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")*.

The RACGP is a not-for-profit entity with income tax exempt status. 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 is a member based organisation and is committed to implementing the highest standards of corporate governance. This 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 to them demonstrates the RACGP 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 Board (Council) has the overall responsibility for the successful operations of the RACGP.

The powers and duties of the Board (Council) are specified in the Constitution of the RACGP, 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
- 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 each delegation at least annually.

Management

The Chief Executive Officer (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 and is not entitled to vote.

All staff including 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 twelve Directors including one co-opted Director.

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 for 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 procedures and provides advice to the Board, via the Chair, on governance matters.

Director induction and education

The RACGP has an induction program for new Directors, which is reviewed periodically by the Board (Council). 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 performance, all Directors are encouraged to undergo continual professional development. 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.

Conflicts of interest

All directors formally declare personal interests and potential conflicts with those of the RACGP and Directors 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 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 to the RACGP's management.

Board (Council) meetings

The Board (Council) met eight times during the current financial 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 are 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. 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 and management via a policy framework which includes confidential reporting system and other internal processes.

Principle 4: Safeguard integrity in financial Reporting

Finance, Audit & Risk Management Committee of Council

The role of the Finance, Audit & 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 & Risk Management Committee comprises four Directors, two co-opted external members, a RACGP College Fellow and the CEO attends meetings by invitation. The Chair of the Committee is a co-opted independent Director and is not the Board (Council) Chair.

The internal and external auditors met with the Finance, Audit & 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, RSM Bird Cameron audits the records and Financial Statements of the RACGP. The Finance, Audit and Risk Management Committee regularly review the independence of the external audit function.

Internal audit

Protiviti provides the internal audit function for the RACGP. The Finance, Audit and Risk Management Committee regularly review 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 our 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 our constitution, which can be found at www.racgp.org.au

Member information

The RACGP is committed to the complete protection of our 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 Meetings (AGM) of Members is held each year during the RACGP Annual Conference. The previous AGM was held on 17 October 2013 in Darwin as part of GP13. Formal reports were presented to members and members were encouraged to ask questions of directors or raise issues on current or future strategy or direction. Outcomes from previous annual general meetings 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 & 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, 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 Annual General Meeting. Directors receive payments for professional and technical services provided to the RACGP. Increases are approved by the Board (Council) on an annual basis which are usually set in accordance with the CPI index. Details of key management personnel compensation are included in the notes to the Financial Statements.

2013–14 Workplace Gender Equality Public Report

In accordance with the requirements of the Workplace Gender Equality Act 2012 (Act), on 30 May 2014, RACGP lodged its annual public report with the Workplace Gender Equality Agency (Agency).

A copy of the report can be accessed on the RACGP website, www.racgp.org.au/yourracgp/news/news/report-to-the-workplace-gender-equality-agency/

The RACGP continues to achieve success in strengthening the organisation and supporting excellence by capitalising on the diversity and equity of its workforce and implementing strategies to enhance diversity and equity.

Directors Report

The Board of Directors submits herewith the annual financial report on 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 2014.

Principal activities, objectives and measures of performance

The RACGP is Australia's largest professional general practice organisation and represents urban and rural general practitioners (GPs).

The RACGP's short-term objectives are to support GPs, registrars and medical students through its principal activities of education, training and research. It also offers support by assessing doctors' skills and knowledge, supplying ongoing professional development activities, developing resources and guidelines, helping GPs with issues that affect their practices, and developing standards general practices use as part of the accreditation processes.

The RACGP's long-term objective is to improve the health of all people in Australia, through promoting:

- quality general practice – appropriately resourced, sustainable and vibrant, at the heart of an effective and efficient Australian healthcare system
- equitable access to quality general practice throughout Australia
- being a forward thinking college, leading and advocating continuous improvement through clinical, education and e-health advances
- a welcoming, collegiate environment that delivers exceptional value to all members.

To achieve these objectives, the RACGP has adopted the following strategies:

- RACGP members and staff work in partnership with each other and with a range of sector stakeholders, evidenced by the ongoing support for the RACGP's programs and initiatives. The RACGP ensures that its members, staff and sector stakeholders understand and participate in its programs and initiatives through ongoing consultation to ensure the success of its projects.
- RACGP members and staff are committed to providing the best possible health outcomes for all people in Australia, evidenced by the success of new and existing programs in support of the RACGP's objectives. Committed members and staff promote a culture of continuous improvement within the RACGP.
- RACGP members and staff strive to meet consistent standards of best practice and provide clear expectations of professional accountabilities and responsibilities to all stakeholders, evidenced by the performance of members and staff being assessed based on these accountabilities.

Performance measures

The RACGP monitors and reports on performance to the RACGP Council through governance reporting mechanism 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 2014, the group recorded a total surplus from operating activities of $131,837, compared to $425,721 in 2013. Over the year, the net assets of the group increased from $16,267,145 to $16,380,604. As a result of asset revaluation during the year, an increment of $316,260 was taken to the asset revaluation reserve and a decrement of $259,380 was taken to the Consolidated Statement of Comprehensive Income.

