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Corporate Governance Statement and Statutory report

Corporate Governance Statement

The Royal Australian College of General Practitioners (RACGP) is a public company limited by guarantee and subject to the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act). It is also a deductible gift recipient (DGR) for donations made specifically for education or research in medical knowledge or science. The RACGP was founded in 1958, its stated aim was to improve the health and wellbeing of all Australians by supporting general practitioners, as well as the 'medical education of the undergraduate, recent graduate, and those already in practice'. The primary mission of the RACGP remains the improvement of the health and wellbeing of all Australians by supporting general practitioners.

Governance at the RACGP

The RACGP Corporate Governance Statement is presented in terms of the *Corporate Governance Principles and Recommendations with 2010 Amendments* by the Australian Stock Exchange Corporate Governance Council. While the RACGP is not required to report against these principles, application demonstrates the RACGP's commitment to preserving stakeholder confidence.

A copy of the RACGP Constitution and other governance information is available on the RACGP website (www.racgp.org.au).

Principle 1: Lay solid foundations for management and oversight

Board of Directors – Role and responsibilities

The Board of Directors (Council) is responsible for the overall corporate governance of the RACGP, its performance and is accountable to the members.

The Board (Council) must also ensure that the RACGP complies with all of its contractual, statutory and other legal obligations, including the requirements of all applicable regulatory bodies.

The powers and duties of the Board (Council) are specified in the RACGP Constitution, the *Corporations Act 2001*, ACNC Act and other relevant legislation and law.

Key accountabilities and matters reserved for the Board (Council) include:

- setting and reviewing objectives, goals and strategic direction, and assessing performance against these benchmarks
- ensuring the RACGP is financially sound, meets prudential requirements and has appropriate financial reporting practices
- ensuring a process is in place for the maintenance of the integrity of internal controls, risk management, delegations of authority and financial and management information systems
- appointing, supporting, evaluating and rewarding the Chief Executive Officer (CEO)
- monitoring the executive succession plan and ensuring a process of evaluating and rewarding key executives
- ensuring high business standards, ethical conduct and fostering a culture of compliance and accountability
- reporting to members on the Board (Council)'s stewardship of the company and monitoring the achievement of the RACGP's strategic plans.

While the Board (Council) has overall governance responsibility for the RACGP, it has delegated a range of its powers, duties and responsibilities to its committees, office bearers and management. The Board (Council) reviews delegation policies annually.

Management

The CEO is appointed by the Board (Council) and is responsible for the management of the RACGP in accordance with approved strategy, policies and delegated authority framework. The CEO attends Board and Board Committee meetings; however, the CEO is not a director.

All staff members, including those in the senior leadership team are subject to annual performance planning and reviews by their immediate supervisor. The RACGP Learning and Development policy supports the RACGP Performance Management System framework, which recognises and includes the identification of the development and training needs of an employee in order for them to acquire and use new skills, experience and knowledge within their position at the RACGP.

Principle 2: Structure the Board to add value

Board (Council) composition

The Board (Council) of the RACGP comprises 13 directors, including two co-opted directors.

Details of the Chair, directors and the Company Secretary, including names, qualifications, and any changes, are included in the Directors' report.

Directors are appointed in accordance with the RACGP Constitution, generally for a term of two years, except in the case of co-opted directors, who are appointed by the Board (Council) for one year.

Chair

The Chair leads the Board (Council) and manages the meetings. The Chair has responsibility for ensuring the Board (Council) receives accurate, timely and clear information to enable the directors to analyse and constructively critique the performance of management and the RACGP as a whole. The Chair is elected by the Board (Council) from Board (Council) members for a term of one year.

President

The President is elected by the members for a term of two years and is responsible for representing the Board (Council) to members and external stakeholders.

Company Secretary

The Company Secretary is appointed by the Board (Council) and reports directly to the Chair in respect to that role. The Company Secretary is responsible for developing and maintaining information systems that are appropriate for Board (Council) to fulfil its role. The Company Secretary is also responsible for ensuring compliance with Board (Council) procedures and provides advice to the Board (Council), via the Chair, on governance matters.

Director induction and education

The RACGP has an induction program for new directors, who are provided with a director handbook. Directors are

provided with detailed briefings by management on corporate strategy and current issues affecting the RACGP.

In order to achieve continuing improvement in Board (Council) performance, all directors are funded to attend continual professional development in board governance. Specifically, directors are provided with the resources and training to address skills gaps where they are identified. All directors have completed the Australian Institute of Company Directors course and exam.

Conflicts of interest

All directors formally declare personal interests and potential conflicts with those of the RACGP and must keep the Board (Council) advised on an ongoing basis of any such interests. Each director is obliged to notify the other directors of any material personal interest that he or she may have in a matter that relates to the affairs of the RACGP. Directors who may have, or may be perceived to have, a material personal interest in a matter before the Board (Council), where appropriate, leave the meeting, do not participate in discussions and abstain from voting on that matter.

Independent professional advice and access to company information

The Board (Council) and its committees may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chair, individual directors may seek independent professional advice at the expense of the RACGP on any matter connected with the discharge of their responsibilities.

Each director has the right of access to all relevant RACGP information and all archive records.

Board (Council) meetings

The Board (Council) meets in regular session, currently nine times per year. Agendas for Board (Council) meetings are prepared in conjunction with the Chair, the President and the CEO. Board (Council) reports are circulated in advance of Board (Council) meetings. Management is regularly involved in Board (Council) discussions.

Meetings are conducted in accordance with Council standing orders.

Board (Council) performance

The Board (Council) has review processes in place to assess its effectiveness. These include a discussion and review after each meeting, and the completion of an annual questionnaire by each director as part of its continuous improvement program.

Board (Council) committees

To assist in the performance of its responsibilities, the Board (Council) has established a number of Board (Council) committees. Each committee operates under terms of reference approved by the Board (Council), which are reviewed periodically.

Board (Council) committees monitor and facilitate detailed discussion on particular issues and other matters as delegated by the Board (Council). They have no delegated authority, but make recommendations and report to Board (Council) on the delegated matters.

