

Notes to the financial statements

The Royal Australian College of General Practitioners Ltd

For the year ended 30 June 2019

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 and controlled entities ('the group').

The financial statements were authorised for issue by the directors on 21 August 2019. 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.

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 Ltd as at 30 June 2019 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. 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 Intangibles 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.

Intangible assets are classified as having a finite useful life and measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over periods of three years.

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

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%

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 (refer to 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'.

1.7 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 'Consolidated statement of financial position' based on their nature.

1.8 Trade receivables

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

1.9 Trade payables

These amounts 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.

1.10 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'.

1.11 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, 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.

1.12 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. Bank overdrafts are shown within borrowings in current liabilities on the 'Consolidated statement of financial position'.

1.13 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.

a) 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.

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 current liabilities.

c) Revenue from courses, examinations

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

d) 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 – that is, the services have been performed or conditions have been fulfilled. Grant monies received but not yet expended – that is, 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.

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.

1.14 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.

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 use 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.

1.15 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.

1.16 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:

a) Estimation of fair values of land and buildings – Refer to Note 9

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.

1.17 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 2018.

1.18 New and amended standards adopted by the group

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group.

The following Accounting Standards and Interpretations are most relevant to the group.

AASB 9 Financial Instruments

The group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is

to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

All other financial assets are classified and measured at fair value through profit or loss. New impairment requirements use an 'expected credit loss' (ECL) model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition, in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Impact of adoption

AASB 9 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 July 2018.

1.19 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, 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 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*.

1.20 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.

1.21 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.

1.22 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.

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.

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.

1.23 Comparatives

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

Note 2. Revenue from ordinary activities

	2019 (\$)	2018 (\$)
Revenue from operating activities		
Membership subscriptions and CPD fees	34,571,647	32,415,629
Education, course registration and other fees	29,407,555	26,600,868
Research and other grants and donations	11,917,412	9,693,617
Publications and subscriptions	127,162	195,570
Sponsorship and advertising	3,057,515	2,206,055
Other operating income	2,369,043	2,309,302
Other revenue from ordinary activities		
Interest	630,367	354,736
Rent	1,023,601	929,410
	83,104,302	74,705,187

Note 3. Expenses

	2019 (\$)	2018 (\$)
Surplus from operating activities includes the following specific expenses		
Depreciation		
Buildings	595,625	525,000
Building improvements	120	–
Computer equipment	691,753	734,336
Intangibles assets	714,609	356,107
Other plant and equipment	11,894	12,360
	2,014,001	1,627,804
Rental expense relating to operating leases	599,497	588,428

Note 4. Cash and cash equivalents

	2019 (\$)	2018 (\$)
Cash at bank	12,137,371	4,566,814
	12,137,371	4,566,814
Deposits on call	25,292,794	17,959,265
Deposits on call – grant funds held for disbursement	20,157,967	10,894,248
	45,450,761	28,853,513
	57,588,132	33,420,327

Note 5. Trade and other receivables

	2019 (\$)	2018 (\$)
Current assets		
Trade receivables	2,109,247	1,819,475
Prepayments	1,494,997	882,365
Other receivables – lease incentive	69,566	4,908
	3,673,810	2,706,748
Non-current assets		
Other receivables – lease incentive	53,733	85,973
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. Financial assets

	2019 (\$)	2018 (\$)
Current assets		
Term deposits	720,530	8,438,167
Non-current assets		
Term deposit*	700,000	700,000

*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.

Note 7. Other financial assets

	2019 (\$)	2018 (\$)
Cash management accounts	1,076,710	1,093,775
Fixed-interest securities	1,901,276	1,476,050
Equity Investment	3,063,714	3,161,863
	6,041,700	5,731,688

Other financial assets are managed by Escala Partners Ltd as one portfolio of investment.

Net investment income

Net investment income is presented net of investment management fees in the consolidated statement of profit or loss and other comprehensive income.

Interest	13,895	15,172
Trust distributions	103,393	52,815
Dividend income	104,209	60,424
Investment management fees	(33,509)	(17,898)
Foreign tax expense	(2,949)	(1,403)
Net realised (loss)/gain on investment	(16,596)	8,214
Net unrealised gain on investment	144,920	16,154
	313,363	133,478

Note 8. Investments accounted for using the equity method

	2019 (\$)	2018 (\$)
Share in associates	649,322	596,818
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 associate's assets and liabilities are as follows:

Group's share of:		
Assets	1,093,377	999,251
Liabilities	444,055	402,433
Revenue	1,703,600	1,633,796
Profit after tax	152,504	118,240

ii. The movement in equity-accounted associates investments is as follows:

Balance at the beginning of the financial year	596,818	578,578
Share of associate's surplus from ordinary activities after income tax	152,504	118,240
Less Dividends received	(100,000)	(100,000)
Balance at the end of the financial year	649,322	596,818