Review of operations

The major focus of the operation in 2013–14 continued to be the organisation and support of general practice research, provision of assessment by examination and awarding of the Fellowship of The Royal Australian College of General Practitioners, advocacy on behalf of GPs, development of general practice standards, provision of QI&CPD services, and the production of quality publications relating to general practice.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the group during the financial year that are not otherwise disclosed in this Report or the Financial Statements.

Performance in relation to environmental regulation

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

Likely developments and future results

The group anticipates that it will maintain its positive financial position in 2014–15. The group is continually updating, reviewing and improving its management and governance practices to ensure the objectives 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 year end, the company intends to de-register Oxygen Services Pty Ltd during the financial year 2015 (refer to note 7). No other 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.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated. The company's board of directors is also known as its Council.

Dr Eleanor Chew

MBBS, FRACGP, MMed (GP), GAICD
Chair of Council, Chair Queensland Faculty

Eleanor is a GP in Brisbane. A graduate of the University of Queensland, she has worked in a variety of general practice settings in Darwin, Perth, Canberra and Brisbane over the past 26 years. She has been the Chair of the Queensland Faculty since 2010 and has been involved in RACGP assessment processes for 18 years. She also previously held the position of Queensland Censor for four years and has served on the Board of Censors, Board of Assessment and NSC-Education Sub-Committees. Eleanor has had a long involvement in medical education as 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 general practice remains the focal point in primary healthcare.

Dr Liz Marles

BMed(Hons), BSc(Hons), FRACGP, DipEd, FAICD President

Liz is President of the RACGP. Prior to her role as President, she was the Vice President and Chair of the RACGP New South Wales and Australian Capital Territory Faculty and has been a member of the RACGP Council since 2008. Liz is a GP supervisor and the Deputy Chair of the Hornsby–Brooklyn General Practice unit in New South Wales which specialises in general practice training, particularly registrar remediation and prevocational education. Liz is a presenter in the Aboriginal health training component of GP Synergy's registrar teaching program. Liz recently stood down from her GP and general practice supervisor roles at Redfern Aboriginal Medical Service, where she worked for more than 15 years. With a strong interest in education, Liz was a foundation Director on the General Practice Education and Training (GPET) board from 2000–04 and again from 2009–12. She is a Fellow of the Australian Institute of Company Directors and was previously on the academic staff of the University of Sydney's Department of General Practice. Clinically, Liz has special interests in Aboriginal and Torres Strait Islander health, diabetes and mental health. She is firmly committed to achieving high-quality training for the next generation of GPs and ensuring the RACGP supports general practice to fulfil its potential in meeting the health needs of all Australians.

Adjunct Associate Professor Frank R Jones

MBBCh, DRCOG, DCH, FRACGP, MAICD
Vice President, Chair Western Australia Faculty

Frank is a GP in Mandurah, Vice President of the RACGP and Chair of the Western Australia Faculty. He has been a member of the Western Australia Faculty board since 2004, serving as Deputy Chair in 2006–2010 and Chair since 2010. Frank has been in full-time general practice for almost 30 years and was a procedural GP obstetrician for 25 years. Frank 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. Frank 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 West Australian General Practice Education and Training (WAGPET). He was chair of the Medical Advisory Committee (MAC) for Murray District Hospital for several years and assumed the MAC chair at Peel Health Campus during the transition to the new health facility. He was appointed Adjunct Associate Professor of General Practice at the University of Notre Dame Medical School, Fremantle in 2008. He is also a clinical lecturer at University of Western Australia Medical School and has an appointment as a visiting medical officer at Peel Health Campus. Frank is a member on the RACGP Finance Audit and Risk Management Committee (FARM).

Dr Emily Farrell

BAppHSci(IPHC), BMBS, FRACGP, GAICD
General practice registrar representative

Emily is a recent fellow of the RACGP who works in Brisbane having completed her training with North Coast GP Training. Emily was the 2009 GPET Registrar Research and Development Officer (RRADO). She completed an academic post at Bond University in 2010 and joined the board of General Practice Registrar Association (GPRA) in late 2010 for a two year term. She also held the position of interim Chair of GPRA at the end of 2011. Through 2010, Emily was the Policy Director of GPRA. She is also a member of the Executive of the World Organization of Family Doctors (WONCA) Working Party on Women and Family Medicine (WWPWFM) and is on the Australian Medical Association (AMA) Queensland Council of General Practice.

Neil Greenaway

FCA, FCPA, FGIA, FCIS, FAICD, Co-opted member – Chair Finance, Audit and Risk Management Committee, Deputy Chair of RACGP Oxygen

Neil is a Fellow of the Institute of Chartered Accountants in Australia, the Certified Practising Accountants of Australia, the Governance Institute of Australia, the Chartered Institute of Secretaries and the Australian Institute of Company Directors. He was the Independent External Representative on the RACGP Finance, Audit and Risk Management (FARM) Committee from

2002 before joining Council and being appointed Chairman of the FARM Committee in 2008. Neil was awarded honorary membership of the RACGP in 2006. He currently holds independent governance roles in local government and the cemetery and crematoria industry. Neil has held executive governance and finance positions at Medibank Private and St Vincent's Health. He is currently a consultant.

