



Royal Australasian
College of Surgeons

Financial Report 2022

For the financial year ended
31 December 2022

CONTENTS	
CORPORATE INFORMATION	2
REPORT FROM THE TREASURER TO FELLOWS	3
COUNCILLORS' REPORT	6
AUDITOR'S INDEPENDENCE DECLARATION	13
INDEPENDENT AUDITOR'S REPORT	14
DIRECTORS' DECLARATION	16
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	17
STATEMENT OF FINANCIAL POSITION	19
STATEMENT OF CHANGES IN MEMBERS' FUNDS	20
STATEMENT OF CASH FLOWS	21
NOTES TO THE FINANCIAL STATEMENTS	23
1. CORPORATE INFORMATION	23
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	23
3. FOUNDATION FOR SURGERY	27
4. REVENUES	28
5. EXPENDITURES	30
6. CASH AND SHORT-TERM DEPOSITS	31
7. TRADE AND OTHER RECEIVABLES	32
8. CONTRACT ASSETS	33
9. INVENTORY	33
10. OTHER CURRENT ASSETS	33
11. OTHER FINANCIAL ASSETS AND FUNDS HELD ON BEHALF OF OTHERS	34
12. PROPERTY, PLANT AND EQUIPMENT	35
13. INTANGIBLE ASSETS	37
14. RIGHT OF USE ASSETS AND LEASE LIABILITIES	38
15. TRADE AND OTHER PAYABLES	40
16. CONTRACT LIABILITIES AND OTHER REVENUE RECEIVED IN ADVANCE	40
17. EMPLOYEE BENEFITS	41
18. PROVISIONS	41
19. EVENTS AFTER BALANCE SHEET DATE	41
20. CONTROLLED ENTITIES	41
21. RELATED PARTY TRANSACTIONS	42
22. COMPENSATION OF KEY MANAGEMENT PERSONNEL	42
ACFID CODE OF CONDUCT	43

CORPORATE INFORMATION

ABN / ACN

29 004 167 766 / 004 167 766

Councillors

Refer to the Councillors' Report.

Company Secretary

John Biviano

Registered office and principal place of business

Royal Australasian College of Surgeons
250-290 Spring Street
East Melbourne Victoria 3002
Telephone 03 9249 1200

Solicitors

Russell Kennedy
Level 12, 469 La Trobe St
Melbourne Victoria 3000

Bankers

Australia and New Zealand Banking Group Limited (ANZ)
Level 42, 55 Collins Street
Melbourne Victoria 3000

Auditors

PKF Melbourne Audit & Assurance Pty Ltd
Level 12, 440 Collins Street
Melbourne Victoria 3000

REPORT FROM THE TREASURER TO FELLOWS

The Financial Report for the year ended 31 December 2022 is presented together with the Auditor's Report and the voluntary Code of Conduct report for the Australian Council for International Development (ACFID).

Overall performance

The 2022 financial year was one where the Royal Australasian College of Surgeons' (RACS) core delivery of service and events moved towards COVID normal after two years of interruptions and restrictions. The increase in activity has helped drive revenue growth from the prior year as core training and examination has resumed.

Challenging economic conditions including volatile global investment markets and inflationary pressures on expenditures, many of which have been influenced by impacts of COVID and the Russian invasion of Ukraine, have seen a significant deterioration in RACS' 2022 financial result. Uncertainty with these events will require RACS to continue to prudently manage its operations to withstand ongoing impacts to its financial position.

RACS delivered a deficit result of \$10.0million in 2022 compared to a deficit of \$0.6m in 2021 and an overall comprehensive loss of \$12.9 million compared to a surplus of \$5.0 million in 2021. Negative performance returns of 2.7 per cent from the investment portfolio have contributed to the overall deficit.

Revenue

Revenues from operations were \$61.0 million compared to \$53.5 million in 2021, an increase of \$8.5 million (14%).

Key revenue streams for the year reflect:

- Subscriptions and entrance fees of \$19.7 million (2021: \$19.4 million), the increase of \$0.3 million (1.4%) predominately a result of a three percent fee indexation offset by decreased fellowship entrance fees;
- Training, examination, and assessment fees of \$22.4 million (2021: \$19.1 million), the increase of \$3.4 million (18%) primarily due to the full year resumption of events;
- Sponsorship and donations of \$5.2 million (2021: \$3.7 million), the increase of \$1.5 million (41%) includes two generous bequests / donations;
- Conference registrations of \$2.1 million (2021: \$1.5 million), the increase of \$0.6 million (41%) primarily due to the delivery of the RACS ASC in May 2022 and increased numbers of participants in other courses; and
- Project income and management fees from external parties of \$9.3 million (2021: \$8.2m), the increase of \$1.1 million (13%) due to increased mortality audits and net growth in international programs.

Expenditure

Expenditures from operations of \$72.6 million compared to \$59.3 million in 2021, an increase of \$13.3 million (22%). The increase is reflective of the increased income and primarily attributable to the return of many events throughout the year as well as digital transformation initiatives under the One College Transformation program.

Key expenses for the year reflect:

- Personnel costs of \$33.9 million (2021: \$30.2 million), the increase of \$3.7 million (12%) driven by the requirement for additional resources to deliver core services and events disrupted by COVID-19 and a higher level of fellowship engagement personnel for the delivery of enhanced member services;
- Outsourced service provider costs of \$4.2 million (2021: 3.4m), the increase of \$0.8 million (23%) reflects the growth in externally funded programs, both within Australia and Internationally;
- Information systems costs of \$4.5 million (2021: 3.6 million), the increase of \$0.9 million (24%) is due to the ongoing investment and associated costs in digital services infrastructure and new applications to support members;
- Travel and accommodation of \$5.0 million (2021: \$1.6 million), the increase of \$3.4 million (210%) reflects a return to COVID normal, and the increased activity of the College to deliver services to members and external funders;
- Audit, legal and professional fees of \$0.6 million (2021: \$1.6 million), the decrease of \$0.9 million (59%) relates to net improvements in operating costs;
- Utilities and other property costs of \$1.8 million (2021: \$1.2m), the increase of \$0.5 million (45%) is due to higher utility prices, repairs and increased cleaning post COVID;
- Scholarships, fellowships and research grant costs of \$1.6 million (2021: \$0.8 million), the increase of \$0.9 million is due to a resumption of normal levels of support;

- Externally funded grants of \$1.4 million (2021: \$0.5 million), the increase of \$0.9 million (159%) is primarily related to resumption of overseas global health activities and grants for the RACS ASC conference;
- Facilities hire and catering costs of \$4.4 million (2021: \$3.3 million), the increase of \$1.1 million (34%) predominately due to the increase costs of delivery of examinations and events at external venues; and
- Amortisation costs of \$1.6 million (2021: \$0.6 million), an increase of \$1.0 million (179%) reflects the continual development and investment in transformation initiatives and digital platforms.

Financial position

Statement of financial position reflects:

- Net assets of \$121.8 million (2021: \$96.2 million), the increase of \$25.6 million (27%) being the net increase from the revaluation of land and buildings (\$38.5 million) offset by the comprehensive loss of \$12.9 million;
- Cash and short-term deposits of \$30.4 million (2021: \$34.2 million), the decrease of \$3.8 million (11%) is resulting from net cash outflows from operating activities of \$3.2 million, outflows for payments of property, plant, equipment and intangibles of \$9.8 million, and payments of lease liabilities of \$1.2 million. This was funded through the realisation of investments (net) of \$4.4 million and investment income of \$6.1 million;
- Trade and other receivables \$23.1 million (2021: \$21.8 million), the increase of \$1.3 million (6%) a result of the CPI increase (5%) increase in billing of Fellows and Trainees annual fees;
- Other current assets of \$4.1 million (2021: \$2.9 million), the increase of \$1.2m (42%) is resulting from the increase in prepaid event costs for events to be delivered in 2023;
- Non-current other financial assets of \$73.6m (2021: \$85.0m), the decrease of \$11.4 million (13%) relates to decline in investment assets managed within the portfolio aligned to the overall decrease in market valuations, and a realisation of investments during the year;
- Property, plant and equipment of \$56.2 million (2021: \$17.6 million), the increase of \$38.9 million (225%) being attributable to the revaluation of land and buildings during the year;
- Intangible assets of \$14.6 million (2021: \$7.2 million), the increase of \$7.3 million (102%) is the result of digital technology investments under the multi-year 'One College Transformation' program;
- Contract liabilities and other revenue received in advance of \$52.6 million (2021: \$46.7 million), the increase of \$5.9 million (13%) is due to an increase in contract liabilities with grants associated with the Specialist Training Program and RACS Global Health projects;
- Total lease liabilities of \$20.7 million (2021: \$15.9 million), the increase of \$4.8 million (30%) relates to new leases for offices in NSW and Tasmania.
- Total employee benefits of \$4.6 million (2021: \$4.2 million) are in line with the prior year annual leave and long service leave staff entitlements with marginal CPI movements in each.

