows:</p> | | |
| Group's share of: | | |
| Assets | 1,411,514 | 1,093,377 |
| Liabilities | 702,515 | 444,055 |
| Revenue | 1,764,292 | 1,703,600 |
| Profit after tax | 159,677 | 152,504 |
| <p>ii. The movement in equity-accounted associates investments is as follows:</p> | | |
| Balance at the beginning of the financial year | 649,322 | 596,818 |
| Share of associate's surplus from ordinary activities after income tax | 159,677 | 152,504 |
| Less Dividends received | (100,000) | (100,000) |
| Balance at the end of the financial year | 708,999 | 649,322 |
| <p>iii. There are no contingent liabilities/assets of the associate</p> | | |

Note 9. Non-current assets – Property and office equipment

| | 2020 (\$) | 2019 (\$) |
|--------------------------------------|-------------------|-------------------|
| Freehold land and buildings | | |
| Land and building – valuation | 48,425,000 | 48,050,000 |
| <i>Less</i> Accumulated depreciation | – | – |
| | 48,425,000 | 48,050,000 |
| Assets under construction at cost | 126,528 | – |
| | 126,528 | – |
| Computer equipment at cost | 4,114,685 | 4,144,220 |
| <i>Less</i> Accumulated depreciation | (3,839,452) | (3,642,672) |
| | 275,233 | 501,548 |
| Other plant and equipment at cost | 121,986 | 121,986 |
| <i>Less</i> Accumulated depreciation | (85,285) | (74,727) |
| | 36,701 | 47,259 |
| Total written-down value | 48,863,462 | 48,598,807 |
| Reconciliations | | |
| Freehold land and buildings | | |
| Opening balance | 48,050,000 | 43,975,000 |
| Additions | 76,428 | 250,000 |
| Revaluation increment/(decrement)* | 996,072 | 4,420,745 |
| Disposals | – | – |
| Depreciation expense | (697,500) | (595,745) |
| Closing balance | 48,425,000 | 48,050,000 |
| Assets under construction | | |
| Opening balances | – | – |
| Additions | 126,528 | – |
| Closing balance | 126,528 | – |
| Computer equipment | | |
| Opening balance | 501,548 | 1,166,858 |
| Additions | 109,890 | 167,279 |
| Disposals | (44,984) | (140,836) |
| Depreciation expense | (291,221) | (691,753) |
| Closing balance | 275,233 | 501,548 |
| Other plant and equipment | | |
| Opening balance | 47,259 | 59,153 |
| Additions | – | – |
| Depreciation expense | (10,558) | (11,894) |
| Closing balance | 36,701 | 47,259 |
| Total closing balances | 48,863,462 | 48,598,807 |

The valuation basis of land and buildings is fair value, being the amounts for which the assets could be exchanged between market participants in an orderly manner, based on current prices in an active market for similar properties in the same locations and conditions.

*Freehold land and buildings were revalued to the amounts shown above as at 30 June 2020. The valuations recorded a net increase of \$996,072 through the asset revaluation reserve in relation to the increase in property values at 30 June 2020.

Independent valuations of the group's land and buildings were performed by the independent valuers Savills Pty Ltd (valuer) in their respective states to determine the market value of the properties for 30 June 2020. The outbreak of COVID-19 was declared a 'global pandemic' by the World Health Organization on 11 March 2020. The real estate market is being impacted by the uncertainty that the COVID-19 outbreak has caused. Market conditions are changing daily at present. As at the date of valuation we consider that there is a significant market uncertainty. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the valuer could not reasonably have been aware of as at the date of valuation).

The Commonwealth Bank of Australia holds a first registered mortgage over the land and buildings at 100 Wellington Parade, East Melbourne. This mortgage secures a credit facility of \$2,549,700 as at 30 June 2020 that was not fully utilised during the financial year ended 30 June 2020.

Note 10. Intangible assets

| | 2020 (\$) | 2019 (\$) |
|------------------------|------------------|------------------|
| Opening balance | 2,229,346 | 1,104,577 |
| Additions | 1,631,992 | 1,839,377 |
| Amortisation expense | (1,121,729) | (714,609) |
| Closing balance | 2,739,609 | 2,229,345 |

Note 11. Trade and other payables

| | 2020 (\$) | 2019 (\$) |
|------------------------------|------------------|------------------|
| Trade creditors | 912,236 | 1,258,409 |
| Other creditors and accruals | 4,903,392 | 5,191,802 |
| Total | 5,815,628 | 6,450,211 |

Net fair values: trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of amounts payable approximate net fair values, as determined by reference to the expected future net cash flows and due to their short-term nature.