Dr Jennie Kendrick

MBBS, FRACGP, MPH, GAICD
Censor-in-Chief

Jennie is Censor-in-Chief, a GP and general practice supervisor in Hornsby, New South Wales. She has held prior board of directors positions with a Medicare Local, Divisions of General Practice and a Regional Training Provider. She has over 20 years of experience in general practice education, training and assessment, including 10 years in full time medical education and 5 years' experience as Assistant State Director of the RACGP Training Program in NSW. She has also been a Director of Clinical Training for hospital based junior medical officers and involved in teaching medical students for the University of Sydney. She has been an examiner for the RACGP, the Australian Medical Council and a visiting examiner for the Academy of Family Physicians Malaysia and Hong Kong College of Family Physicians. Jennie became Censor-in-Chief in 2010 after seven years as a member of the Board of Censors and Board of Assessment and RACGP Censor NSW. Areas of particular interest include standards for general practice education and training and the assessment of clinical competence.

Dr Kathryn Kirkpatrick

MBBS, FRACGP, GDipHSt(GenPract), GAICD
Chair National Rural Faculty

Kathryn has been a GP in Dalby, Queensland, for 14 years and is Chair of the National Rural Faculty (NRF). Kathryn has been involved in all levels of medical education and currently works part-time as rural advisor/medical educator for the Central and Southern Queensland Training Consortium trading as General Practice Training Queensland. She a director of General Practice Education and Training, the NRF representative of the National Rural Health Alliance, and a member of the Queensland Faculty board.

Dr David Knowles

MBBS, FRACGP, DCH, MAICD
Chair Tasmania Faculty

David is a GP supervisor in Lauderdale, Tasmania. He completed his undergraduate training in Tasmania but began his general practice career in Perth. During this period he worked as a medical educator for General Practice Education Australia and became involved in providing supervisors and international medical graduates (IMGs) support for 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. David relocated to Tasmania in 2005, taking the role as EPC. He accepted the role of Deputy Chair of the Tasmania Faculty Board in 2008 and became Chair in 2009. David has been an RACGP nominee on the Board of General Practice Education and Training (GPET) and has been a member on the RACGP Finance Audit and Risk Management Committee (FARM) since 2011. David was also Chair of the RACGP Council in 2012–13. He remains passionate about medical education, the GP's central role in primary care and, crucially, work–life balance for GPs and their families.

Associate Professor Brad Murphy

JP(Qual), MBBS, FRACGP, AssocDipAppSc(Amb), CertST&D, MAIES, AIMM, MAICD, MACTM, MACAP, MAITD, Chair National Faculty of Aboriginal and Torres Strait Islander Health

Brad is a GP in rural Queensland and an Aboriginal man from the Kamilaroi people (of northwest 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 New South Wales Ambulance Service, working as an intensive care paramedic from Sydney to central Australia, ultimately supervising and instructing in clinical paramedicine in New South Wales, the ACT and Queensland. He also worked as an intensive care paramedic for the Royal Flying Doctor Service at Uluru. Brad is a founding trustee of the Jimmy Little Foundation and has served as a long-term member of the management committee and executive of the Rural Doctors Association of Queensland. He is also a former Director of the Australian Indigenous Doctors' Association. Building on his work as inaugural Chair of the RACGP National Standing Committee – Aboriginal Health from 2007,

Brad became the founding Chair of the RACGP National Faculty of Aboriginal and Torres Strait Islander Health in February 2010, a position he still holds today. He has also been a member of the RACGP Queensland Faculty Board since 2010. Brad represents the RACGP on various groups, including the national Close the Gap Steering Committee and the Australian Medical Association (AMA) National Taskforce on Indigenous Health. Brad was part of the inaugural board of the Wide Bay Hospital and Health Service in 2012 under the Queensland Health state-wide restructure. Brad is the inaugural Associate Professor and Discipline Lead of Aboriginal and Torres Strait Islander Health at Queensland's Bond University and a member of the Leaders in Indigenous Medical Education (LIME) Reference Group.

Associate Professor Morton Rawlin

BMed, MMedSc, FRACGP, FACRRM, MAICD, DipPractDerm, DipMedHyp, DipFP, DipBusAdmin, Chair Victoria Faculty, Chair National Faculty of Specific Interests

Morton is a GP in Melbourne. He is Chair of the RACGP Victoria Faculty and National Faculty of Specific Interests. Morton has extensive experience at all levels of general practice medical education, 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. Morton has a long standing interest in competency assessment and training. His research and teaching interests are in standards and teaching in general practice, dermatology and mental health. Morton is an RACGP nominee on the Board of General Practice Education and Training (GPET).

Professor Nigel Stocks

BSc, MBBS, DipPH, MD, FRACGP, FAFPHM, GAICD
Chair South Australia and Northern Territory Faculty

Nigel is a GP in Aldgate in the Adelaide Hills. He is the Chair of the South Australia and Northern Territory Faculty, Head of the Discipline of General Practice at the University of Adelaide and Director of the Australian Sentinel Practices Research Network (ASPREN). He is a Director on the Board of Australian Medicines Handbook and is a member of the editorial Board for *Australian Family Physician*. He served on the RACGP National Standing Committee – Research from 2002–08 and his current research interests include cardiovascular, respiratory and mental health. He supervises several PhD students and academic general practice registrars. Nigel trained in Adelaide and worked as a GP in the United Kingdom for several years.