Cash Flow

Overall, there was a net decrease in cash and cash equivalents during the year. The key movements reflect:

- Net cash outflows from operating activities of \$3.2 million (2021: \$1.0 million), the increase in outflows of \$2.2 million is due to an increase in payments to suppliers and employee.
- Net cash inflows from investing activities of \$0.7 million (2021: \$1.2 million), the movements include the realisation of investments and investment income, offsetting the continued investment in the 'One College Transformation' program.
- Net cash outflows from financing activities of \$1.2 million (2021: \$1.3 million) and is as a result of the notional interest payment on lease liabilities for properties.

Foundation for Surgery

The Foundation activities encompass scholarships, fellowships, and research grants as well as direct oversight of RACS philanthropic endeavours. It is Board of Council's strategic aim to commit to an annual funding limit of up to \$2.5 million, where possible, to maintain RACS as a nationally and globally recognised funding institution for surgical research, global health, indigenous health, and other philanthropic initiatives. RACS provided a number of scholarships, grants and fellowship selections, with \$1.6 million being paid in the year (2021: \$0.8 million).

Investment portfolio – funding the Foundation for Surgery

Investment markets volatility throughout the year resulted in the investment portfolio achieving a negative 2.7% (2021: 13.2%) resulting in an overall loss in the portfolio. Sound cash income (dividends, imputation credits) within the investment portfolio of \$4.8m (2021: \$5 million) provides the necessary funding to support the Foundation for Surgery while ensuring that the capital value of the portfolio is maintained long term.

Conclusion

I would like to acknowledge the services of our Honorary Advisers to whom we remain indebted. My thanks to Ms Siobhan Blewitt (Investment), Ms Penny Heard (Investment), Mr Chesley Taylor (Investment), Mr Michael Randall OAM (Investment), Mr Michael Saba (Investment) and Mr Paul McDonald (Finance: retired in 2022) for their generous and valued support during the year. We thank our Honorary Advisers for their wise counsel and support.

I would also like to thank the RACS staff for their ongoing hard work and commitment in 2022.

We continue to maintain a sound financial position and have access to both cash reserves and other financial assets that can be readily converted to cash to ensure it can meet its ongoing financial commitments and obligations.



Dr Greg Witherow

Treasurer

COUNCILLORS' REPORT

The Councillors as Directors of the Royal Australasian College of Surgeons (RACS) submit herewith the Annual Financial Report of RACS for the year ended 31 December 2022. To comply with the requirements of the Australian Charities and Not-for-profits Commission Act 2012, the Councillors' report as follows:

Councillors

The names and details of the Office Bearers and the Councillors in office during the financial year and until the date of this report are as follows. Office Bearers and Councillors were in office for this entire period unless otherwise stated. Four Council meetings and eight Board of Council meetings were held in 2022. The number of meetings attended by each Councillor is noted below.

Councillors meeting attendance 2022		Number of meetings attended		Number of meetings eligible to attend	
		Council	Council Executive	Council	Council Executive
Office Holders					
Dr Sally Jane Langley	President	3	7	3	7
Dr Lawrence Pietro Malisano	Vice President (Jan-May)	1	3	1	3
A/Prof Christopher Martin Pyke	Vice President (May-Dec)	3	4	3	4
Dr Gregory Edwin Witherow	Treasurer	3	6	3	7
Dr Adrian Anand Anthony	Censor in Chief	3	6	3	7
Prof Andrew Graham Hill	Chair, Professional Standards & Fellowship Services Committee	3	6	3	7
Elected Members of Council					
Professor Mark Winter Ashton		3		3	
Professor Deborah Bailey	Appointed 5 May 2022	2		2	
Dr Ruth Caroline Bollard		3		3	
Dr Jennifer Lee Chambers OAM	Rotating Councillor (Council Executive)	3	6	3	7
A/Prof Andrew Donald Cochrane AM		3		3	
Dr Sarah Helen Coll		3		3	
Dr John Anthony Crozier AM CSM		3		3	
Dr Mark Anthony James Dexter		3		3	
A/Prof Kerin Ann Fielding		3		3	
Prof David Rowley Fletcher AM		3		3	
Prof Mark Frydenberg AM		3		3	
Dr Nicola Maret Hill		3		3	
Dr Annette Coralie Holian	Rotating Councillor (Council Executive)	3	5	3	7
Dr Rebecca Kate Jack		3		3	
Dr Christine Su-Li Lai	Rotating Councillor (Council Executive)	3	7	3	7
Dr Philip Neil Morreau		3		3	
A/Prof Christopher Martin Pyke		3		3	
Dr Maxine Mariri Ronald		2		3	
Professor Raymond Sacks		2		3	
Professor Owen Ung		3		3	
Professor Henry Hyunshik Woo		3		3	
Co-Opted Members of Council					
The Hon Rob Knowles AO		3	7	3	7
Ms Souella Cumming		2		3	
Dr Nishanthi Gurusinghe		3		3	
Dr Richard Ian Bradbury	Appointed 5 May 2022	2		2	
Dr Ailene Fitzgerald	Appointed 5 May 2022	2		2	
Dr Sharon Jay		3		3	

Councillors meeting attendance 2022		Number of meetings attended		Number of meetings eligible to attend	
		Council	Council Executive	Council	Council Executive
Retired Members of Council					
Dr Lawrence Pietro Malisano	Vice President (Jan - May) Retired 5 May 2022	1	3	1	3
Dr Sharon Jay	RACSTA Chair, 1 January 2021 Retired 31 December 2021	3		3	
Dr Lawrence Pietro Malisano	Vice President (Jan - May) Retired 5 May 2022	1	3	1	3
Dr Sharon Jay	RACSTA Chair, 1 January 2021 Retired 31 December 2021	3		3	

Councillors' and Chief Executive Officer's qualifications and current experience

Mr Adrian Anand Anthony MBBS MSurgEd FRACS GAICD

Senior Staff Specialist and Director Clinical Training, The Queen Elizabeth Hospital, Central Adelaide Local Health Network; Senior Visiting Surgeon, Regional Health SA, Senior Lecturer Upper GI Surgery, University of Adelaide; Lecturer in Surgical Education, University of Melbourne; Trustee, Anthony Superannuation Fund

Professor Mark Winter Ashton MB BS MD FRACS (Plas)

Specialist Plastic Surgeon, Professor of Surgery at the University of Melbourne; Chair of Plastic Surgery at Epworth Freemasons Hospital; Former Head of Plastic Surgery at The Royal Melbourne Hospital; Immediate past President of the Australian Society of Plastic Surgeons; Invited Editor for The Plastic and Reconstructive Surgery Journal in America; Editor in Chief of the Australasian Journal of Plastic Surgery; Invited Faculty Member of the International Perforator Flap Course in Belgium; Chairman of the Melbourne Advanced Facial Anatomy Course; Director of the Taylor Research Lab within the Anatomy Department of the University of Melbourne; Board Member, past Chair of the Surgical Committee for Interplast.

Professor Deborah Bailey B.Sc, MBBS, FRACS

Director Paediatric Surgery Gold Coast Health Services, Senior Staff Specialist Paediatric Surgeon Gold Coast University Hospital. Adjunct Professor Griffith University Medical School. Adj Professor Bond University Medical School. Paediatric Surgery Member Surgical Advisory Committee Qld Health. Board Directors Pacific Association of Paediatric Surgeons. VMO Pindara Hospital Ramsay Health.

Dr Richard Ian Bradbury B.Sc, MBBS, FRACS

Consultant General Surgeon Royal Darwin Hospital, Palmerston Regional Hospital, Gove District Hospital NT. VMO Darwin Private Hospital. Chair of RDH Medical Advisory Committee. Senior Lecturer with Flinders University for NT Medical Program.

Dr Ruth Caroline Bollard MBChB FRACS FRCS (Gen) MSc GAICD

Consultant General Surgeon; VMO Ballarat Health Services, St John of God Hospital Ballarat; East Grampians Health Service; Director Specialists on Drummond; Appointed Diversity and Inclusion Director Australian Dragon Boating Federation

Dr Jennifer Lee Chambers OAM MBBS (Hons) FRACS GAICD

Senior Vascular Surgeon, Port Macquarie Base, Kempsey and Wauchope District Hospitals; Conjoint Lecturer in Surgery UNSW Rural Clinical School; Associate of Hastings Vascular Associates

Associate Professor Andrew Donald Cochrane AM, MBBS, FRACS, FRCS (CTh), B.Comm, MPH, M.Epidemiol, MBA, M.Med.Admin, M.Surg.Ed, FCSANZ, FACC.