Note 12. Contract liabilities

| | 2020 (\$) | 2019 (\$) |
|---|-------------------|-------------------|
| Income in advance | | |
| Membership subscriptions and CPD Program fees | 28,747,593 | 29,299,149 |
| Grants | 28,886,979 | 22,294,985 |
| Examinations | 9,157,779 | 8,116,205 |
| Other | 1,953,570 | 3,558,876 |
| Total | 68,745,921 | 63,269,215 |

Note 13. Provisions

| | 2020 (\$) | 2019 (\$) |
|--|------------------|------------------|
| Employee benefits – annual leave (current) | 3,177,045 | 2,486,939 |
| Employee benefits – long service leave (current) | 1,454,733 | 1,588,689 |
| Employee benefits – long service leave (non-current) | 849,551 | 674,157 |
| Other provisions (current) | 225,000 | - |
| Total | 5,706,329 | 4,749,785 |

Other provisions relate to expected costs for property remedial works in the next 12 months. The costs have been estimated to be in the vicinity of \$225,000, but actual costs may differ to this and the RACGP may be able to claim a portion of these costs through insurance.

Note 14. Reserves and accumulated surplus

| | 2020 (\$) | 2019 (\$) |
|--|-------------------|-------------------|
| Asset revaluation reserve* | | |
| Balance at beginning of year | 23,468,403 | 19,047,658 |
| Revaluation of land and buildings | 996,072 | 4,420,745 |
| Balance at end of year | 24,464,475 | 23,468,403 |
| Accumulated surplus | | |
| Movements in accumulated surplus | | |
| Balance at beginning of year | 15,838,318 | 14,969,740 |
| Changes in accounting policy [†] | 426,953 | – |
| Current year surplus | 1,879,143 | 7,368,578 |
| Transfer to reserve fund | (1,879,143) | (6,500,000) |
| Balance at end of year | 16,265,271 | 15,838,318 |
| Reserve fund | | |
| Movements in reserve fund[‡] | | |
| Balance at beginning of year | 6,500,000 | – |
| Transfer from accumulated surplus | 1,879,143 | 6,500,000 |
| Balance at end of year | 8,379,143 | 6,500,000 |

*The asset revaluation reserve is used to record increments and decrements in the value of those land and buildings measured at fair value.

[†]Relates to AASB 15 transition adjustments for an increase to accumulated surplus of \$547,204 at 1 July 2019, and for AASB 16 a decrease to the accumulated surplus of \$120,251 at the same date.

[‡]In line with the Board-approved RACGP Reserve Fund Policy and good financial governance and principles, the reserve fund provides financial flexibility to respond to emergencies, reducing impact during times of financial stress by establishing an internal source of funds for situations such as a sudden increase in expenses; once-off, unanticipated loss in funding; or uninsured losses.

Note 15. Key management personnel compensation

| | 2020 (\$) | 2019 (\$) |
|--|------------------|------------------|
| Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including any director (whether executive or otherwise). | | |
| Total compensation for key management personnel during the financial year: | | |
| Key management personnel | 4,393,242 | 3,911,651 |
| The above compensation includes salary, termination and superannuation payments, plus other benefits and long service leave entitlements during the year. | | |

Note 16. Leases

| | 2020 (\$) | 2019 (\$) |
|--------------------------------------|------------------|-----------|
| Right-of-use assets | | |
| Buildings as at 1 July 2019 | 2,274,006 | – |
| Additions | 314,833 | – |
| <i>Less</i> Accumulated depreciation | (946,937) | – |
| Total | 1,641,902 | – |
| Lease liabilities | | |
| Current | 438,149 | – |
| Non-current | 1,369,206 | – |
| Total | 1,807,355 | – |

The total cash outflow for leases in 2020 was \$469,015. Depreciation of \$444,971 was recognised in the year.