Details of committee membership and attendance are included in the Directors' report.

Principle 3: Promote ethical and responsible decision-making

Ethical standards

The RACGP has documented key governance policies and procedures. These include the RACGP's Vision, Core strategic objectives, College principles with workplace values and behaviours. Board (Council)-approved policies also cover Code of conduct, Equity and diversity, Whistleblower and Occupational health and safety.

These Board (Council)-approved policies aim to clearly articulate the ethical standards expected of all directors and staff when dealing with members, stakeholders, suppliers and each other. Any action or omission that contravenes these policies is subject to counselling or disciplinary action appropriate to the circumstances.

All directors and staff must avoid conflicts, as well as the appearance of conflicts, between personal interests and the interests of the company.

The reporting of fraud and other inappropriate activity is encouraged by the Board (Council) and management via a policy framework that includes confidential reporting system and other internal processes.

Principle 4: Safeguard integrity in financial reporting

Finance, Audit and Risk Management Committee of the Board (Council)

The role of the Finance, Audit and Risk Management Committee is to assist the Board (Council) in relation to financial performance and the reporting of financial information, risk management, audit and compliance. The Finance Audit and Risk Management Committee comprises four directors, two co-opted external members and an RACGP Fellow, and the CEO attends meetings by invitation. The Chair of the Finance Audit and Risk Management Committee is on the Board (Council).

Internal and external auditors met with the Finance, Audit and Risk Management Committee during the year, and were invited to meet the Committee without management being present.

External audit

In accordance with the ACNC Act, the RSM accounting firm audits the records and financial statements of the RACGP. The Finance, Audit and Risk Management Committee regularly reviews the independence of the external audit function.

Internal audit

DFK Kidsons provides the internal audit function for the RACGP. The Finance, Audit and Risk Management Committee regularly reviews the independence of the internal audit function.

Internal control framework

The Board (Council) is responsible for the overall internal control framework and for reviewing its effectiveness, but

recognises that no cost-effective internal control system will preclude all errors and irregularities. The key features of the control environment for the RACGP include the Board (Council) standing orders, terms of reference for each committee, a clear organisational structure with documented delegation of authority from the Board (Council) to office holders and management with defined procedures for the approval of major transactions and capital expenditure.

Principle 5: Make timely and balanced disclosure

Member communication

The RACGP is committed to open and transparent disclosure to its members of matters affecting the college and the profession. This is achieved by direct communication with members through newsletters, emails, website notifications, social media, publications and faculty correspondence. In particular, a Board (Council) outcomes report is produced after each meeting and disseminated by each faculty to its members.

Principle 6: Respect the rights of members

The rights and obligations of our members are detailed in the RACGP Constitution, which can be found at www.racgp.org.au

Member information

The RACGP is committed to the complete protection of its member information through the RACGP Privacy and personal information policy and RACGP Information and records management policy.

Member engagement

RACGP faculties promote engagement with members through regular communication, hosting events and encouraging member participation across all facets of the college. The Annual General Meeting (AGM) of members is held each year during the RACGP's annual conference. Formal reports are presented to members and members have the opportunity to ask questions of directors or raise issues on current or future strategy or direction. Outcomes from previous AGMs are available on the RACGP website.

Principle 7: Recognise and manage risk

Business risk management

The RACGP has in place a system of business risk management that forms part of the business planning and monitoring process across all faculties and business units. Each business unit is responsible for assessing and updating its risk profiles, including related mitigation programs.

The Finance, Audit and Risk Management Committee reports on the status of business risks. Each year a full risk assessment and mitigation plan is prepared and endorsed by the Board (Council). The risk assessment process includes input from the Board (Council), executive and management across the business. The risk management methodology in place is based on Australian and New Zealand risk management standards. The committee receives regular updates on the status of key business risks, insurance and outcomes from internal and external audits.

Principle 8: Remunerate fairly and responsibly

Director and executive remuneration

The President's allowance is approved by eligible members at the AGM. Directors receive payments from the RACGP, with increases approved by the Board (Council) on an annual basis that are usually set in accordance with the consumer price index. Details of key management personnel compensation are included in the notes to the financial statements.

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 ('the company' or 'RACGP') and its controlled entities at the end of, or during, the financial year ended 30 June 2016.

Principal activities

The RACGP is Australia's largest professional general practice organisation and represents urban, rural, regional and remote general practitioners. The RACGP is a not-for-profit entity and is endorsed as a deductible gift recipient (DGR) under sub-division 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 improve the health and wellbeing of all people in Australia by supporting GPs, general practice registrars and medical students through its principal activities of education, training and research and by assessing doctors' skills and knowledge, advocacy, supplying ongoing professional development activities, developing resources and guidelines, helping GPs with issues that affect their practice, and developing standards that general practices use to ensure high-quality healthcare.

The RACGP has a proud history of achievements, including the development of the *Standards for general practices* and introducing continuing professional development. The RACGP carries out its activities within the following areas of strategic focus:

- Advocacy
- Collegiality
- Education and training for general practice
- Innovation and policy for general practice.

Performance measures

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

- Council meetings
- Finance Audit and Risk Management Committee of Council meetings
- other Council sub-committee and advisory board meetings.

Results of operations

During the financial year ended 30 June 2016, the group recorded a total surplus from operating activities of \$171,904 compared to \$248,960 in 2015. Over the year, the net assets of the group increased from \$19,876,576 to \$21,957,662. As a result of asset revaluation during the year, an increment of \$1,670,432 was taken to the asset revaluation reserve. During the financial year, the group increased spending in technology to modernise RACGP systems and members' digital applications. The group also increased spending in a number of community awareness campaigns and advocacy to raise awareness of the value of general practice and the importance of education and learning gained through the RACGP.

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, which has not been complied with.

Likely developments and future results

The group anticipates that it will maintain in 2016–17 its positive financial position. 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.

Events subsequent to the end of the financial year

Subsequent to financial year ended 30 June 2016, the directors received an offer to sell 201 Logan Road, Woolloongabba, Queensland. The potential sale of 201 Logan Road is in line with the Council approval of

diversification of RACGP investments. The offer price is in excess of the carrying value of the property at 30 June 2016. The sale is expected to be completed during the 2016–17 financial year.