Cardiothoracic surgeon at Monash Health, and Associate Professor in the Department of Surgery at Monash University, Visiting cardiothoracic surgeon at Epworth Hospital, Mulgrave Private Hospital, and St John of God Hospital at Berwick, Journal sectional editor for the ANZ Journal of Surgery and for Heart Lung & Circulation. Chair of the Science and Education Committee of the Australian and New Zealand Society of Cardiac and Thoracic Surgeons (ANZSCTS), Convenor of the annual ANZSCTS Scientific meeting, and member of the Executive of ANZSCTS, Director and Board member of the National Cardiac Registry, Member of the ANZSCTS Database committee, Board member of Australasian Cardiac Surgery Research Institution Ltd (ACSRIL), which provides financial governance over the ANZSCTS Database, Board member of Maluk Timor Australia, an NGO involved in delivery of primary health care in East Timor. Member of the Clinical Governance Committee for East Timor Hearts Fund.

Dr Sarah Helen Coll MBBS FRACS FAOA GAICD CIME

Orthopaedic Surgeon; James Cook University Senior Lecturer, Examiner and Entrance Interviewer; Committee Member Far North Lady Doctors Association; AMAQld Board Member; Member AMAQld Committee of Consultants Specialists; Member AMAQLD FRAC; Chair AMAQ Nominations and Remuneration Committee; Treasurer, Pacific International Orthopaedic Association; Director Breadcrumbs 241 Pty Ltd; Director Coll Nominees Family Trust; Cairns Art Gallery Foundation Board Member.

Dr John Anthony Crozier AM CSM MBBS FRACS FRCST (Hon) FACRS GAICD DDU (Vasc)

Vascular Surgeon; VMO Liverpool Hospital, Sydney; Co-Director National Alliance for Action on Alcohol

Ms Souella Cumming BCA CRMA

Partner KPMG NZ; Board Member & Deputy Chancellor Order of St John in NZ; Governor Zonta International NZ

Dr Mark Anthony James Dexter BSc (Med) MBBS (Hons 1) FRACS IFAANS

Neurosurgeon. Head, Department of Neurosurgery, Westmead Adult Hospital and Children's Hospital at Westmead; Associate Professor, University of Sydney; Previous President Neurosurgical Society of Australasia; Chair, Shunt Registry Committee; Member of Neurosurgical Society of Australasia; MBS Review Committee, Department of Health; Neurosurgical representative, Pacific Islands Project.

Associate Professor Kerin Ann Fielding, MBBS(Syd), FRACS(Orth), FAOA, GAICD

Senior visiting Orthopaedic Surgeon Calvary Hospital, Wagga Wagga Rural Referral Hospital; Executive Chair Clinical Surgical Training Council for Health Education and Training Institute of NSW; Clinical Leader for Surgical Education, Notre Dame University Wagga Wagga Clinical School, Member NSW Department Model Scope of Practice Working Party; Member Australian & New Zealand Hip Fracture Registry; Chair Orthopaedic Department; Member Trauma Committee Wagga Wagga Rural Referral Hospital, Expert Peer Reviewer Medical Board NSW

Dr Ailene Joy Fitzgerald, MBBS, FRACS

General Surgeon and Clinical Director Surgery, Canberra Health Service; Commander Royal Australian Navy; Chair ACT Trauma Committee

Professor David Rowley Fletcher AM MBBS MD FRACS GAICD

General / UGI Surgeon; Emeritus Consultant Surgeon Fiona Stanley Fremantle Hospital Group; retired Head of Department FSFHG / University West Australia; Member Medical Services Advisory Committee; Member Clinical Casemix Advisory Group of IHPA; Member General Surgery Committee Medicare Taskforce; Chair Service Surgical Registrar Employment Advisory Committee HDWA

Professor Mark Frydenberg AM MBBS FRACS FAICD

Professor Department of Surgery Monash University; Surgical representative, Federal Council, Australian Medical Association; Academic Director of Urology, Cabrini Institute, Cabrini Health; Member Urology MBS Implementation Committee, Department of Health; Member Out of Pocket Expenses Reference Group, Department of Health; Member Medical Reference Group, Medibank Private; Board member, Cabrini Foundation.

Dr Nishanthi Gurusinghe BSc (Psychology), MBChB, FRACS, PGDip Clinical Education

General surgeon with sub specialist interests in Colorectal Surgery, Advanced Laparoscopic Surgery, Colonoscopy & Endoscopy. Director, General Surgeons Australia; Scientific convener combined 2019 GSA/CSSANZ Annual Scientific Meeting and 2019 Colorectal Trainees' Day. Surgical Supervisor of Training, Launceston General Hospital. SEAM Committee Member

Professor Andrew Graham Hill BHB MBChB GradDip Theol MD EdD FAICD CFInstD FCSSL(Hon) FASI(Hon) FASA(Hon) FRCSEd(ad hom) FACS FRACS FISS FRSNZ

President & Governor, ANZ Chapter, American College of Surgeons; Colorectal Surgeon; Professor of Surgery; Assistant Dean Faculty of Medical and Health Sciences and Head of the South Auckland Clinical Campus, University of Auckland; Consultant General Surgeon, Middlemore Hospital, Auckland; Past President, International Society of Surgeons, Zurich, Switzerland; Director Ormiston Hospital, Auckland

Dr Nicola Hill MB ChB BA MSc EBHC FRACS (ORL-HNS)

Nelson-Marlborough District Health Board, New Zealand, as consultant otolaryngology surgeon; ORL Health Ltd (New Zealand) - director and shareholder; Medical Council of New Zealand - contractor for educational supervision, Honorary Lecturer University of Otago, Beneficiary of Kumi Point Family Trust; member of the NZSOHNS Council

Dr Annette Coralie Holian MBBS FRACS FAOrthA MSurgEd GAICD

President Australian Orthopaedic Association (AOA); APOA Chair of Disaster Preparedness; APOA WAVES – treasurer; VPCC Anaesthetic Consultative Group; AVANT: Member National Stakeholder Advisory Committee; Orthopaedic Surgeon Monash Children's Hospital; Clinical Director Surgery and Perioperative Services, RAAF; Councillor, Asia Pacific Orthopaedic Association; Member, Victorian DHHS Perioperative Working Group; Governor, Shrine of Remembrance, Melbourne; Patron, Catalina Flying Boat section, RAAFA.

Dr Rebecca Kate Jack MBBS, MPhil, FRACS, AFRACMA, MAICD

Director of Medical Services, St Andrews Toowoomba Hospital, Vascular Surgeon – VMO St Andrew's Toowoomba Hospital, St Vincent's Toowoomba Hospital, Toowoomba Base Hospital.

Dr Sharon Jay MBBS

Surgical Trainee – General Surgery SET 5 Ōtautahi/Christchurch. Honorary Senior Clinical Lecturer University of Otago.

The Honourable Rob Knowles AO MAICD

Director, Silverchain Group of Companies, Drinkwise Australia Ltd, IPG Pty Ltd, Director Great Ocean Road Health; Director Beyondblue Ltd; Director, Brandon BioCatalyst Ltd; Chair of Working group for medical workforce requirements for Portland Health and St Western Victoria; Member of Review Panel Medically Supervised Injection Room

Dr Christine Su-Li Lai MBBS (Adel) DDU FRACS FACS GAICD

Senior Staff Specialist, Breast and Endocrine Surgical Unit, Division of Surgery, The Queen Elizabeth Hospital; Visiting Surgeon, Breastscreen SA; Director of The Surgical Precinct; Director Christine Lai Pty Ltd

Dr Sally Jane Langley MBChB FRACS GAICD

Plastic and Reconstructive Surgeon, Canterbury District Health Board

Dr Philip Neil Morreau, MbChB FRACS

Paediatric Surgeon Starship Children's Hospital Auckland. Senior Lecturer University of Auckland. Kidzhealth, Paediatric Surgical and Medical Specialists Director and shareholder.

Professor Christopher Martin Pyke PhD, FRACS, FACS, FASI(Hon) PGDip Oncoplast Surg, GAICD

Senior Visiting Medical Officer and Stream Lead Surgery and Acute Care Mater Health Services, Brisbane; Chairman Foundation for Breast Cancer Care; Board Member Breast and Prostate Cancer Association of Queensland, Director CM Pyke Pty Ltd.

Dr Maxine Mariri Ronald MBChB FRACS

General Surgeon, Whangarei Hospital, New Zealand; Member Perioperative Mortality Review Committee (NZ).

Professor Raymond Sacks MBBCh,FCS(SA)ORL,FARS, FRACS

Otorhinolaryngology-Head & neck Surgery; Professor and Head of discipline of OHNS, Sydney University; Professor of Surgery, Macquarie University; President, Australian Society of Otolaryngology-Head & Neck Surgery; Member Expert Advisory Committee of Therapeutic Goods Administration and of Prosthesis List Advisory Committees; Consultant to Medtronic Pty Ltd.