Dr Guan Yeo

FRACGP, MBBS, GAICD, AIAMA, Chair of New South Wales and Australian Capital Territory Faculty

Guan joined the RACGP 55th Council as Chair of the New South Wales and Australian Capital Territory Faculty. He brings extensive experience in governance, advocacy, and education and training to the role. He is a GP in outer-metropolitan Sydney and a Clinical Training Consultant in clinical communication, standards, clinical assessment, quality use of medicines and professional regulation. Guan is currently the RACGP National Assessment Advisor for the Objective Structured Clinical Exam (OSCE). Previously, as Assessment Panel Chair in New South Wales, he introduced initiatives to assist international medical graduates (IMGs) prepare for the Fellowship of the Royal College of General Practitioners (FRACGP) exam. Guan is a Board Member of the Northern Sydney Medicare Local, Deputy Chair of the General Practice Network Northside and sits on the NSW Ministry of Health GP Council.

Company Secretary

Zena Burgess

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

Zena is CEO and Company Secretary of the RACGP. She is the Company Representative 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 Meetings		Finance, Audit & Risk Management	
	Max Possible	Attended	Max Possible	Attended
B Murphy	8	6		
D Knowles	8	6	8	7
E Chew	8	8		
E Farrell	8	8		
E Marles	8	8	8	5
F Jones	8	8	8	6
G Yeo	8	7		
J Kendrick	8	8		
K Kirkpatrick	8	8		
M Rawlin	8	8		
N Greenaway	8	8	8	8
N Stocks	8	8		

Not a member of this committee of council during the year.

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.

Dr Liz Marles, President
15 August 2014 – Melbourne

Auditor's independence declaration

RSM Bird Cameron Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of the Royal Australian College of General Practitioners for the year ended 30 June 2014, 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 Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

P A RANSOM
Partner

15 August 2014
Melbourne

Liability limited by a scheme approved under Professional Standards Legislation

Major Offices in: Perth, Sydney, Melbourne, Adelaide, Canberra and Brisbane
ABN 36 965 185 036

RSM Bird Cameron Partners is a member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practises in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

Independent auditor's report

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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 2014, and the consolidated statement of 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.

Liability limited by a scheme approved under Professional Standards Legislation

Major Offices in: Perth, Sydney, Melbourne, Adelaide, Canberra and Brisbane
ABN 36 965 185 036

RSM Bird Cameron Partners is a member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practises in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Bird Cameron Partners

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 2014 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 BIRD CAMERON PARTNERS

P A RANSOM
Partner

15 August 2014
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 2014 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 a resolution of the directors.

On behalf of the Directors

Dr Liz Marles, President
15 August 2014 – Melbourne

Consolidated statement of comprehensive income

The Royal Australian College of General Practitioners

For the year ended 30 June 2014	Notes	2014 $	2013 $
Revenue	2	45,116,517	44,251,390
Total revenue		**45,116,517**	**44,251,390**
Expenses			
Employee benefits and on-costs		21,918,684	19,763,035
GP sessional and sitting payments		4,493,201	3,982,273
Cost of publications		1,319,581	1,325,755
Consultancy		949,647	1,151,573
Professional services		2,271,614	2,406,620
Travel & accommodation		1,803,155	1,800,968
Conference and meeting costs		3,024,394	3,334,007
Office accommodation		1,207,787	1,484,149
IT related costs		1,257,648	1,501,365
Telecommunications		676,836	648,151
Advertising & media		365,750	408,718
Printing & stationery		511,034	633,290
Grants & donations		378,918	285,039
Finance costs		929,712	1,177,678
Depreciation		1,547,295	1,708,445
External Grant project administration		648,972	806,143
Other expenses		1,680,452	1,408,460
Total expenses	3	**44,984,680**	**43,825,669**
Surplus from Operating Activities		**131,837**	**425,721**
Share of net (deficit)/surplus of associates and joint venture accounted for using the equity method	7	(10,279)	(41,206)
Surplus/(Deficit) before Non-operating activities		**121,558**	**384,515**
Non-Operating Activities			
Revaluation (decrement)/increment to land and buildings		(259,380)	(88,969)
Refurbishment and fit-out expenses	3	-	(1,749,118)
Profit/(Loss) on sale of assets held for sale		(30,000)	844,179
Total (Deficit)/Surplus before tax		**(167,822)**	**(609,393)**
Income tax expense	1.16	34,979	18,954
Total (Deficit)/Surplus after tax	12	**(202,801)**	**(628,347)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation decrement to land and buildings	12	316,260	(46,590)
Income tax relating to these items		-	-
Other comprehensive income for the year, net of tax		**113,459**	**(674,937)**
Total comprehensive income for the year		**113,459**	**(674,937)**