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

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

	2019 (\$)	2018 (\$)
Freehold land and buildings		
Land and building – valuation	48,050,000	43,975,000
Less Accumulated amortisation	–	–
	48,050,000	43,975,000
Computer equipment at cost	4,144,220	4,541,829
Less Accumulated depreciation	(3,642,672)	(3,374,971)
	501,548	1,166,858
Other plant and equipment at cost	121,986	121,986
Less Accumulated depreciation	(74,727)	(62,833)
	47,259	59,153
Total written-down value	48,598,807	45,201,011
Reconciliations		
Freehold land and buildings		
Opening balance	43,975,000	38,650,000
Additions	250,000	–
Revaluation increment/(decrement)*	4,420,745	5,850,000
Disposals	–	–
Depreciation expense	(595,745)	(525,000)
Closing balance	48,050,000	43,975,000
Computer equipment		
Opening balance	1,166,858	1,494,825
Additions	167,279	518,156
Reclassification	–	–
Disposals	(140,836)	(111,787)
Depreciation expense	(691,753)	(734,336)
Closing balance	501,548	1,166,858
Other plant and equipment		
Opening balance	59,153	71,513
Additions	–	–
Reclassification	–	–
Depreciation expense	(11,894)	(12,360)
Closing balance	47,259	59,153
Total closing balance	48,598,807	45,201,011

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 2019. The valuations recorded a net increase in the value of group properties. Under Australian Accounting Standards, \$4,420,745 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 2019.

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 \$1,000,000 that was not used during the financial year ended 30 June 2019.

Note 10. Intangibles assets

	2019 (\$)	2018 (\$)
Opening balance	1,104,577	871,700
Additions	1,839,377	588,985
Depreciation expense	(714,609)	(356,107)
Closing balance	2,229,345	1,104,578

Note 11. Trade and other payables

	2019 (\$)	2018 (\$)
Trade creditors	1,258,409	964,676
Other creditors and accruals	5,191,802	6,202,488
Employee benefits	2,486,939	2,137,770
Total	8,937,150	9,304,934

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. Income in advance

	2019 (\$)	2018 (\$)
Income in advance		
Membership subscriptions and CPD fees	29,299,149	29,172,656
Grants	22,294,985	10,330,978
Exams	8,116,205	8,467,031
Other	3,558,876	4,678,030
Total	63,269,215	52,648,695

Note 13. Provisions

	2019 (\$)	2018 (\$)
Employee benefits – long service leave (current)	1,588,689	1,327,915
Employee benefits – long service leave (non-current)	674,157	664,500

Note 14. Reserves and accumulated surplus

	2019 (\$)	2018 (\$)
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 asset revaluation reserve		
Balance at beginning of year	19,047,658	13,197,658
Revaluation of land and buildings	4,420,745	5,850,000
Balance at end of year	23,468,403	19,047,658
Accumulated surplus		
Movements in accumulated surplus		
Balance at beginning of year	14,969,740	14,556,310
Current year surplus	7,368,578	413,430
Transfer to reserve fund	(6,500,000)	–
Balance at end of year	15,838,318	14,969,740
Reserve fund		
Movements in reserve fund*		
Balance at beginning of year	–	–
Transfer from accumulated surplus	6,500,000	–
Balance at end of year	6,500,000	–

*The reserve fund was approved by the Board during the June 2019 Board meeting to institute a policy that strengthens financial stability and long-term sustainability for the RACGP. The new 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

	2019 (\$)	2018 (\$)
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 was:		
Key management personnel	3,993,051	3,731,625
The above compensation includes salary, superannuation and long service leave entitled during the year.		

Note 16. Commitments

	2019 (\$)	2018 (\$)
Operating leases		
The group leases various pieces of office equipment and offices 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	376,581	330,139
Later than one year but not later than five years	949,103	682,813
More than five years	130,432	290,806
Total operating leases	1,456,116	1,303,758
Capital commitments		
Intangibles assets		
Within 12 months		
Intangibles assets	317,493	1,144,315
Total intangibles assets	317,493	1,144,315

Note 17. Contingencies

The RACGP has given bank guarantees as at 30 June 2019 of \$389,700 (2018: \$357,200).

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

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	2019 (\$)	2018 (\$)
Facilities:		
Overdraft	1,000,000	2,000,000
Total undrawn facilities	1,000,000	2,000,000

Note 20. Events after the reporting period

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

Note 21. Parent entity information

	2019 (\$)	2018 (\$)
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	68,023,258	50,214,430
Non-current assets	52,241,208	47,698,380
Total assets	120,264,466	97,912,810
Liabilities		
Current liabilities	73,971,993	63,457,083
Non-current liabilities	674,163	664,503
Total liabilities	74,646,156	64,121,586
Net assets	45,618,310	33,791,224
Equity		
Reserves	29,968,401	19,047,656
Accumulated surplus	15,649,909	14,743,568
Total equity	45,618,310	33,791,224
Financial performance		
Total surplus/(deficit)	7,406,341	353,102
Other comprehensive income for the year	4,420,745	5,850,000
Total comprehensive income for the year	11,827,086	6,203,102
Contingent liabilities of the parent entity		
The RACGP has given bank guarantees as at 30 June 2019 of \$389,700 (2018: \$357,200).		
Commitments for the acquisition of intangibles assets by the parent entity		
Intangibles assets		
Within 12 months		
Intangibles assets	317,493	1,144,315
Total intangibles assets	317,493	1,144,315

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.

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2019	2018
RACGP Oxygen Pty Ltd	Australia	Ordinary	100%	100%