Professor Owen Allan Ung MBBS FRACS FAICD

Director MNHHS Comprehensive Breast Cancer Institute (CBCI) Professor of Surgery School of Medicine University of Queensland; Senior Visiting Surgeon Royal Brisbane and Women's Hospital (RBWH), Surgical Treatment and Rehabilitation Service (STARs); Director, Queensland Board of the Australian Medical Association (AMAQ), Director Medical Insurance Australia (MIA); Director Medical Defence Association of South Australia (MDASA); Director, Board of Specialist Services Medical Group

Dr Gregory Edwin Witherow MBBS, FRACS GAICD

Visiting Orthopaedic Surgeon Hollywood Private Hospital; Observer AOA Federal Board; Member Ramsay Orthopaedic Specialists Advisory Group; Shareholder Ramsay Healthcare, Cochlear, CSL, Orthocel

Professor Henry Woo MBBS DMedSc FRACS

Urological surgeon; Professor of Urology Australian National University; Director of Uro-Oncology Chris O'Brien Lifehouse; Head Department of Urology Sydney Adventist Hospital; Board of Directors, Urologist Society of Australia and New Zealand (USANZ); Board Director, Australian and New Zealand Uro-genital and Prostate Cancer Trials Group; Board Director Australasian Urological Foundation; Board member Asian Pacific Prostate Society; Member MBS Urology Review Committee; Clinical Trial Investigator for Prodeon, Honorary Professor The University of Sydney, Associate Editor Prostate Cancer and Prostatic Diseases; Board member Asian Pacific Prostate Society; Member MBS Urology Review Committee; Zenflow, Boston Scientific, Astellas, Janssen, Myovant

Chief Executive Officer

Mr John Biviano BAppSci MBus FIML GAICD

Principal activities

The principal activities of RACS in the course of the year were promoting the study of the science and art of surgery and clinical and scientific research. During the year, there was no significant change in the nature of those activities.

Operating and financial review

The total comprehensive loss of RACS for the year as shown in the Statement of Profit or Loss and Other Comprehensive Income was \$12,902,540 (2021: income \$5,008,468). RACS is a company limited by guarantee, which has no share capital and is prohibited by its constitution from paying dividends.

No likely developments are anticipated in relation to RACS' future operations.

Significant changes in the state of affairs

During the year, there was no significant change in RACS state of affairs other than that referred to in the financial statements or notes thereto.

Events after balance sheet date

There are no matters or circumstances, which have arisen since the end of the financial year, which have significantly affected or may significantly affect the operation of RACS, the results of those operations, or the state of affairs of RACS.

Indemnification and insurance of Councillors and auditors

During the year, RACS paid a premium in respect of a contract insuring the Councillors and Officers of RACS against a liability incurred as a Councillor or Officer to the extent permitted by the applicable laws and regulations. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

RACS has not otherwise, during or since the year end, indemnified or agreed to indemnify an officer or auditor of RACS or of any related body corporate against a liability incurred as an officer or auditor.

Members' guarantee

If RACS is wound up, the Constitution states that each member is required to contribute a maximum of \$50.00 towards meeting any outstanding obligations of RACS.

At 31 December 2022, the number of members was 8,565 (2021: 8,379).

Auditor's Independence Declaration

We, the Councillors as Directors, hereby declare and note that the Auditor's Independence Declaration has been received and follows this report.

Signed in accordance with a resolution of the Directors made pursuant to the *Australian Charities and Not-for-profits Commission Act 2012*.

On behalf of the Directors.



.....
Dr Sally Jane Langley

President



.....
Dr Greg Edwin Witherow

Treasurer

MELBOURNE

24 MARCH 2023

Auditor's Independence Declaration to the Directors of Royal Australasian College of Surgeons

In relation to our audit of the financial report of Royal Australasian College of Surgeons for the year ended 31 December 2022, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* or the *Australian Charities and Not-for-Profits Commission Act 2012*; or
- (b) any applicable code of professional conduct.



PKF
Melbourne, 24 March 2023



Steven Bradby
Partner

Independent Auditor's Report to the Directors of Royal Australasian College of Surgeons

Our Opinion

We have audited the accompanying financial report of Royal Australasian College of Surgeons (the Company), which comprises the statement of financial position as at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in members' funds, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards – Simplified Disclosures and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

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

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

Information other than the Financial Report and our Auditor's Report thereon

The directors are responsible for the Report from the Treasurer to Fellows, the Councillors' Report and the Directors' Report (together referred to as other information). The other information comprises the information included in the Company's 'Financial Report 2022' but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities 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 – Simplified Disclosures and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the branch activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



PKF

Melbourne, 24 March 2023



Steven Bradby

Partner

DIRECTORS' DECLARATION

The directors declare that in the directors' opinion:

(a) there are reasonable grounds to believe that RACS is able to pay all of its debts, as and when they become due and payable; and

(b) the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

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

On behalf of the Directors.



.....
Dr Sally Jane Langley
President



.....
Dr Greg Edwin Witherow
Treasurer

MELBOURNE
24 MARCH 2023

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	<u>Note</u>	<u>2022</u>	<u>2021</u>
		\$	\$
			Restated
Revenue from operations	4	60,999,532	53,454,338
Total revenue – from operations		60,999,532	53,454,338
Personnel costs	5(a)	33,918,033	30,243,953
Outsourced service providers	5(b)	4,224,280	3,444,428
Telephone, teleconference and audio-visual costs		808,157	1,036,608
Printing, stationery and photocopying		763,222	689,536
Postage and courier costs		435,900	396,773
Information system costs		4,498,779	3,615,184
Travel and accommodation		4,990,717	1,609,456
Associations and library publications		1,798,196	1,722,804
Audit, legal and professional fees		661,973	1,559,853
Bank fees and merchant charges		473,832	416,213
Interest on lease liabilities		754,453	677,736
Utilities and other property costs		1,755,573	1,208,522
Make good (gain) / loss		(34,426)	-
Insurance		788,899	702,194
Project equipment purchases, hire and repairs		1,146,344	855,115
Training manuals and consumables used in education and field projects		831,363	691,133
Scholarships, fellowships and research grants		1,664,352	790,286
Awards, other grants, gifts and prizes		213,291	234,767
Grants – funded from external sources		1,376,275	530,633
Facilities hire and catering costs		4,399,892	3,294,094
Depreciation and amortisation expense	12	2,147,677	2,205,282
Amortisation expense	13	1,592,464	570,135
Depreciation of right-of-use asset	14(a)	1,622,462	1,701,064
Specialty societies funding costs		845,444	862,238
Bad and doubtful debts		7,173	47,844
Loss on disposal of property, plant & equipment		6,278	122,736
Other expenses from operating activities		865,395	68,437
Total expenditure – from operations		72,555,998	59,297,024
Deficit for the year – from operations		(11,556,466)	(5,842,686)

**STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME (CONT.)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

	2022	2021
		Restated
	\$	\$
Other income		
Financial asset income	4,774,268	5,048,957
Gain / (loss) on sale of financial assets	(991,989)	(1,470,756)
Changes in the fair value of financial assets at FVTPL	(2,262,300)	1,656,655
Total other income	1,519,979	5,234,856
Deficit for the year	(10,036,487)	(607,830)
OTHER COMPREHENSIVE INCOME		
Changes in the fair value of equity investments and debts instruments at FVOCI	(1,972,880)	5,590,209
Realised gain on equity investments and debts instruments at FVOCI	(892,008)	-
Exchange differences on translating foreign operations	(1,165)	26,089
Other comprehensive income for the year	(2,866,053)	5,616,298
Total comprehensive income for the year	(12,902,540)	5,008,468

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
		\$	Restated \$
CURRENT ASSETS			
Cash and cash equivalents	6	30,376,959	34,152,380
Trade and other receivables	7	23,161,775	21,775,040
Contract assets	8	569,147	444,298
Inventories	9	16,557	36,014
Other assets	10	4,141,059	2,916,679
Total current assets		58,265,497	59,324,411
NON-CURRENT ASSETS			
Trade and other receivables	7	482,847	536,372
Other financial assets	11	73,608,113	84,961,372
Property, plant and equipment	12	56,226,291	17,326,148
Intangible assets	13	14,554,361	7,207,138
Right-of-use assets	14	18,205,087	15,170,368
Total non-current assets		163,076,699	125,201,398
TOTAL ASSETS		221,342,196	184,525,809
CURRENT LIABILITIES			
Trade and other payables	15	4,893,453	5,561,598
Contract liabilities and other revenue received in advance	16	52,557,182	46,697,240
Lease liabilities	14	1,375,777	987,429
Employee benefits	17	4,122,373	3,792,196
Funds held on behalf of others	11	16,365,932	15,845,923
Total current liabilities		79,314,717	72,884,386
NON-CURRENT LIABILITIES			
Lease liabilities	14	19,369,957	14,948,487
Employee benefits	17	496,187	393,607
Provisions	18	401,606	104,391
Total non-current liabilities		20,267,750	15,446,485
TOTAL LIABILITIES		99,582,467	88,330,871
NET ASSETS		121,759,729	96,194,938
MEMBERS FUNDS AND RESERVES			
Retained surplus		68,940,463	83,603,917
Reserves		14,473,036	12,710,957
Asset revaluation reserve		38,467,331	-
Foreign currency translation reserve		(121,101)	(119,936)
TOTAL MEMBERS FUNDS AND RESERVES		121,759,729	96,194,938