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 2014	Notes	2014 $	2013 $
Current assets			
Cash and cash equivalents	4	16,096,534	12,768,266
Trade and other receivables	5	1,227,441	1,298,629
Asset Held for Sale	6	-	880,000
Inventories		-	48,045
Total Current Assets		**17,323,975**	**14,994,940**
Non current assets			
Investments accounted for using the equity method	7	286,471	296,750
Property & Office equipment	8	35,640,387	35,017,145
Deferred Tax Assets		-	108
Trade and other receivables	5	99,289	140,374
Total Non Current Assets		**36,026,147**	**35,454,377**
Total assets		**53,350,122**	**50,449,317**
Current liabilities			
Trade and other payables	9	28,880,933	25,868,438
Borrowings	10	-	500,000
Current tax liabilities		36,110	7,749
Provisions	11	948,657	824,241
Total Current Liabilities		**29,865,700**	**27,200,428**
Non current liabilities			
Borrowings	10	6,500,000	6,500,000
Provisions	11	603,818	481,744
Total Non Current Liabilities		**7,103,818**	**6,981,744**
Total liabilities		**36,969,518**	**34,182,172**
Net assets		**16,380,604**	**16,267,145**
Equity			
Other reserves	12	5,290,291	5,491,477
Accumulated surplus	12	11,090,313	10,775,668
Total equity		**16,380,604**	**16,267,145**

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 2014	Notes	Accumulated Surplus $	Asset Revaluation Reserve $	Total $
Balance at 1 July 2012		8,038,889	8,903,193	16,942,082
Total Deficit for the year		(628,347)	-	(628,347)
Total other comprehensive income for the year		-	(46,590)	(46,590)
Transfer to accumulated surplus		3,365,126	(3,365,126)	-
Balance at 30 June 2013	12	**10,775,668**	**5,491,477**	**16,267,145**
Total Deficit for the year		(202,801)	-	(202,801)
Total other comprehensive income for the year		-	316,260	316,260
Transfer to accumulated surplus		517,446	(517,446)	-
Balance at 30 June 2014	12	**11,090,313**	**5,290,291**	**16,380,604**

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 2014	Notes	2014 $	2013 $
Cash flows from operating activities			
Receipts from membership activities, publications, government and other grants (inclusive of GST)		49,717,711	50,733,878
Payments to suppliers and employees (inclusive of GST)		(44,771,061)	(45,681,030)
Income tax paid		(6,510)	(6,208)
Net cash inflow from operating activities		**4,940,140**	**5,046,640**
Cash flows from investing activities			
Proceeds from sales of property & office equipment		850,000	9,000,566
Purchase of property & office equipment		(2,159,282)	(22,407,257)
Interest received		197,410	217,405
Net cash outflow from investing activities		**(1,111,872)**	**(13,189,286)**
Cash flows from financing activities			
Proceeds from borrowings		-	20,500,000
Repayment of borrowings		(500,000)	(13,500,000)
Net cash inflow/(outflow) from financing activities		**(500,000)**	**7,000,000**
Net increase/(decrease) in cash held		3,328,268	(1,142,646)
Cash at beginning of financial year		12,768,266	13,910,912
Cash at end of financial year	4	**16,096,534**	**12,768,266**

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 2014

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 15 August 2014. 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 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 incorporates the assets and liabilities and results of the subsidiary of The Royal Australian College of General Practitioners as at 30 June 2014 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.

Notes to the financial statements

The Royal Australian College of General Practitioners

For the year ended 30 June 2014

Income and expenses of the subsidiary is included in the Consolidated Statement of 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 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 (i.e. reclassified to the Consolidated Statement of 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 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 7).

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 Joint venture entities

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. As set out in note 7, RACGP has an interest in a joint venture.

The interest in a joint venture is accounted for using the equity method after initially being recognised at cost.

Under the equity method, the share of the profits or losses of the joint venture is recognised in the Consolidated Statement of Comprehensive Income, and the share of post-acquisition movements in reserves is recognised in other comprehensive income (refer to note 7).

Profits or losses on transactions establishing the joint venture and transactions with the joint venture are eliminated to the extent of the group's ownership interest until such time as they are realised by the joint venture on consumption or sale. However, as loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

1.4 Property & 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 & 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 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 the same asset previously recognised as an expense in the Consolidated Statement of Comprehensive Income, in which case the increase is credited to the Consolidated Statement of 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 Comprehensive Income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

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 Inventories

Inventories are valued at the lower of cost or net realisable value. Inventories consist of health record items purchased for resale.

1.7 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

Notes to the financial statements

The Royal Australian College of General Practitioners

For the year ended 30 June 2014

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 1.5). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Consolidated Statement of Comprehensive Income.

1.8 Leases

Operating lease payments net of incentives received from the lessor are expensed in the Consolidated Statement of 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 straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

1.9 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 which 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 Comprehensive Income within other expenses.

1.10 Assets Held for Sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain or loss not previously recognised by the date of the sale of the asset is recognised at the date of de-recognition. Assets held for sale are not depreciated while they are classified as held for sale. Assets held for sale are presented separately from the other assets in the Consolidated Statement of Financial Position.