Note 17. Commitments and contingencies

| | 2020 (\$) | 2019 (\$) |
|--|-----------|----------------|
| The RACGP has given bank guarantees as at 30 June 2020 of \$114,513 (2019: \$389,700). | | |
| Capital commitments | | |
| Intangibles assets | | |
| Within 12 months | | |
| Intangibles assets | – | 317,493 |
| Total intangibles assets | – | 317,493 |

Note 18. Related party transactions

| |
|--|
| a) Equity interests in related parties |
| i. Equity interests in associates Details of interest in associates are disclosed in Note 8 to the financial statements. |
| ii. Equity interests in subsidiaries Details of interest in subsidiaries are disclosed in Note 22 to the financial statements. |
| b) Key management personnel compensation Disclosures relating to key management personnel compensation are set out in Note 15. |
| c) Key management personnel loans There are no loans to or from key management personnel. |
| d) Transactions with key management personnel The key management personnel have transactions with the group that occur within a normal supplier–customer relationship on terms and conditions no more favourable than those with which it is reasonable to expect the group would have adopted if dealing with the key management personnel at arms length in similar circumstances. These transactions include the collection of membership dues and subscriptions and the provision of group services. |

Note 19. Financial instruments

| | | |
|--|------------------|------------------|
| a) Liquidity risk Liquidity risk refers to the risk that the group will encounter difficulty in meeting obligations concerning its financial liabilities. The group has the following financing arrangements. The group also has financial liabilities to its trade and other creditors and amounts invoiced in advance for services to be rendered, such as the group's membership subscriptions. The group does not expect to settle the amounts invoiced in advance by cash payment; rather, these liabilities will be satisfied with the provision of the services. Liquidity risk is therefore insignificant as the group's cash reserves significantly exceed the remaining financial liabilities that it expects to settle by cash payment. | | |
| b) Financing arrangements The group had arranged the following undrawn borrowing facilities at the end of the reporting period. | | |
| Facilities: | 2020 (\$) | 2019 (\$) |
| Overdraft | 2,000,000 | 1,000,000 |
| Total undrawn facilities | 2,000,000 | 1,000,000 |
| The Commonwealth Bank of Australia holds a first registered mortgage over the land and buildings at 100 Wellington Parade, East Melbourne. This mortgage secures a credit facility of \$2,549,700 as at 30 June 2020 that was not fully utilised during the financial year ended 30 June 2020. The total secured credit facility consists of the overdraft and other credit limits in relation to the RACGP's merchant facilities and corporate cards. | | |

Note 20. Events after the reporting period

In September 2020, the RACGP increased its overdraft facility with the Commonwealth Bank of Australia (CBA) to \$7,500,000. This facility continues to be secured as part of the first registered mortgage as detailed in Note 9.

The COVID-19 situation is rapidly developing, with dependencies on measures imposed by Australian state and federal governments as well as other global governing bodies. These include measures such as maintaining social distancing requirements, quarantine, travel restrictions and economic stimulus packages. The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the RACGP at the reporting date. As responses by government continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on RACGP, its operations, its future results and financial position.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may affect the operations of the RACGP, the results of the operations or the state of affairs of the RACGP in the future financial years.

Note 21. Parent entity information

| | 2020 (\$) | 2019 (\$) |
|--|--------------------|--------------------|
| The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the financial statements. Refer to Note 1 for a summary of the significant accounting policies relating to the group. | | |
| Financial position | | |
| Assets | | |
| Current assets | 76,467,324 | 68,023,258 |
| Non-current assets | 54,685,465 | 52,241,208 |
| Total assets | 131,152,789 | 120,264,466 |
| Liabilities | | |
| Current liabilities | 79,983,996 | 73,971,993 |
| Non-current liabilities | 2,218,757 | 674,163 |
| Total liabilities | 82,202,753 | 74,646,156 |
| Net assets | 48,950,036 | 45,618,310 |
| Equity | | |
| Reserves | 32,843,618 | 29,968,401 |
| Accumulated surplus | 16,106,418 | 15,649,909 |
| Total equity | 48,950,036 | 45,618,310 |
| Financial performance | | |
| Total surplus/(deficit) | 1,821,728 | 7,406,341 |
| Other comprehensive income for the year | 996,072 | 4,420,745 |
| Total comprehensive income for the year | 2,817,800 | 11,827,086 |
| Contingent liabilities of the parent entity | | |
| The RACGP has given bank guarantees as at 30 June 2020 of \$114,513. | | |
| Commitments for the acquisition of intangibles assets by the parent entity | | |
| Intangibles assets | | |
| Within 12 months | | |
| Intangibles assets | – | 317,493 |
| Total intangibles assets | – | 317,493 |

Note 22. Subsidiaries

The financial statements incorporate the assets, liabilities and results of RACGP Oxygen Pty Ltd in accordance with the accounting policy described in Note 1.1. Note that RACGP Oxygen Pty Ltd is in the process of an orderly wind down.

| Name of entity | Country of incorporation | Class of shares | Equity holding | |
|----------------------|--------------------------|-----------------|----------------|------|
| | | | 2020 | 2019 |
| RACGP Oxygen Pty Ltd | Australia | Ordinary | 100% | 100% |



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