The Statement of Changes in Members' Funds is to be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN MEMBERS' FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Retained Earnings	Asset Revaluation Reserve	Investment Revaluation Reserve	Foreign Currency Translation Reserve	Total
	Restated				Restated
	\$	\$	\$	\$	\$
Balance at 1 January 2021	84,714,447	-	7,120,748	(146,025)	91,689,170
Restatement of retained earnings (refer Note 2.5)	(502,700)	-	-	-	(502,700)
Balance at 01 January 2021 (Restated)	84,211,747	-	7,120,748	(146,025)	91,186,470
Surplus for the year	1,159,664	-	-	-	1,159,664
Restated revenue (refer Note 2.5)	(1,767,494)	-	-	-	(1,767,494)
Restated surplus / (deficit)	(607,830)	-	-	-	(607,830)
Other comprehensive income	-	-	5,590,209	26,089	5,616,298
Balance at 31 December 2021 (Restated)	83,603,917	-	12,710,957	(119,936)	96,194,938
Surplus for the year	(10,036,487)	-	-	-	(10,036,487)
Other comprehensive income	(892,008)	-	(1,972,880)	(1,165)	(2,866,053)
Revaluation increase in property, plant & equipment	-	38,467,331	-	-	38,467,331
Transfer realised gain / (loss)	2,827,062	-	(2,827,062)	-	-
Transfer to / from reserve	(6,562,021)	-	6,562,021	-	-
Balance at 31 December 2022	68,940,463	38,467,331	14,473,036	(121,101)	121,759,729

The Statement of Changes in Members' Funds is to be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	<u>Note</u>	<u>2022</u>	<u>2021</u>
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		78,975,534	67,668,500
Payments to suppliers and employees		(81,434,011)	(67,960,222)
Interest on leases		(754,453)	(677,736)
Net cash inflows from operating activities	6	(3,212,930)	(969,458)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment and intangible assets	12 & 13	(9,832,789)	(6,151,491)
Proceeds from sale of investments		21,665,159	12,607,369
Purchase of investments		(17,295,614)	(10,404,737)
Investment dividends, interest and franking credits received		6,147,170	5,116,376
Net cash inflows/(outflows) from investing activities		683,926	1,167,517
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	14	(1,197,147)	(1,295,243)
Net cash outflows from financing activities		(1,197,147)	(1,295,243)
Net increase/(decrease) in cash and cash equivalents		(3,726,151)	(1,097,184)
Cash and cash equivalents at the beginning of the financial year		34,152,380	35,217,440
Effects of exchange rate changes in the balance of cash held in foreign currencies		(49,270)	32,124
Cash and cash equivalents at the end of the financial year		30,376,959	34,152,380

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.



Notes to the Financial Statements

For the financial year ended
31 December 2022

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Financial Report includes consolidated financial statements of the Royal Australasian College of Surgeons and its subsidiary (collectively known as RACS) for the year ended 31 December 2022.

The Royal Australasian College of Surgeons is a company limited by guarantee, incorporated in Australia and operating in Australia and New Zealand. RACS is registered on the New Zealand Companies Office overseas company register.

These were authorised for issue in accordance with a resolution of the Board of Council on 24 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Financial statements

RACS' financial statements are presented in a simplified layout providing information that is more streamlined and relevant to users. Financial statement notes are grouped together where they are similar in nature, with related accounting policies related broadly to the financial statements, key estimates, assumptions and judgements included within note 2.

The principal accounting policies adopted by RACS pertaining to account balances and transactions for the year ended 31 December 2022 are set out within these financial statements. All accounting policies have been consistently applied to each year stated, unless otherwise stated.

2.2 Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards – Simplified Disclosures and other authoritative pronouncements of the Australian Accounting Standards Board.

RACS is a not-for-profit entity and these financial statements have been prepared on that basis. Some of the requirements of a not for profit are inconsistent with IFRS requirements.

The financial report has been prepared on a historical cost basis, except for financial assets which are measured at fair value.

The financial report has been prepared on a going concern basis, which contemplates the continuity of trading operations represented within this financial report. At 31 December 2022, RACS' current liabilities exceeded current assets by \$21.0 million (2021: \$13.5 million). Current liabilities include a range of revenue-related elements received in advance that will be recognised as revenue subsequent to the year end, together with amounts held on behalf of other surgical societies and groups, in respect of which the related assets are classified as non-current. RACS is expected to trade within its means, considering the impacts of COVID-19 described in Note 19 and has access to non-current financial assets that can be readily converted to cash should the need arise.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

2.3 General policies

Foreign currency

Both the functional and presentation currency of the Australian operations is Australian dollars (AUD\$). The functional currency of the New Zealand operations is New Zealand dollars (NZD\$).

Transactions in currencies other than functional currency (“foreign currencies”) are initially recorded in the functional currencies using the exchange rate as at the date of the transaction. At each reporting date, monetary items denominated in foreign currencies are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, results and financial position of the foreign operation, New Zealand National Office are translated into the presentation currency of RACS as follows:

- Assets and liabilities are translated at the closing rate prevailing at the reporting date;
- Income and expenses are translated at average exchange rates for the year;
- All the resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity under foreign currency translation reserve.

Taxation

RACS is exempt from income tax as it is considered an income tax exempt charitable entity under Subdivision 50-B of the *Income Tax Assessment Act 1997*.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or the expense item as applicable. Receivables and payables are stated with the amount of GST included.

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Comparatives

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

2.4 Significant accounting estimates, assumptions and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. RACS bases its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market conditions or circumstances arising beyond the control of RACS. Such changes are reflected in the assumptions when they occur.

Estimates, assumptions and judgements that have a risk of causing a material adjustment to the carrying amount of assets and liabilities are found in the following notes:

- *Revenue and income (note 5)*
- *Trade and other receivables (note 7)*
- *Other financial assets (note 11)*
- *Property, plant and equipment (note 12 and 13)*
- *Right of use assets and lease liabilities (note 14)*
- *Employee entitlements (note 17)*

2.5 Corrections to prior year reported figures

In applying AASB 15 *Revenue from Contracts with Customers* (AASB 15), a key step is to identify the separate performance obligations in the contract.

When RACS is the principal, it controls the goods or services before they are transferred to the customer. As principal, RACS would recognise the revenue and any corresponding expenditure in full (gross).

When acting as the agent, RACS is arranging for goods or services to be provided by another party, without taking any control over those goods or services. As agent, RACS would only recognise the commission or funding it receives for the administration in arranging for these goods or services.

In 2022, RACS reassessed its performance obligations under all contracts. In respect to monies received on behalf of specialist societies and for a part of the Surgical Training Placements (STP) activity funded by the Department of Health, it has now judged that it is acting as agent, rather than principal.

RACS has elected to restate the prior years (2021) comparatives to remove both the revenue and expenditure recognised for both specialist societies and for STP. This restatement reduces revenue and expenditure by \$15,542,950 and has no net impact on the loss for the prior year.

	31 December 2021
	\$
IMPACT ON STATEMENT OF PROFIT AND LOSS - increase / (decrease) in profit	
Training, examination and assessment fees	(4,111,673)
Project income and management fees	(11,431,277)
Total revenue from operations	(15,542,950)
Grants – funded from external sources	11,431,277
Specialty societies funding costs	4,111,673
Total expenditure from operations	15,542,950
Net impact on (loss) for the year	-

In addition, RACS' had assessed certain project income to be recognised over time, rather than as related costs were incurred. This resulted in an overstatement of revenue in 2021 of \$1,767,494.

The errors have been corrected by restating each of the effected financial statement line items for the prior period as follows:

	31 December 2021 Reported	Correction	31 December 2021 Restated
		\$	\$
IMPACT ON EQUITY - increase / (decrease) in equity			
Contract liabilities and other revenue received in advance	44,427,046	2,270,194	46,697,240
Total liabilities	70,614,192	2,270,194	72,884,386
Retained surplus	85,874,111	(2,270,194)	83,603,917
Members Funds	98,465,132	(2,270,194)	96,194,938
IMPACT ON STATEMENT OF PROFIT AND LOSS - increase / (decrease) in profit			
Project income and management fees		(1,767,494)	
Total revenue from operations		(1,767,494)	
Net impact on (loss) for the year		(1,767,494)	

In the table above the Retained Surplus correction contains a restatement of \$502,700 in relation the balance brought forward as at 1 January 2021.