1.11 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.

1.12 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 Comprehensive Income.

1.13 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 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 government 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 twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

1.14 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.

1.15 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

Notes to the financial statements

The Royal Australian College of General Practitioners

For the year ended 30 June 2014

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. Publication Subscriptions
Subscriptions are recorded as revenue in the year to which the subscription relates. Amounts received at balance date in respect of future publications are shown in the Consolidated Statement of Financial Position as current liabilities.

v. 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 i.e. the services have been performed or conditions have been fulfilled. Grant monies received but not yet expended i.e. 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.

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

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

1.16 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 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.

1.17 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.

1.18 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 judgments 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 8.
ii. Provision for employee benefits

Management uses judgment 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 government bonds with terms to maturity that match the expected timing of the cash outflow.

1.19 Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

Notes to the financial statements

The Royal Australian College of General Practitioners

For the year ended 30 June 2014

1.20 New and amended standards adopted by the group

The group has applied the following standards and amendments for first time for their annual reporting period commencing 1 July 2013, the impact of which being described below:

- Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2012-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*. As a consequence, the group has also adopted AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements*.

  No amendments to disclosures have resulted in this adoption as these standard and amendments were early adopted in the prior reporting period.

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*

  AASB 10 *Consolidated Financial Statements* was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*.

  The group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

  Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. RACGP Oxygen Pty Ltd, a wholly controlled entity of RACGP, has a 50% interest in Oxygen Services Pty Ltd. RACGP Oxygen Services Pty Ltd was previously accounted for as a jointly controlled entity using the equity method as described in policy 1.3. The two partners own the rights to the net assets of the arrangement and therefore, it has been assessed that the investment in RACGP Oxygen Services Pty Ltd meets the classification criteria of a joint venture under AASB 11. As a result, the group's accounting for its interest in the joint venture was not affected by the adoption of the new standard, since the group had already applied the equity method in accounting for these interests.

- AASB 13 *Fair Value Measurement and* AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*

  This Australian Accounting Standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value

accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards. The impact of this standard was immaterial to the financial report.

- AASB 119 *Employee Benefits (September 2011) and* AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*

  The adoption of the revised AASB 119 *Employee Benefits* resulted in a change in the accounting for the group's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This did change the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change was immaterial since the majority of the leave is still expected to be taken within a short period after the end of the reporting period.

1.21 Parent entity financial information

The financial information for the parent entity, The Royal Australian College of General Practitioners, disclosed in note 19, 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.*

1.22 Capital management

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

1.23 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 principle 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Notes to the financial statements

The Royal Australian College of General Practitioners

For the year ended 30 June 2014

Note 2. Revenue from Ordinary Activities	2014 $	2013 $
Revenue from operating activities		
Membership, QI & CPD Fees	20,543,130	17,878,161
Education, Course Registration & Other Fees	14,997,717	13,385,860
Research & Other Grants and Donations	4,877,687	8,141,187
Publications & Subscriptions	536,347	620,446
Sponsorship & Advertising	1,754,805	1,562,796
Other Operating Income	1,603,772	2,061,314
Other revenue from ordinary activities		
Interest	207,782	224,021
Rent	595,277	377,605
	45,116,517	**44,251,390**

Note 3. Expenses	2014 $	2013 $
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	463,259	482,236
Leasehold improvements	-	2,169
Computer equipment and software	1,026,595	1,171,773
Other plant and equipment	57,442	52,268
	1,547,295	**1,708,446**
Rental expense relating to operating leases	**226,736**	**211,280**
Expenses from non-operating activities		
Refurbishment and fit-out expenses	**-**	**1,749,118**

In the prior year, refurbishment and fit-out costs were incurred on the property held at Wellington Parade, East Melbourne. The Board of Directors deemed that these costs would not have enhanced the value of the property, and if capitalised, would have overstated the fair value of the property. Therefore, these costs were expensed during the 2013 financial year.

Note 4. Cash and Cash Equivalents	2014 $	2013 $
Cash at bank	2,607,742	2,075,511
Cash at bank - Grant funds held for disbursement	-	-
	2,607,742	**2,075,511**
Deposits on call	11,871,023	8,036,074
Deposits on call – Grant funds held for disbursement	1,617,769	2,656,681
	13,488,792	**10,692,755**
	16,096,534	**12,768,266**

Note 5. Trade and Other Receivables	2014 $	2013 $
Current assets		
Trade receivables	802,578	810,014
Less Provision for doubtful debts	-	-
	802,578	**810,014**
Prepayments	271,609	319,312
Accrued income	112,169	93,981
Other receivables - lease incentive	41,085	75,322
	1,227,441	**1,298,629**
Non-current assets		
Other receivables - lease incentive	**99,289**	**140,374**

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 noncurrent assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. Other receivables generally arise from transactions outside the usual operating activities of the group.

Note 6. Asset Held for Sale	2014 $	2013 $
Freehold land & Buildings	-	880,000

In financial year 2013, the directors of the company formally agreed to sell 206 New Town Road, New Town Tasmania which was sold during the current financial year.