Directors

The names and details of the company's directors in office at the date of this report are as follows. The company's board of directors is also known as the RACGP Council.

Dr Tim Koh

MBBS, FRACGP
Chair, RACGP Council; Chair, RACGP Western Australia

Dr Tim Koh is Chair of RACGP Council and Chair of RACGP Western Australia. He is a practising GP in Currabmine and Clarkson in north-metropolitan Perth. He is a second-generation GP, originally from Three Springs, approximately 300 km north of Perth, where his father was a rural GP. Dr Koh has been involved in general practice training with RACGP Western Australia and Western Australian General Practice Education and Training (WAGPET) since 2002. Dr Koh served as RACGP Western Australia Assessment Panel Chair for six years and Education Committee Chair for four years. He became Deputy Chair of RACGP Western Australia in 2010 and was subsequently named Chair in 2014. He is a co-owner of Currabmine and Ocean Keys family practices, where he supervises and mentors general practice registrars, residents and medical students.

Adjunct Associate Professor Frank R Jones

MBBCh, DRCOG, DCH, FRACGP, MAICD
President

Assoc Prof Jones is a GP in Mandurah in southern WA and is the RACGP President. He was also RACGP Vice-President and Chair of RACGP Western Australia from 2013–14, and has been a member of RACGP Western Australia since 2004, serving as Deputy Chair from 2006–10. Assoc Prof Jones has been in full-time general practice for 30 years and was a procedural GP obstetrician for 25 years. He is senior partner at the Murray Medical Centre in Mandurah, a large

multidisciplinary practice that encourages GPs to extend their patient care skills within the practice, the local community and the regional hospital. Assoc Prof Jones has been a general practice supervisor for more than 15 years and is closely involved with the formal teaching program for registrars. He has previously served as a general practice supervisor liaison officer for Western Australian General Practice Education and Training (WAGPET). He was previously Chair of the Medical Advisory Committee (MAC) for Murray District Hospital and assumed the MAC Chair at Peel Health Campus during the transition to the new health facility. Assoc Prof Jones was appointed Adjunct Associate Professor of General Practice at the University of Notre Dame medical school in Fremantle in 2008. He is also a clinical lecturer at the University of Western Australia medical school and has an appointment as a visiting medical officer at Peel Health Campus.

Associate Professor Morton Rawlin

BMed, MMedSc, FRACGP, FARGP, FACRRM, DipPractDerm, DipMedHyp, DipFP, DipBusAdmin, GAICD
Vice-President; Chair, RACGP Victoria

Assoc Prof Rawlin is a practising GP in Melbourne and is the RACGP Vice-President and Chair of RACGP Victoria. He is also Chair of the RACGP Specific Interests Dermatology network. Assoc Prof Rawlin has extensive experience in general practice medical education at all levels, including as a general practice supervisor and medical educator. His past professional appointments include Medical Director of Dianella Community Health, RACGP National Manager of Fellowship Programs and RACGP Director of Education. He is currently Adjunct Associate Professor in General Practice at the University of Sydney, and Medical Director of the Royal Flying Doctor Service in Victoria. Assoc Prof Rawlin has a long-standing interest in competency assessment and training, and his research and teaching interests are in standards and teaching in general practice, dermatology and mental health. Assoc Prof Rawlin is Chair of the General Practice Mental Health Standards Collaboration (GPMHSC) and a member of ASPAC.

Dr Mark Miller

MBBS, DRANZCOG, FRACGP
 Censor-in-Chief

Dr Miller is the RACGP Censor-in-Chief and Chair of the RACGP Board of Censors/Board of Assessment. Dr Miller was previously Chair of the SA exam panel from 1997–2003 and RACGP SA&NT Censor. He has trained general practice registrars for more than 20 years, is a member of RACGP Rural and has been both a John Flynn and Ramus mentor. Dr Miller is heavily involved in running the RACGP Fellowship Assessments and has been a medical educator and facilitator at RACGP SA&NT-run workshops for many years. He was also awarded the 2013 RACGP GP of the Year Award in recognition of his outstanding commitment to the profession and was recently awarded a 25-year long service medal for rural practice in SA. Dr Miller has been a full-time rural GP in Goolwa, SA, for more than 24 years. In addition to a full-time clinical role, he has been involved with teaching medical students from Flinders and Adelaide universities and his practice has hosted Parallel Rural Clinical Curriculum students completing their third year at Flinders University medical school for more than 10 years. He has supervised more than 30 general practice registrars and enjoys the vibrancy they add to clinical practice, teaching, mentoring and learning. Dr Miller has also provided tuition and mentoring to international medical graduates (IMGs) commencing general practice in Australia.

Ms Lynelle Briggs AO

BEC, GAICD
 Co-opted Council member

Ms Briggs is Chair of the NSW Planning Assessment Commission, Chair of the General Insurance Code Governance Committee, and an independent director of Maritime Super and Goodstart Early Learning. She is the independent member of the RACGP Council. Ms Briggs was previously an Australian public servant, serving as the CEO of Medicare Australia and the Australian Public Service Commissioner. She was also a division head in the Department of Health and Aging and the Department of Social Security, a deputy secretary in the Department of Transport and Regional Services and a branch

head in the Department of the Prime Minister and Cabinet. Ms Briggs has conducted major reviews in the areas of health, safety, workforce and organisational governance, and was also the Independent Project Facilitator for the Millers Point Accommodation Project. Ms Briggs is known for her strategic capabilities, expertise in leadership, ethics and governance, and knowledge of practical organisation management.