2.6 Changes in accounting policies

During the year, RACS reassessed its accounting for property, plant and equipment with respect to measurement of land and buildings after their initial recognition. RACS had previously measured all property, plant and equipment using the cost model whereby, after initial recognition of the asset, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

During 2022, RACS elected to change the method of accounting for land and buildings, as RACS believes that the fair value model provides more relevant information to the users of the financial statements and a greater understanding of the value of assets controlled by RACS and its performance. In addition, available valuation techniques provide reliable estimates of the land and building's fair value. RACS applied the revaluation model prospectively.

After initial recognition, land and buildings are measured at the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. For further details of the policy, refer to Note 12.

Independent valuers, Jones Lang LaSalle were appointed and completed their work in December 2022. The valuation is as at 31 December 2022 and is \$51,500,000 (land: \$27,000,000 and buildings: \$24,500,000).

2.7 Adoption of new and revised accounting standards and interpretations

RACS has previously adopted all mandatory new or amended accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB).

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

3. FOUNDATION FOR SURGERY

The Foundation for Surgery is strategically committed to providing surgical support, training and research where it is needed most. Funds have been generated through donations from Fellows, contributions from individuals (including bequests), other entities and RACS operational surpluses from time to time. This has enabled the establishment of a Foundation for Surgery corpora consisting of various funds predominantly used to fund surgical research, global health and Indigenous health scholarships. These funds, which account for a significant value of RACS overall funds and reserves, are either reserved for a specific purpose or unreserved but held and used in accordance with the prevailing objective RACS and the Foundation for Surgery.

The total Members' Funds and Reserves of \$121,759,729 containing specific purpose funds within the Foundation for Surgery of \$64,219,379 (2021 Restated: Members' Funds and Reserves \$96,194,938 containing specific purpose funds of \$64,275,178).

4. REVENUES

	2022	2021
		Restated
	\$	\$
REVENUE FROM OPERATIONS		
Subscriptions and entrance fees	19,706,044	19,434,774
Training, examination and assessment fees	22,443,579	19,091,758
Sponsorship and donations	5,240,007	3,704,223
Conference registrations	2,097,639	1,489,215
Property rental and recoveries	1,008,413	683,568
Project income and management fees	9,334,489	8,231,447
Advertising, royalties and rebates	502,401	506,222
Other	666,960	313,131
Total revenue from operations	60,999,532	53,454,338

Key estimates, assumptions and judgements

Significant judgement is applied to assess if a grant or contract is enforceable and contains sufficiently specific performance obligations. The accounting policy below outlines the circumstances that must exist for consideration to be recognised as revenue from a contract with a customer.

In 2022, RACS reassessed its performance obligations under all contracts. In respect to monies received on behalf of specialist societies and for a part of the Surgical Training Placements (STP) activity funded by the Department of Health, it has now judged that it is acting as agent, rather than principal. In both these cases, RACS does not control the good or service being transferred to the customer.

Accounting policy

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligation(s), the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when RACS transfers control of a product or service to a customer. Revenue is measured at the amount of consideration that RACS expects to be entitled to in exchange for transferring promised products or services to a customer and excludes amounts collected on behalf of third parties.

When the 'specific obligation' requires RACS to arrange for goods or services to be provided by another party, or to collect monies on behalf of the customer, it is acting as an agent. As agent, RACS will only recognise the income received as commission or for the administration of the arrangements. Any amounts received to be remitted to a third party will be treated as a financial liability and subsequent payments will reduce the liability.

If there is not an 'enforceable contract' or the performance obligations are not 'sufficiently specific', then AASB 1058 applies.

Specific revenue recognition criteria are set out below.

Subscriptions and entrance fees

RACS' fellowship subscription year is 1 January to 31 December, with fees payable annually in advance. Only those fee receipts that are attributable to the current financial year are recognised as revenue. Subscriptions and fee receipts for periods beyond the current financial year are shown in the Statement of Financial Position as contract liabilities and other revenue received in advance.

Other revenue - generating activities

RACS undertakes certain activities which are accounted for when the performance obligation is satisfied, including:

- Training, examination and assessment
- Conferences
- Advertising, royalties and rebates

The revenue is either recognised over time as the services are provided or recognised at the point in time, for example, as events are delivered, or services are provided to a customer.

Project income and management fees

Funding from the Commonwealth and State Governments are received for a wide range of projects carried out by RACS in the areas of overseas medical aid, rural and regional medicine, trauma, procedural registers and audits of breast cancer, mortality and morbidity.

Where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the services are provided or recognised at the point in time that the control of the services pass to the customer. Any consequent requirement to defer revenue is accounted in the Statement of Financial Position as contract liabilities and other revenue received in advance.

When acting as the agent, that is, RACS is arranging for goods or services to be provided by another party, without taking any control over those goods or services. RACS would only recognise the commission or funding it receives for the administration in arranging for these goods or services.

Property rental Income

Rental income arising on RACS properties is accounted on a straight-line basis over the lease terms.

Sponsorship and donations

Revenue from sponsorship is recognised at the time of the sponsored event or publication issue. Where payment is received in advance, it is recognised as a liability until the performance obligation is satisfied. Donations are recognised as revenue when RACS gains control, economic benefits are probable, and the amount can be measured reliably.

Financial asset income

Financial asset income comprises interest, dividends and distributions. Interest income is recognised as it accrues, using the effective interest method. Dividends and trust distributions from listed entities are recognised when the right to receipt has been established.

5. EXPENDITURES

	2022	2021
	\$	\$
a. EXPENDITURE - PERSONNEL		
Wages and salaries expense	29,217,547	26,438,034
Workers' compensation costs	120,578	71,911
Superannuation costs	2,768,118	2,313,373
Other staffing costs	1,811,790	1,420,635
Total expenditure - personnel	33,918,033	30,243,953
b. EXPENDITURE - OUTSOURCED SERVICE PROVIDERS		
Clinical - professional services		
- Specialist international medical graduate assessments	51,224	73,436
- International aid and development programs	180,236	194,200
- Audits of surgical mortality programs	71,920	100,560
- Other (including research, audits and training)	318,010	249,758
Total clinical professional services	621,390	617,955
Other – professional services		
- Digital services - business support and development	593,331	728,573
- Corporate services – governance, communications and strategic programs	347,180	569,609
- Externally funded programs – customer contracts	668,886	177,441
- Foundation for surgery programs	190,941	371,673
- Other (including uncapitalised costs of Melbourne office refurbishment)	1,802,552	870,827
Total other professional services	3,602,890	2,718,123
Total expenditure - outsourced providers	4,224,280	3,336,078
c. EXPENDITURE – AUDITOR REMUNERATION		
Auditors remunerations		
- External audit fees: PKF	87,700	108,350

6. CASH AND SHORT-TERM DEPOSITS

	2022	2021
	\$	\$
CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	13,339,460	17,182,674
Deposits at call	17,037,499	16,969,706
	30,376,959	34,152,380
RECONCILIATION OF SURPLUS TO THE NET CASH		
INFLOW FROM OPERATING ACTIVITIES		
Surplus for the year	(10,036,487)	(607,830)
Plus/(minus) non-operating items:		
Interest and dividend income received	(4,774,268)	(5,048,957)
Net (gain)/loss on sale of property, plant and equipment	6,278	122,757
Net (gain)/loss on sale of financial assets	991,989	1,470,756
Plus/(minus) non-cash items:		
Depreciation and amortisation	5,362,603	4,476,471
Foreign exchange translation	(1,165)	(26,089)
Add back loss allowance on trade receivables	7,173	47,844
(Gain)/loss on revaluation of financial assets at FVTPL	2,262,300	(1,656,655)
Changes in assets and liabilities:		
(Increase) / decrease in receivables	(1,724,936)	(724,285)
(Increase) / decrease in contract assets	(124,849)	117,405
(Increase) / decrease in inventories and other assets	(1,204,923)	44,776
Increase / (decrease) in trade & other payables	(1,027,955)	(2,677,343)
Increase / (decrease) in contract liabilities and other revenue received in advance	5,859,942	3,289,778
Increase / (decrease) in employee benefits	432,757	13,972
Increase / (decrease) in funds held on behalf of others	758,611	187,942
Net cash (outflow) / inflow from operating activities	(3,212,930)	(969,458)

Accounting policy

Cash and cash equivalents in comprise cash at bank and in hand and short-term deposits with an original maturity of generally 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. TRADE AND OTHER RECEIVABLES

	2022	2021
	\$	\$
Current trade and other receivables		
Subscription, fees and levies	14,234,415	14,274,699
Training, examination and assessment fees	7,126,949	5,009,518
Conference registrations	223,334	170,463
RACS projects – work in progress	457,732	128,312
Loans to fellows	113,024	80,000
Other sundry debtors	1,061,147	2,159,892
Sub-total	23,216,601	21,822,885
Provision for doubtful debts	(54,826)	(47,844)
Total current trade and other receivables	23,161,775	21,775,040
Non-current trade and other receivables		
Fellowship entrance fees (due 2 to 5 years)	462,847	516,372
Loans to Fellows	20,000	20,000
Total non-current trade and other receivables	482,847	536,372
Total trade and other receivables	23,644,622	22,311,412
PROVISION FOR DOUBTFUL DEBTS MOVEMENT		
Provision balance as at beginning of year	47,844	35,622
Amount provided for during the year	54,826	47,844
Amount written off during the year	(47,844)	(35,622)
Provision balance as at end of year	54,826	47,844

Key estimates, assumptions and judgements

Impairment of financial assets is determined on an expected credit loss (ECL) basis for financial assets measured at amortised cost and contract assets arising under AASB 15.