Note 7. Investments accounted for using the equity method	2014 $	2013 $
Share in associates (note 7(a))	283,479	293,459
Interest in joint venture (note 7(b))	2,992	3,291
	286,471	**296,750**
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	503,237	527,908
Liabilities	211,220	234,449
Revenue	1,108,051	1,125,811
(Loss)/Profit after tax	(9,980)	(41,747)
ii. The movement in equity accounted investments is as follows:		
Balance at the beginning of the financial year	293,459	335,206
Share of associate's deficit from ordinary activities after income tax	(9,980)	(41,747)
Share of dividend received	-	-
Balance at the end of the financial year	**283,479**	**293,459**
iii. There are no contingent liabilities / assets of the associate.		
b. Interest in joint venture		
i. RACGP Oxygen Pty Ltd, a wholly controlled entity of the company, has 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 e-health related products. The interest in Oxygen Services Pty Ltd is accounted for in the financial report of the group using the equity method of accounting. There are no contingent liabilities incurred jointly with other investors (2013:$nil).		

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The Royal Australian College of General Practitioners

For the year ended 30 June 2014

Note 8. Non-current assets - Property & Office Equipment	2014 $	2013 $
Freehold Land and Buildings		
Land and Building - Valuation	32,750,000	33,025,000
Less accumulated amortisation	-	-
	32,750,000	**33,025,000**
Computer Equipment & Software at cost	7,429,363	5,478,768
Less accumulated depreciation	(4,869,655)	(3,891,662)
	2,559,708	**1,587,106**
Other Plant and Equipment at cost	1,417,187	1,470,971
Less accumulated depreciation	(1,086,508)	(1,065,932)
	330,679	**405,039**
Total Written Down Value	**35,640,387**	**35,017,145**
Reconciliations		
Freehold Land and Buildings		
Opening balance	33,025,000	11,170,001
Additions	131,379	21,803,460
Transfer from option fee paid	-	1,549,334
Revaluation increment/(decrement) (i)	56,880	(135,559)
Asset classified as held for sale (Note 6)	-	(880,000)
Depreciation expense	(463,259)	(482,236)
Closing balance	**32,750,000**	**33,025,000**
Option fee paid on freehold land and buildings		
Opening balance	-	1,549,334
Additions	-	-
Reclassification to freehold land and buildings	-	(1,549,334)
Closing balance	**-**	**-**
Leasehold Improvements		
Opening balance	-	23,040
Disposal	-	(20,871)
Depreciation expense	-	(2,169)
Closing balance	**-**	**-**
Computer Equipment & Software		
Opening balance	1,587,106	2,335,515

Note 8. Non-current assets - Property & Office Equipment	2014 $	2013 $
Additions	2,020,520	423,364
Disposal	(21,323)	-
Depreciation expense	(1,026,595)	(1,171,773)
Closing balance	**2,559,708**	**1,587,106**
Other Plant and Equipment		
Opening balance	405,039	320,553
Additions	7,385	136,754
Disposal	(24,303)	-
Depreciation expense	(57,442)	(52,268)
Closing balance	**330,679**	**405,039**
Total closing balance	**35,640,387**	**30,017,145**

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 2014. The valuations recorded a net increase in the value of group properties. Under Australian accounting standards, $316,260 has been recorded against the Asset Revaluation Reserve in relation to this increase in property values. The difference of $259,380 relates to decrease in property values that have previously been charged to the Consolidated Statement of Comprehensive Income as a non-operating expense.

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 2014.

Note 9. Trade and Other Payables	2014 $	2013 $
Trade Creditors	1,192,346	994,696
Other Creditors and Accruals	2,498,496	2,474,676
Employee benefits	1,577,020	1,416,976
Owing to related entities	1,000	1,000
Amounts Invoiced in Advance		
Membership subscriptions and QI & CPD fees	16,837,643	14,216,581
Grants	876,971	1,984,289
Exams	4,947,608	4,042,310
Other	949,849	737,910
Total	**28,880,933**	**25,868,438**

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.

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The Royal Australian College of General Practitioners

For the year ended 30 June 2014

Note 10. Borrowings	2014 $	2013 $
Current liabilities		
Secured borrowings	-	500,000
Non-current liabilities		
Secured borrowings	6,500,000	6,500,000

The purpose of these facilities was to assist with the purchase of 98-108 Wellington Parade, East Melbourne. The Commonwealth Bank of Australia holds a first registered mortgage over this property.

Note 11. Provisions	2014 $	2013 $
Employee benefits – long service leave (Current)	948,657	824,241
Employee benefits – long service leave (Non current)	603,818	481,744

Note 12. Reserves and accumulated surplus	2014 $	2013 $
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	5,491,477	8,903,193
Revaluation of Land and Buildings	316,260	(46,590)
Transfer to accumulated surplus(*)	(517,446)	(3,365,126)
Balance at end of year	**5,290,291**	**5,491,477**
Movements in Accumulated Surplus		
Balance at beginning of year	10,775,668	8,038,889
Current year surplus	(202,801)	(628,347)
Transfer from Asset Revaluation Reserve(*)	517,446	3,365,126
Balance at end of year	**11,090,313**	**10,775,668**

(*) During the year, 206 New Town Road, New Town Tasmania was sold. Within the Asset Revaluation Reserve was $517,446 relating to this property. In accordance with Accounting Standards, this amount was transferred to Accumulated Surplus.