Dr Daniel Byrne

MBBS, FRACGP
 Chair, RACGP SA&NT; Chair, RACGP Specific Interests

Dr Byrne is a partner at Chandlers Hill Surgery in outer-metropolitan Adelaide and was elected to RACGP Council in October 2014. He is Chair of RACGP SA&NT and became Chair of RACGP Specific Interests in 2015. Dr Byrne has been a strong supporter of the RACGP since his training days in the early 1990s, leading to RACGP Fellowship in 1993. Dr Byrne has supported the RACGP by participating in exam preparation workshops for general practice registrars and international medical graduates (IMGs), conducting Australian Health Practitioner Regulation Agency (AHPRA) interviews for IMGs wishing to enter Australian general practice and assisting as a quality assurance examiner at the Fellowship of the RACGP (FRACGP) Objective Structured Clinical Examinations (OSCEs). He has been a medical educator, a general practice clinical advisor and has been involved in general practice–hospital liaison and eHealth for 20 years. Dr Byrne believes having the highest regard for quality and standards will guide the RACGP through all in which it is involved, whether it is practice accreditation, practice guidelines, eHealth or general practice training. He believes the RACGP must set the standards and rigorously defend the profession’s right to implement them.

Dr Edwin Krays (appointed on 22 September 2015)

MD, FRACGP
 Chair, RACGP Queensland

Dr Krays is a full-time practising GP and Chair of RACGP Queensland. He is a graduate of the University of Amsterdam in the Netherlands and worked for six months in Kenya during his medical training. After finishing general practice training in

the Netherlands, Dr Kruys worked in various rural locations in Australia, including Cooktown and the remote Wujal Wujal and Hopevale Aboriginal communities in Cape York, Queensland, and Halls Creek in the Kimberley, WA. He is passionate about advocacy for general practice and writes the popular general practice blog doctorsbag.net, which focuses on healthcare politics, eHealth and social media. He is also a member of the Australian Medical Association Queensland (AMAQ) Council of General Practice. Dr Kruys lived in the rural town of Geraldton, WA, for seven years, where he co-owned a 20-doctor practice. Dr Kruys moved back to Queensland in 2014, and now lives in the Sunshine Coast Hinterland with his wife and three children.

Associate Professor Brad Murphy

JP(Qual), MBBS, FRACGP, AssocDipAppSc(Amb), CertST&D, FAIES, FAIM, MAICD, MACTM, MACAP, MAITD Chair, RACGP Aboriginal and Torres Strait Islander Health

Assoc Prof Murphy is a GP in rural Queensland and an Aboriginal man from the Kamilaroi people (of north-west New South Wales). He joined the Royal Australian Navy at the age of 15, opting for a career as a medic. He later joined the NSW Ambulance Service, working from Sydney to central Australia as an intensive care paramedic, ultimately supervising and instructing in clinical paramedicine in NSW, the ACT and Queensland. Assoc Prof Murphy also worked as an intensive care paramedic for the Royal Flying Doctor Service at Uluru. He was a founding trustee of the Jimmy Little Foundation, is a former director of the Australian Indigenous Doctors' Association and has served as a long-term member of the management committee and executive of the Rural Doctors Association of Queensland. Building on his work as inaugural Chair of the RACGP National Standing Committee – Aboriginal Health from 2007, Assoc Prof Murphy became the founding Chair of RACGP Aboriginal and Torres Strait Islander Health in February 2010 and continues in this position. He has also been a member of the RACGP Queensland Board since 2010. Assoc Prof Murphy represents the RACGP on various groups, including the National Closing the Gap Steering Committee and the Australian Medical Association National Taskforce on

Indigenous Health. He currently represents the RACGP and Committee of Presidents of Medical Colleges (CPMC) on the Australian Medical Council (AMC) Indigenous Planning Advisory Group. Assoc Prof Murphy was part of the founding board of the Wide Bay Hospital and Health Service in 2012 under the Queensland Health state-wide restructure and was recently appointed Chair of the Wide Bay Primary Health Network Clinical Council. He is the inaugural Associate Professor of Aboriginal and Torres Strait Islander Health at Bond University in Queensland.

Dr Nina Robertson

BA, CTEFLA, MBBS, FRACGP, GAICD
General Practice Registrar Representative

Dr Robertson is a recent Fellow of the RACGP who works in a long-established general practice clinic in northern NSW. Prior to Fellowship, Dr Robertson undertook registrar training with North Coast GP Training (NCGPT), where she was a Registrar Liaison Officer from 2011–13, which included a role on the Advisory Council for General Practice Registrars Australia (GPRA). As Registrar Representative on the RACGP Council, Dr Robertson continues to serve on GPRA's Advisory Council in an ex-officio capacity. Dr Robertson was a director of NCGPT from 2013–15, before retiring in order to focus on her director role with the RACGP. Prior to medical training, Dr Robertson studied a Bachelor of Arts, majoring in ancient history, and travelled extensively, working in varied roles. She spent six months volunteering in Nacala, Mozambique, with a humanitarian organisation in 2000 – an experience that inspired her to pursue a career in medicine.

Dr Bastian M Seidel (appointed on 22 September 2015)

MBBS, PhD, MACHI, MRCGP, FRACGP
Chair, RACGP Tasmania

Dr Seidel is a partner and co-owner of a general practice in Tasmania's Huon Valley, south-west of Hobart. He has been Chair of RACGP Tasmania since 2015, having joined its board in 2009, and was elected Deputy Chair in 2011. Dr Seidel studied medicine in Germany and South Africa and completed his vocational training as a GP in the United Kingdom in 2006.

Dr Seidel has been a supervisor for general practice registrars and an RACGP examiner since 2007. He is a clinical professor at the University of Tasmania and Director of the National Asthma Council.

Dr Ayman Shenouda

MBBCH, FRACGP, FARGP, Dip Derm UK
Chair, RACGP Rural

Dr Shenouda has been the Chair of RACGP Rural since October 2014, having served as Deputy Chair for five years prior to that. He is also a member of the RACGP NSW&ACT Board and was on the RACGP National Standard Committee – Education for several years. Dr Shenouda is Chair of the Remote Vocational Training Scheme, former Director of Medical Education Coast City Country General Practice Training (CCCGPT) Riverina/Murrumbidgee, former Chair of Wagga Wagga GP After Hours Services, and former Director on the Board of the Riverina Division of General Practice and Primary Health. Dr Shenouda was awarded RACGP GP of the Year in 2009. His practice was awarded NSW&ACT General Practice of the Year in 2007 and three Australian General Practice Accreditation Limited (AGPAL) awards in 2009 and 2010. Dr Shenouda migrated to Australia from Egypt 22 years ago. He commenced his medical career in Australia as a surgical registrar in Tasmania in 1995, and has been a rural GP in Wagga Wagga, NSW for the last 17 years, where he established Glenrock Country Practice. Dr Shenouda's main interest is education and training and his passion is to develop quality frameworks and systematic management tools to enable and enhance the work of GPs.