RACS has used the simplified approach available in AASB 9 *Financial Instruments* which uses an estimation of lifetime expected credit losses. RACS has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

When estimating ECL, RACS considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on RACS' historical experience and informed credit assessment and including forward looking information.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in the result for the year. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Accounting policy

Trade receivables, which comprise amounts due from the provision of services and unconditional amounts owed for work performed under grant agreements are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Trade receivables are generally due for settlement up to 30 days.

8. CONTRACT ASSETS

	<u>2022</u>	<u>2021</u>
	\$	\$
Work performed on programs not yet able to be invoiced		
- ASERNIP-S – externally contracted work	469,147	344,298
- ANZ Journal of Surgery - royalty income agreement	100,000	100,000
Total contract assets	569,147	444,298

Accounting policy

A contract asset is RACS' right to consideration, for the performance obligations it has satisfied, when that right is conditional on something other than the passage of time.

9. INVENTORY

	<u>2022</u>	<u>2021</u>
	\$	\$
Inventory at cost	16,557	36,014
Total inventory	16,557	36,014

Accounting policy

Inventories are valued at the lower of cost and current replacement cost. Costs are assigned to 'inventory on hand' comprise all the costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

10. OTHER CURRENT ASSETS

	<u>2022</u>	<u>2021</u>
	\$	\$
Prepaid expenditure		
- Library – publications and journals	627,706	345,174
- Software annual licence fees	1,177,112	1,175,866
- Events (deposits and other advanced payments)	1,315,863	663,933
- Insurance	377,124	351,783
- Other	643,254	379,923
Total other current assets	4,141,059	2,916,679

Accounting policy

Prepayments are recognised when payment is made in advance of receiving goods or services.

11. OTHER FINANCIAL ASSETS AND FUNDS HELD ON BEHALF OF OTHERS

	<u>2022</u>	<u>2021</u>
	\$	\$
OTHER FINANCIAL ASSETS		
ANZ bank – term deposit - banking facility cash security	2,723,000	1,878,000
Financial assets at fair value through profit or loss (FVTPL)	18,069,431	15,998,036
Financial assets at fair value through other comprehensive income (FVOCI)	52,815,682	67,085,336
Total other financial assets	73,608,113	84,961,372
Less: FUNDS HELD ON BEHALF OF OTHERS		
Funds held on behalf of other surgical societies and groups	16,365,932	15,845,923
Total funds held on behalf of others	16,365,932	15,845,923
Net RACS other financial assets	57,242,181	69,115,449

Accounting policy

Financial instruments are recognised initially on the date that RACS becomes a party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs except for financial assets through profit or loss. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, RACS classifies its financial assets into the following categories, measured at:

- amortised cost
- fair value through profit or loss – FVTPL
- fair value through other comprehensive income – FVOCI (designated equity and debt instruments)

Measured at amortised cost

RACS measures receivables, cash and cash equivalents at amortised cost since these financial assets meet the relevant criteria in AASB 9, being that they are held to collect contractual cash which give rise to solely payments of principal and interest.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Fair value through profit or loss

Other securities such as hybrid investments that are unable to be designated under an election at FVOCI are measured at fair value through profit and loss with changes in fair value at each reporting period being recognised directly in surplus for the year.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

Fair value through other comprehensive income

RACS holds investments directly in listed shares and debt instruments through an investment manager and RACS has made an irrevocable election to classify these investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income – FVOCI reserve. On disposal any balance in the reserve is transferred to accumulated funds and is not reclassified to profit or loss.

Dividends and interest relating to these investments are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

12. PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold Land at Fair Value	Buildings at Fair Value	Leasehold Improvements at Cost	Plant and Equipment (incl WIP) at Cost	Project & Low Value Equipment at Cost	Treasures, Gordon Craig Library and Great Mace at Cost	TOTAL
		\$	\$	\$	\$	\$	\$	\$
COST OR FAIR VALUE								
Balance at 1 January 2020		3,650,000	17,507,255	-	12,144,346	4,746,416	326,807	38,374,824
Additions		-	-	-	1,909,806	313,009	-	2,222,815
Disposals		-	-	-	(135,003)	(2,025)	-	(137,028)
Exchange differences		-	-	-	2,283	1,758	-	4,041
Balance at 31 December 2021		3,650,000	17,507,255	-	13,921,432	5,059,158	326,807	40,464,652
Additions		-	-	1,397,268	885,429	7,673	-	2,290,370
Revaluation		23,350,000	6,992,745	-	-	-	-	30,342,745
Disposals		-	-	-	(66,757)	(41,202)	-	(107,959)
Transfer from right of use assets	14	-	-	300,000	-	-	-	300,000
Exchange differences		-	-	-	(5,150)	(186)	-	(5,336)
Balance at 31 December 2022		27,000,000	24,500,000	1,697,268	14,734,954	5,025,443	326,807	73,284,472
ACCUMULATED DEPRECIATION								
Balance at 1 January 2020		-	7,249,047	-	8,948,114	4,746,416	-	20,943,577
Depreciation charge for the year		-	437,769	-	1,454,504	313,009	-	2,205,282
Disposals		-	-	-	(12,267)	(2,025)	-	(14,292)
Exchange differences		-	-	-	2,179	1,758	-	3,937
Balance at 31 December 2021		-	7,686,816	-	10,392,530	5,059,158	-	23,138,504
Depreciation charge for the year		-	437,770	98,219	1,604,015	7,673	-	2,147,677
Revaluation		-	(8,124,586)	-	-	-	-	(8,124,586)
Disposals		-	-	-	(60,479)	(41,202)	-	(101,681)
Transfer from right of use asset		-	-	3,334	-	-	-	3,334
Exchange differences		-	-	-	(4,881)	(186)	-	(5,067)
Balance at 31 December 2022		-	-	101,553	11,931,185	5,025,443	-	17,058,181
NET BOOK VALUE								
Balance as at 31 December 2021		3,650,000	9,820,439	-	3,528,902	-	326,807	17,326,148
Balance as at 31 December 2022		27,000,000	24,500,000	1,595,715	2,803,769	-	326,807	56,226,291

Key estimates, assumptions and judgements

Estimation of useful lives of assets

The estimation of the useful lives of assets has been on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary. RACS useful lives are as follows:

- Freehold land – not depreciated.
- Buildings – 40 years.
- Leasehold improvements – based on the term of the lease.
- Plant & equipment – 3 to 5 years.
- Project and low value equipment – immediately.

Impairment

RACS carries out impairment assessment at each reporting date by evaluating conditions specific to RACS and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and depreciable replacement cost. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Valuation

RACS will revalue land and buildings on an independent valuation every five years. In the intervening years, management will conduct an annual assessment. Following that assessment, if the percentage movement since the last independent valuation exceeds 10% plus or minus, valuers will be engaged to complete an independent valuation. Land and buildings will be revalued based on the independent valuers' assessment.

In 2022, RACS appointed Jones Lang Lasalle to provide an independent valuation of land and buildings as at 31 December 2022. Both a capitalisation approach (market income) and discounted cash flow approach were used by the valuers. The assessed value is then directly compared to recent sales. This valuation is reflected in the note above.

Accounting policy

Land and buildings are measured at fair value using the revaluation model, less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation.

Other property, plant and equipment are stated at cost less accumulated depreciation and/or any accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

The assets residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate at each financial year end. Project assets are written off in the year incurred.

Treasures (antique furniture, silverware and artwork) donated to RACS, are recorded at their fair value as determined by the Councillors and accounted for as donation income.

The Gordon Craig Library, Great Mace and Treasures, which are not replaceable and subject to proper maintenance are considered to have indefinite useful lives and their recoverable value is not expected to diminish overtime. Accordingly, these assets are not depreciated.

13. INTANGIBLE ASSETS

	<u>2022</u>	<u>2021</u>
	\$	\$
Net balance at the beginning of the year	7,207,138	3,848,596
Acquisitions	8,939,687	3,928,677
Amortisation expense	(1,592,464)	(570,135)
Net balance at the end of the year	14,554,361	7,207,138

Key estimates, assumptions and judgements

Estimation of useful lives of assets

Core business systems – 5 years.
Other software – 5 years.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment

At each reporting date, the carrying amounts are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised in the profit or loss.