Note 13. Key Management Personnel Compensation	2014 $	2013 $
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	**1,195,390**	**1,141,947**

Note 14. Commitments	2014 $	2013 $
Operating Leases		
The group leases various office equipment, under cancellable operating leases expiring with 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	15,137	121,098
• later than one year but not later than five years	-	15,137
Total Operating Leases	**15,137**	**136,235**
Property and office equipment		
Within twelve months		
• Computer Equipment & Software	500,000	60,000
Total Property and office equipment	**500,000**	**60,000**

Note 15. Contingencies

The Directors are not aware of any material contingent assets or liabilities as at 30 June 2014.

Note 16. Related Party Transactions

a. Equity interests in related parties

i. Equity interests in associates

Details of interest in associates are disclosed in note 7 to the financial statements.

ii. Equity interests in subsidiaries

Details of interest in subsidiaries are disclosed in note 7 to the financial statements.

b. Key management personnel compensation

Disclosures relating to key management personnel compensation are set out in note 13.

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 favorable 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.

Notes to the financial statements

The Royal Australian College of General Practitioners

For the year ended 30 June 2014

Note 17. Financial Instruments	2014 $	2013 $
a. Liquidity risk		
Liquidity risk refers to the risk that the group will encounter difficulty in meeting obligations concerning its financial liabilities. The group has the following financing arrangements. The group also has financial liabilities to its trade and other creditors and amounts invoiced in advance for services to be rendered such as the group's membership subscriptions. The group does not expect to settle the amounts invoiced in advance by cash payment, rather these liabilities will be satisfied with the provision of the services. Liquidity risk is therefore insignificant as the group's cash reserves significantly exceed the remaining financial liabilities that it expects to settle by cash payment.		
Financing arrangements		
The group had arranged the following undrawn borrowing facilities at the end of the reporting period.		
Variable rate		
Facilities:		
Bill facility - C	6,300,000	6,300,000
Bill facility - D	6,500,000	7,000,000
	12,800,000	**13,300,000**
Drawn facilities:		
Bill facility – D	(6,500,000)	(7,000,000)
Total undrawn facilities	**6,300,000**	**6,300,000**
The purpose of facility D was to assist with the purchase of 98-108 Wellington Parade, East Melbourne. The Commonwealth Bank of Australia holds a first registered mortgage over this property. Facility C was for working capital purposes. Facilities C and D were renewed and approved by The Commonwealth Bank of Australia before 30 June 2014.		

Note 18. Events after the reporting period

Subsequent to year end, the company intends to de-register Oxygen Services Pty Ltd during the financial year 2015 (refer to note 7). No other circumstances have arisen since the end of the year which 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 19. Parent entity information	2014 $	2013 $
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	17,323,975	14,949,126
Non-current assets	36,033,155	35,460,978
Total assets	**53,357,130**	**50,410,104**
Liabilities		
Current liabilities	30,006,892	27,183,548
Non Current liabilities	7,103,818	6,981,744
Total liabilities	**37,110,710**	**34,165,292**
Net assets	**16,246,420**	**16,244,812**
Equity		
Reserves	5,290,291	5,491,477
Accumulated surplus	10,956,129	10,753,335
Total equity	**16,246,420**	**16,244,812**
Financial performance		
Total (deficit)/surplus	(314,652)	(651,264)
Other comprehensive income for the year	316,260	(46,590)
Total comprehensive income for the year	**1,608**	**(697,854)**
Contingent liabilities of the parent entity		
The Directors are not aware of any material contingent liabilities as at 30 June 2014.		
Commitments for the acquisition of property, plant and equipment by the parent entity		
Property and office equipment		
Within twelve months - Computer Equipment & Software	500,000	60,000
Total Property and office equipment	**500,000**	**60,000**

Note 20. 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	
			2014	2013
RACGP Oxygen Pty Ltd	Australia	Ordinary	100%	100%

Dr Chee Koh

Dr Chee Koh believes that community rotations form an integral part of a medical student's training towards becoming a doctor, and the uniqueness of general practice as a speciality to provide learning opportunities is not easily replicable in a hospital setting.

Dr Koh believes insight into the complex relationships between diverse social and cultural contexts of health and disease, via the experience of community immersion, is often underappreciated.

So too is the commitment and goodwill of health professionals and GPs who provide mentorship to students. Dr Koh recognises that constant support to GPs is integral to the ongoing success of community rotations. This is especially so as GPs work in an environment in constant flux, secondary to the vicissitudes of political decision-making.

> "I work to maintain existing and build-on new relationships with GPs in western Sydney: providing advice, offering development support, communicating regularly and tirelessly advocating on their behalf."

Dr Chee S Koh MBBS DipMedSc FRACGP GCertEdStudies
Department of General Practice, Sydney Medical School,
University of Sydney

Healthy Profession.
Healthy Australia.