Mr Martin Walsh (appointed on 22 September 2015)

FCA, FGIA, GAICD
Chair, Finance, Audit and Risk Management Committee; Board Member, RACGP Oxygen Pty Ltd
Co-opted Council member

Mr Walsh has been an international partner and advisor in assurance and advisory services at both Ernst & Young and Deloitte in Australia, Papua New Guinea, South Korea and the United States for 35 years. He has experience in financial

services, infrastructure and consumer products, including due diligence, strategy, risk, compliance and governance. Mr Walsh is known as a multi-disciplined leader with vision-setting and change implementation expertise who is particularly skilled in managing complex stakeholder groups. He has assumed many board director roles, including with not-for-profit organisation Surf Life Saving Australia. He is a Fellow of the Institute of Chartered Accountants, the Governance Institute, and a graduate member of the Institute of Company Directors.

Dr Guan Yeo

FRACGP, MBBS, GAICD
Chair, RACGP NSW&ACT

Dr Guan Yeo is Chair of RACGP NSW&ACT. He is experienced in matters of corporate and clinical governance, advocacy, and education and assessment. He is a practising GP in outer-metropolitan Sydney and a clinical training consultant in clinical communication, standards, clinical performance assessment, quality use of medicines, and professional regulation. Dr Yeo is currently the RACGP National Assessment Advisor for the Objective Structured Clinical Examination (OSCE). In a previous role as Assessment Panel Chair in NSW, he introduced programs to assist international medical graduates (IMGs) prepare for Fellowship of the RACGP (FRACGP) exams. He is a board director of primary and community care services at General Practice Network Northside and a hearings member of the Medical Council of NSW (previously Medical Board).

Dr Eleanor Chew (resigned on 22 September 2015)

MBBS, FRACGP, MMed (GP), GAICD
Chair, RACGP Council, Chair, RACGP Queensland

Dr Chew is a GP in Brisbane. A graduate of the University of Queensland, she has practised for nearly 30 years in Darwin, Perth, Canberra and Brisbane and has worked in a variety of general practice settings. She was on the RACGP Council, as Chair of RACGP Queensland, from 2010–15. Dr Chew has held the position of RACGP Vice-President and Chair of Council. She has been involved in RACGP assessment processes for many years and was previously the Queensland Censor. She has served on the RACGP Board of Censors, Board

of Assessment and National Standing Committee – Education sub-committees. Dr Chew has had a long involvement in medical education and has been a clinical tutor and examiner of medical students at the Australian National University and the University of Queensland. Her special interests include quality and standards in medical education, the development of the next generation of GPs and ensuring that general practice remains the focal point in primary healthcare.

Dr David Knowles (resigned on 22 September 2015)

MBBS, FRACGP, DCH, MAICD
Chair, RACGP Tasmania; Chair, Finance Audit and Risk Management Committee

Dr Knowles is a GP supervisor in Lauderdale, southern Tasmania. He completed his undergraduate training in Tasmania but began his general practice career in Perth. During this period, Dr Knowles worked as a medical educator for General Practice Education Australia and became involved in providing supervisor and international medical graduate (IMG) support to the regional training provider Western Australia General Practice Education and Training (WAGPET). He also served a two-year term as Examination Panel Chair (EPC) for the RACGP Western Australia Faculty. Dr Knowles relocated to Tasmania in 2005, taking the role as EPC and, in 2008, accepted the role of Deputy Chair of the Tasmania Faculty Board and became Chair in 2009. He has been an RACGP nominee on the Board of General Practice Education and Training (GPET) and a member on the RACGP Finance Audit and Risk Management Committee (FARM) from 2011–16, and Chair of the FARM committee in 2014–15. Dr Knowles was Chair of the RACGP Council from 2012–13.

Company Secretary

Dr Zena Burgess

PhD, MBA, MEd, DipEdPsych, BA, FAPS, FAICD
Company Secretary

Dr Burgess is Chief Executive Officer and Company Secretary of the RACGP. She is also an executive director of RACGP Oxygen and a director on the Board of Australian Medicines Handbook Pty Ltd.

Council meetings

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

	Council		Finance, Audit and Risk Management	
	Maximum ¹ possible	Attended	Maximum ¹ possible	Attended
T Koh	9	8	■	■
F Jones	9	9	7	7
M Rawlin	9	8	■	■
M Miller	9	9	■	■
L Briggs	9	8	■	■
D Byrne	9	8	7	6
E Kruys	6	6	■	■
B Murphy	9	8	■	■
N Robertson	9	9	■	■
B Seidel	6	4	■	■
A Shenouda	9	9	■	■
M Walsh	6	6	5	5
G Yeo	9	8	7	5
E Chew	3	3	■	■
D Knowles	3	3	2	2

■ Not a member of this committee of Council during the year

¹Not all directors were appointed to Council or the relevant committee for the entire year. This column shows the number of meetings of Council and relevant committees that were held during each director's tenure on Council and those committees

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 Vic 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.



Adjunct Associate Professor Frank R Jones, President

11 August 2016

Melbourne

Declaration of auditor independence



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of The Royal Australian College of General Practitioners for the year ended 30 June 2016, 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

P A RANSOM
Partner

11 August 2016
Melbourne

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Independent auditor's report



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
THE ROYAL AUSTRALIAN COLLEGE OF GENERAL PRACTITIONERS**

We have audited the accompanying financial report of The Royal Australian College of General Practitioners, which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

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In our opinion the financial report of The Royal Australian College of General Practitioners and controlled entities is in accordance with the ACNC Act, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date, and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirement and the Australian Charities and Not-for-profits Commission Regulation 2013.