Accounting policy

Intangibles – IT Products, Systems and Other

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

Other costs incurred in developing RACS branding used by members, promotion of business identity and use in various information tools such as publications are not capitalised.

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment loss. Amortisation is recognised on a straight-line basis over their estimated useful lives. as follows:

14. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Property

RACS leases corporate office buildings in Sydney, Adelaide, Brisbane, Hobart, Perth and Wellington (NZ). RACS includes options in the leases and at commencement date and each subsequent reporting date assesses where it is reasonably certain that the extension options will be exercised. The corporate office leases contain annual CPI pricing where the lease payments are adjusted at each anniversary date and undergo a market rent review on renewal of an option.

The total cash outflow for leases of low value assets or that are short term (less than twelve months) during the year to 31 December 2022 was \$208,325 (2021: \$68,269).

	TOTAL
	\$
RIGHT OF USE ASSETS	
Balance on 1 January 2021	16,651,228
Additions / adjustments	212,368
Depreciation	(1,701,064)
Foreign exchange movement	7,836
Balance on 1 January 2022	15,170,368
Additions / adjustments	4,981,460
Depreciation	(1,622,462)
Transfer leasehold improvement to PP&E	(296,666)
Foreign exchange movement	(27,613)
Balance as at 31 December 2022	18,205,087

	<u>2022</u>	<u>2021</u>
	\$	\$
LEASE LIABILITIES		
Current	1,375,777	987,429
Non-current	19,369,957	14,948,487
Total lease liabilities	20,745,734	15,935,916

	<u>2022</u>	<u>2021</u>
	\$	\$
LEASE LIABILITY MATURITY ANALYSIS		
<1 year	2,251,920	1,613,592
1-5 years	9,547,653	6,561,804
> 5 years	15,624,755	13,140,770
Total undiscounted lease liability	27,424,328	21,316,166
Lease liability included in the statement of financial position	20,754,734	15,935,916

Key estimates, assumptions and judgements

Where there is no interest rate implicit in the lease, RACS estimates its incremental borrowing rate by adding 1.20% to the RBA's published zero-coupon interest (forward) rate for the term (using ten years if the lease term is greater than ten years).

Judgement is required to assess whether a contract is or contains a lease. Assessment is made when the contract is entered and is completed on a lease-by-lease basis. Areas of judgement include determining whether there is an identified asset, whether RACS will obtain substantially all the economic benefits from the use of the asset, whether RACS has the right to direct use of the asset, and whether it is reasonably certain lease extension and termination options will be exercised.

Accounting policy

At inception of a contract, RACS assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. This involves an assessment of whether:

- the contract involves the use of an identified asset – this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right, then there is no identified asset.
- RACS has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use.
- RACS has the right to direct the use of the asset i.e. decision-making rights in relation to changing how and for what purpose the asset is used.
- RACS has elected not to separate non-lease components from lease components have accounted for all leases as a single component.

At the lease commencement, the RACS recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where RACS believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy. The right-of-use asset is assessed for impairment indicators at each reporting date.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then RACS's incremental borrowing rate is used. Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method.

The lease liability is remeasured where there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in RACS's assessment of lease term. Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

RACS has elected to apply the exceptions to lease accounting for leases of low-value assets (those less than \$10,000). For these leases, RACS recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

15. TRADE AND OTHER PAYABLES

	<u>2022</u>	<u>2021</u>
	\$	\$
Trade payables	1,596,195	935,740
Other payables	2,128,530	3,467,100
Net external conferences – monies held	1,168,728	1,158,758
Total trade and other payables	4,893,453	5,561,598

16. CONTRACT LIABILITIES AND OTHER REVENUE RECEIVED IN ADVANCE

	<u>2022</u>	<u>2021</u>
	\$	Restated \$
CONTRACTS WITH CUSTOMERS		
Specialist Training Program	13,311,804	10,555,317
RACS Global Health Projects	2,171,168	2,631,863
Audits of Surgical Mortality	223,939	456,849
Other	114,091	86,176
	15,821,002	13,730,205
OTHER REVENUE RECEIVED IN ADVANCE		
Subscriptions billed in advance	19,824,730	18,615,635
Examination entry and annual training fees billed in advance	10,884,097	10,033,903
Skills training courses billed in advance	5,320,992	3,238,913
Annual scientific conference fees billed in advance	472,955	482,058
Other fees billed in advance	233,406	596,526
	36,736,180	32,967,035
	52,557,182	46,697,240

17. EMPLOYEE BENEFITS

	<u>2022</u>	<u>2021</u>
	\$	\$
Current employee benefits		
Annual leave	1,864,961	1,704,713
Long service leave – current portion	2,257,412	2,087,483
Total current employee entitlements	4,122,373	3,792,196
Non-current employee benefits		
Long service leave	496,187	393,607
Total non-current employee entitlements	496,187	393,607
Total employee benefits	4,618,560	4,185,803

Key estimates, assumptions and judgements

In determining the level of provision required for long service, RACS has made judgements in respect of anticipated future wage and salary levels, employee departures, periods of service and discount rates.

Accounting policy

Provision is made for benefits accruing to employees in respect of annual leave, leave in lieu and long service leave when management has a present obligation as a result of a past event and it is probable that settlement will be required and capable of being measured reliably. Provisions made in respect of annual leave, leave in lieu and long service leave expected to be settled within 12 months are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All short-term employee benefits – wages, salaries, annual leave, leave in lieu and sick leave for current employees have not been discounted to present value. In accordance with RACS policy, the entitlement for leave in lieu expires annually on the 31st of January and the provision is written down for any unused entitlement accrued up to the 31st of December of the prior year.

Provisions made in respect of long service leave, which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by RACS in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience, employee departures and period of service. In determining the present value of future cash outflow, the market yield as at the reporting date on Australian corporate bond rates, which have a maturity approximating the terms of the related liability, are used.

18. PROVISIONS

	<u>2022</u>	<u>2021</u>
	\$	\$
Make good provision under leases	401,606	104,391
Total non-current provisions	401,606	104,391

19. EVENTS AFTER BALANCE SHEET DATE

There are no matters or circumstances, which have arisen since the end of the financial year, which have significantly affected or may significantly affect the operation of RACS, the results of those operations, or the state of affairs of RACS.

20. RELATED PARTY TRANSACTIONS

During the year, the Councillors and key management personnel of RACS provided services to RACS. These services were provided at commercial rates for which payment was made during the 2022 financial year totalling \$NIL (2021: \$1,005).

21. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of RACS. During the financial year 2022 there were 8 (2021: 7) key management personnel in 7 key management roles including any that have resigned or retired during the year.

	<u>2022</u>	<u>2021</u>
	\$	\$
Compensation to key management personnel	2,469,742	2,654,185
	<u>2,469,742</u>	<u>2,654,185</u>

ACFID CODE OF CONDUCT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Information to be provided under the ACFID Code of Conduct

RACS is a signatory member of the Australian Council for International Development (ACFID). The ACFID Code of Conduct is a voluntary self-regulatory code of good practice that aims to improve international development outcomes and increase stakeholder trust by enhancing the accountability and transparency of signatory members. Information disclosed below is in accordance with the financial reporting requirements of the ACFID Code of Conduct.

Income statement for the year ended 31 December 2022 - International Aid and Development Programs

	<u>2022</u>	<u>2021</u>
	\$	\$
		Restated
REVENUE		
Donations and gifts – monetary ⁽¹⁾	(170,487)	532,497
Donations and gifts – non-monetary	763,823	147,506
Grants		
- Department of Foreign Affairs and Trade	2,833,823	2,283,562
- Other Australian Grants	366,627	197,378
- Other Overseas	216,450	-
Investment Income	325,883	1,055,493
Other income – International programs	1,812	-
Other income – all other RACS activities	58,945,403	54,620,264
Total Revenue	63,283,334	58,836,700
EXPENDITURE		
International Aid and Development Programs		
International Programs		
- Funds to international programs	3,368,550	2,379,008
- Program support costs	1,135,739	1,289,592
Accountability and administration	28,822	63,771
Non-monetary expenditure	763,823	147,506
Total International Aid and Development Programs Expenditure	5,296,934	3,879,877
Other expenditure – all other RACS activities	68,022,887	55,564,653
Total Expenditure	73,319,821	59,444,530
Surplus / (Deficit)	(10,036,487)	(607,830)
Other Comprehensive Income	(2,866,053)	5,616,298
TOTAL COMPREHENSIVE INCOME / (LOSS)	(12,902,540)	5,008,468

(1) In 2022, RACS returned funds received for supporting a proposed program in Nusa Tenggara that could not be progressed.

Please refer to the RACS Financial Report 2022 for more information on the notes to the financial statement (insert url).