RSM

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that reads "P A Ransom". The signature is written in a cursive style with a horizontal line extending to the right.

P A RANSOM
Partner

11 August 2016
Melbourne

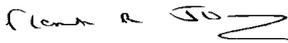
Directors' declaration

The directors declare that:

- a. the financial statements and notes are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, and
 - i. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group, and
 - ii. comply with Australian Accounting Standards.
- b. in the directors' opinion there are reasonable grounds to believe the consolidated group will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



**Adjunct Associate Professor Frank R Jones,
President**

11 August 2016
Melbourne

Consolidated statement of profit or loss and other comprehensive income

The Royal Australian College of General Practitioners

For the year ended 30 June 2016	Notes	2016 \$	2015 \$
Revenue	2	57,012,832	49,840,260
Total revenue		57,012,832	49,840,260
Expenses			
Employee benefits and on-costs		25,255,809	23,285,984
GP sessional and sitting payments		4,325,798	4,357,476
Cost of publications		900,608	778,436
Consultancy		1,392,999	1,460,200
Professional services		2,662,660	1,959,730
Travel and accommodation		1,817,854	1,824,815
Conference and meeting costs		2,861,758	3,101,839
Office accommodation		1,325,338	1,580,640
IT-related costs		4,602,469	2,063,440
Telecommunications		541,803	526,567
Advertising and media		6,613,897	2,578,122
Printing and stationery		497,015	584,959
Grants and donations		370,193	478,762
Finance costs		685,775	811,371
Depreciation		1,426,910	1,724,638
External grant project administration		154,013	228,170
Other expenses		1,406,029	2,246,151
Total expenses	3	56,840,928	49,591,300
Surplus from operating activities		171,904	248,960
Share of net surplus of associates and joint venture accounted for using the equity method	6	240,956	150,146
Total surplus before tax		412,860	399,106
Income tax expense	1.13	2,206	6,026
Total surplus after tax	13	410,654	393,080
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation increment to land and buildings	13	1,670,432	3,102,892
Income tax relating to these items		-	-
Other comprehensive income for the year, net of tax		2,081,086	3,495,972
Total comprehensive income for the year		2,081,086	3,495,972

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

The Royal Australian College of General Practitioners

As at 30 June 2016	Notes	2016 \$	2015 \$
Current assets			
Cash and cash equivalents	4	19,937,153	16,508,862
Trade and other receivables	5	2,521,688	2,155,920
Total current assets		22,458,841	18,664,782
Non-current assets			
Investments accounted for using the equity method	6	524,064	433,108
Property and office equipment	7	39,052,812	37,369,725
Trade and other receivables	5	152,146	170,973
Investment – at cost	8	647,448	-
Financial assets	9	700,000	-
Total non-current assets		41,076,470	37,973,806
Total assets		63,535,311	56,638,588
Current liabilities			
Trade and other payables	10	6,888,617	7,317,824
Current tax liabilities		(2,215)	(1,378)
Income in advance	11	32,991,630	27,761,865
Provisions	12	1,183,950	1,192,318
Total current liabilities		41,061,982	36,270,629
Non-current liabilities			
Provisions	12	515,667	491,383
Total non-current liabilities		515,667	491,383
Total liabilities		41,577,649	36,762,012
Net assets		21,957,662	19,876,576
Equity			
Reserves	13	10,063,615	8,393,183
Accumulated surplus	13	11,894,047	11,483,393
Total equity		21,957,662	19,876,576

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

The Royal Australian College of General Practitioners

For the year ended 30 June 2016	Notes	Accumulated surplus \$	Asset revaluation reserve \$	Total \$
Balance at 1 July 2014		11,090,313	5,290,291	16,380,604
Total surplus for the year		393,080	-	393,080
Total other comprehensive income for the year		-	3,102,892	3,102,892
Balance at 30 June 2015	13	11,483,393	8,393,183	19,876,576
Total surplus for the year		410,654	-	410,654
Total other comprehensive income for the year		-	1,670,432	1,670,432
Balance at 30 June 2016	13	11,894,047	10,063,615	21,957,662

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

The Royal Australian College of General Practitioners

For the year ended 30 June 2016	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from membership activities, publications, government and other grants (inclusive of GST)		65,908,760	55,434,815
Payments to suppliers and employees (inclusive of GST)		(60,827,328)	(47,872,668)
Income tax paid		(3,043)	(43,405)
Net cash inflow from operating activities		5,078,389	7,518,742
Cash flows from investing activities			
Purchase of property and office equipment		(1,355,566)	(771,492)
Interest received		255,468	165,078
Dividends received		150,000	-
Investment in term deposit		(700,000)	-
Net cash outflow from investing activities		(1,650,098)	(606,414)
Cash flows from financing activities			
Repayment of borrowings		-	(6,500,000)
Net cash inflow/(outflow) from financing activities		-	(6,500,000)
Net increase/(decrease) in cash held		3,428,291	412,328
Cash at beginning of financial year		16,508,862	16,096,534
Cash at end of financial year	4	19,937,153	16,508,862

The accompanying notes form part of these financial statements.

Notes to the financial statements

The Royal Australian College of General Practitioners

For the year ended 30 June 2016

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 and controlled entities ('the group').

The financial statements were authorised for issue by the directors on 11 August 2016. 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 ACNC Act. 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.

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 subsidiary of The Royal Australian College of General Practitioners as at 30 June 2016 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 (i) the aggregate of the fair value of the consolidation received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, and liabilities of the subsidiary. When assets of the subsidiary are carried at revalued

Note 1. Statement of significant accounting policies (continued)

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 6).

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. Any 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 which 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 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).

1.5 Depreciation

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:

• Buildings	2.5%
• Leasehold improvements	5.0%
• Office equipment and training equipment	15.0%
• Office furniture	7.5%
• Computer equipment	33.3%

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'.

1.6 Leases

Operating lease payments net of incentives received from the lessor are expensed in the 'Consolidated statement of profit or loss and other comprehensive income' on a straight line basis over the period of the lease.

Lease income from operating leases where the group is a lessor, is recognised in income on a straight line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

1.7 Trade receivables

Trade receivables are recognised initially at fair value less a provision for uncollectible debts. Trade receivables are generally due for settlement on average within 30 days. They are presented as current assets unless collection is not

expected for more than 12 months after the reporting date. Debts that are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the group may not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment loss is recognised in the 'Consolidated statement of profit or loss and other comprehensive income' within other expenses.

1.8 Trade payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

1.9 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

All borrowing costs are expenses within the 'Consolidated statement of profit or loss and other comprehensive income'.

1.10 Employee benefits

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

i. 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

Note 1. Statement of significant accounting policies (continued)

the amounts expected to be paid when the liabilities are settled. The liability for annual leave and other short-term employee obligations are recognised in trade and other payables.

ii. Other long-term employee benefit obligations

The liabilities for long service leave and annual leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the 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.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, 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. Bank overdrafts are shown within borrowings in current liabilities on the 'Consolidated statement of financial position'.

1.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The group recognises revenue

when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group and specific criteria have been met for each of the group's activities as described below. Revenue is recognised on the following bases:

i. Membership subscriptions

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

ii. Quality improvement 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 current liabilities.

iii. Revenue from courses, examinations

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

iv. Specific purpose grants

Grants received on the condition that specified services are delivered, or conditions are fulfilled, are considered reciprocal. Grant monies received for specific purposes are recorded as revenue in the period in which the amounts are expended, ie the services have been performed or conditions have been fulfilled. Grant monies received but not yet expended, ie when services have not yet been performed, or conditions have not been fulfilled, are shown in the 'Consolidated statement of financial position' as current liabilities.

v. Interest income

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

vi. Dividends

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

1.13 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, 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.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where RACGP Oxygen Pty Ltd is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are

offset where RACGP Oxygen Pty Ltd has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the 'Consolidated statement of profit or loss and other comprehensive income', except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1.14 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 (ATO). 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.

1.15 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, 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:

i. Estimation of fair values of land and buildings – refer to Note 7

ii. 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

Note 1. Statement of significant accounting policies (continued)

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.

1.16 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 2015.

1.17 New and amended standards adopted by the group

There are no new and amended standards adopted by the group during this financial year that will have material impact to the financial report.

1.18 Parent entity financial information

The financial information for the parent entity, The Royal Australian College of General Practitioners, disclosed in Note 20, has been prepared on the same basis as the financial statements with the exception of the policy set out below:

i. Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of The Royal Australian College of General Practitioners.

ii. 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*.

1.19 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.

1.20 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; and 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.

Note 2. Revenue from ordinary activities	2016 \$	2015 \$
Revenue from operating activities		
Membership, QI&CPD fees	27,498,798	23,392,305
Education, course registration and other fees	21,029,186	18,201,649
Research and other grants and donations	2,958,345	2,996,825
Publications and subscriptions	426,882	478,273
Sponsorship and advertising	1,858,579	2,209,928
Other operating income	1,944,848	1,560,863
Other revenue from ordinary activities		
Interest	255,468	165,078
Rent	1,040,726	835,339
	57,012,832	49,840,260

Note 3. Expenses	2016 \$	2015 \$
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	520,283	494,028
Computer equipment and software	889,799	1,185,083
Other plant and equipment	16,827	45,527
	1,426,909	1,724,638
Rental expense relating to operating leases	82,218	159,085

Note 4. Cash and cash equivalents	2016 \$	2015 \$
Cash at bank	6,663,555	2,167,339
	6,663,555	2,167,339
Deposits on call	12,005,651	13,258,561
Deposits on call – grant funds held for disbursement	1,267,947	1,082,962
	13,273,598	14,341,523
	19,937,153	16,508,862

Note 5. Trade and other receivables	2016 \$	2015 \$
Current assets		
Trade receivables	826,916	1,321,883
Prepayments	1,612,463	759,347
Other receivables – lease incentive	82,309	74,690
	2,521,688	2,155,920
Non-current assets		
Other receivables – lease incentive	152,146	170,973

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.

Other receivables generally arise from transactions outside the usual operating activities of the group.

Note 6. Investments accounted for using the equity method	2016 \$	2015 \$
Share in associates (Note 6a)	524,064	433,108
a. Share in associates		
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 Australian Medicines Handbook. The Unit Trust has a 30 June reporting period. The group's share of the results of its associates assets and liabilities are as follows:		
Group's share of:		
Assets	824,127	504,412
Liabilities	300,063	216,451
Revenue	1,450,903	1,216,987
Profit/(loss) after tax	240,956	149,629
ii. The movement in equity accounted associates investments is as follows:		
Balance at the beginning of the financial year	433,108	283,479
Share of associate's surplus from ordinary activities after income tax	240,956	149,629
Less dividends received	(150,000)	-
Balance at the end of the financial year	524,064	433,108

iii. There are no contingent liabilities/assets of the associate.

b. Interest in joint venture

In previous years, RACGP Oxygen Pty Ltd, a wholly controlled entity of the company, had a 50% interest in Oxygen Services Pty Ltd, which is resident in Australia. Oxygen Services Pty Ltd principal activity is the production and sale of eHealth related products. Oxygen Services Pty Ltd was deregistered on 22 October 2014 and the interest in joint venture was written-off to nil.

Note 7. Non-current assets – property and office equipment	2016 \$	2015 \$
Freehold land and buildings		
Land and building – valuation	37,250,000	35,750,000
Less accumulated amortisation	-	-
	37,250,000	35,750,000
Computer equipment and software at cost	8,330,212	7,246,026
Less accumulated depreciation	(6,625,884)	(5,736,083)
	1,704,328	1,509,943
Other plant and equipment at cost	1,099,844	1,094,316
Less accumulated depreciation	(1,001,360)	(984,534)
	98,484	109,782
Total written down value	39,052,812	37,369,725
Reconciliations		
Freehold land and buildings		
Opening balance	35,750,000	32,750,000
Additions	349,852	391,135
Revaluation increment/(decrement) ⁱ	1,670,432	3,102,893
Depreciation expense	(520,284)	(494,028)
Closing balance	37,250,000	35,750,000
Computer equipment and software		
Opening balance	1,509,942	2,559,708
Additions	1,084,186	348,902
Disposal	-	(213,585)
Depreciation expense	(889,800)	(1,185,083)
Closing balance	1,704,328	1,509,942
Other plant and equipment		
Opening balance	109,783	330,679
Additions	5,528	31,455
Disposal	-	(206,824)
Depreciation expense	(16,827)	(45,527)
Closing balance	98,484	109,783
Total closing balance	39,052,812	37,369,725

The valuation basis of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same locations and conditions.

ⁱ Freehold land and buildings were revalued to the amounts shown above as at 30 June 2016. The valuations recorded a net increase in the value of group properties. Under Australian accounting standards, \$1,670,432 has been recorded against the Asset Revaluation Reserve in relation to this increase in property values.

Independent valuations of the group's land and buildings were performed by the independent valuers Savills Pty Ltd in their respective states, to determine the market value of the properties for 30 June 2016.

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 \$2,000,000 that was not used during the financial year ended 30 June 2016.

Note 8. Investment – at cost	2016 \$	2015 \$
Investment – at cost	647,448	-

During the financial year, RACGP Oxygen Pty Ltd, a wholly controlled entity of the company, has acquired a 5% interest in Health& Holdings Pty Ltd ('Health&') in exchange for providing specific services to Health&. Health& is not a listed entity and its shares are not publicly traded. As a consequence, the investment in Health& is recognised at cost due to the fair value of Health& being unable to be measured reliably.

Note 9. Financial assets	2016 \$	2015 \$
Term deposit	700,000	-

During the financial year, RACGP received a bequest of \$700,000 from the Lynn Harvey Joseph estate. The Trust deed stipulates that RACGP is to hold the \$700,000 for 50 years whilst 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 RACGP determines appropriate.

Note 10. Trade and other payables	2016 \$	2015 \$
Trade creditors	2,006,843	3,069,199
Other creditors and accruals	3,255,583	2,786,015
Employee benefits	1,626,191	1,462,610
Total	6,888,617	7,317,824

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 11. Income in advance	2016 \$	2015 \$
Income in advance		
Membership subscriptions and QI&CPD fees	23,519,963	19,335,945
Grants	1,007,152	1,021,857
Exams	7,507,465	6,185,150
Other	957,050	1,218,913
Total	32,991,630	27,761,865

Note 12. Provisions	2016 \$	2015 \$
Employee benefits – long service leave (current)	1,183,950	1,192,318
Employee benefits – long service leave (non-current)	515,667	491,383

Note 13. Reserves and accumulated surplus	2016 \$	2015 \$
Asset revaluation reserve		
i. Nature and purpose of reserve The asset revaluation reserve is used to record increments and decrements in the value of those non-current assets measured at fair value.		
ii. Movements in reserve		
Balance at beginning of year	8,393,183	5,290,291
Revaluation of land and buildings	1,670,432	3,102,892
Balance at end of year	10,063,615	8,393,183
Movements in accumulated surplus		
Balance at beginning of year	11,483,393	11,090,313
Current year surplus	410,654	393,080
Balance at end of year	11,894,047	11,483,393

Note 14. Key management personnel compensation	2016 \$	2015 \$
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/councillor (whether executive or otherwise).		
Total compensation paid to key management personnel during the financial year was:		
Key management personnel	1,333,586	1,232,858

Note 15. Commitments	2016 \$	2015 \$
Operating leases		
The group leases various office equipment, under cancellable operating leases expiring within one year. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiable.		
Minimum lease payments:		
within one year	45,700	45,700
later than one year but not later than five years	48,556	82,831
Total operating leases	94,256	128,531
Capital commitments		
Property and office equipment within 12 months		
Building improvements	-	277,200
Total property and office equipment	-	277,200

Note 16. Contingencies

The directors are not aware of any material contingent assets or liabilities as at 30 June 2016.

Note 17. Related party transactions**a. Equity interests in related parties**

- i. Equity interests in associates
Details of interest in associates are disclosed in Note 6 to the financial statements.
- ii. Equity interests in subsidiaries
Details of interest in subsidiaries are disclosed in Note 6 to the financial statements.

b. Key management personnel compensation

Disclosures relating to key management personnel compensation are set out in Note 14.

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 18. Financial instruments**2016 \$****2015 \$****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.

Financing arrangements

The group had arranged the following undrawn borrowing facilities at the end of the reporting period.

Variable rate

Facilities:

Overdraft	2,000,000	2,000,000
Total undrawn facilities	2,000,000	2,000,000

Note 19. Events after the reporting period

Subsequent to financial year ended 30 June 2016, the directors received an offer to sell 201 Logan Road, Woolloongabba, Queensland. The potential sale of 201 Logan Road is in line with the Council approval of diversification of RACGP investments. The offer price is in excess of the carrying value of the property at 30 June 2016. The sale is expected to be completed during the 2016–17 financial year.

Note 20. Parent entity information		2016 \$	2015 \$
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		22,458,841	18,664,783
Non-current assets		40,439,022	37,983,805
Total assets		62,897,863	56,648,588
Liabilities			
Current liabilities		40,578,445	36,429,391
Non-current liabilities		515,670	491,382
Total liabilities		41,094,115	36,920,773
Net assets		21,803,748	19,727,815
Equity			
Reserves		10,063,613	8,393,183
Accumulated surplus		11,740,137	11,334,632
Total equity		21,803,750	19,727,815
Financial performance			
Total surplus/(deficit)		405,505	378,503
Other comprehensive income for the year		1,670,432	3,102,892
Total comprehensive income for the year		2,075,937	3,481,395
Contingent liabilities of the parent entity			
The directors are not aware of any material contingent liabilities as at 30 June 2016.			
Commitments for the acquisition of property, plant and equipment by the parent entity			
Property and office equipment within 12 months			
Building improvements		-	227,200
Total property and office equipment		-	227,200

Note 21. 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.

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2016	2015
RACGP Oxygen Pty Ltd	Australia	Ordinary	100%	100%