

# Financial Report 2023

For the financial year ended  
31 December 2023

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## CORPORATE INFORMATION

### **ABN / ACN**

29 004 167 766 / 004 167 766

### **Councillors**

Refer to the Councillors' Report.

### **Company Secretary**

Tania Fisher

### **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 15, 500 Bourke Street  
Melbourne Victoria 3000

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# REPORT FROM THE TREASURER TO FELLOWS

The Financial Report for the year ended 31 December 2023 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 2023 financial year was one where the Royal Australasian College of Surgeons' (RACS) had to undertake a range of important measures to restore stability to its financial position.

The financial situation of the College was impacted by challenging economic conditions, including inflationary pressures on expenditure, the impact of COVID-19 on education delivery and the strategic investment in the digital transformation. These factors together with prior year operating losses have eroded general reserves leading to a cash flow challenge in the second half of 2023.

Significant effort was undertaken over 2023 to mitigate the impacts on the financial position. Council established Recovery Committee, comprising the president, vice president and four skills based external members. A Recovery Plan was implemented to address various issues, both in terms of realigning operations to achieve significant savings through 2023 and measures to achieve an operating surplus in future years. The College's bank loan facility was increased to manage the cash flow demands.

RACS delivered a \$4.1m deficit from operations, including other investment income, in 2023 compared to a deficit of \$10.0m in 2022 and an overall comprehensive loss of \$1.6m compared to a loss of \$12.9m in 2022. The deficit from operations of \$4.1m includes the Foundation for Surgery's scholarship and grants payment program, deployment costs associated with its delivery and investment income to support the program. Positive performance returns of 11.5% (before fees) from the investment portfolio, predominately attributable to the Specific Purpose Trusts held within the Foundation for Surgery, have contributed to the overall result.

The bank loan facility had a balance of \$5m at 31 December 2023 and was fully repaid in January 2024. The facility will continue to be available to assist with seasonality of RACS' cash flows.

## Revenue

Revenues from operations were \$64.5m compared to \$61.0m in 2022, an increase of \$3.5m (6%).

Key revenue streams for the year reflect:

- Subscriptions and entrance fees of \$21.5m (2022: \$19.7m), the increase of \$1.8m (9%) predominately a result of a 5% percent fee indexation and a 2.2% increase in members to 8,750 (2022:8,565);
- Training, examination, and assessment fees of \$24.2m (2022: \$22.4m), the increase of \$1.8m (8%) primarily due to the first full year resumption of events post COVID-19;
- Sponsorship and donations of \$4.1m (2022: \$5.2m), decrease of \$1.1m (21%);
- Conference registrations of \$2.1m (2022: \$2.1m), on par with last year; and
- Project income and management fees from external parties of \$9.6m (2022: \$9.3m), the increase of \$0.4m (4%) due to increased mortality audits and net growth in international programs.

## Expenditure

Expenditures from operations of \$74.4m compared to \$72.6m in 2022, an increase of \$1.9m (3%). The increase is impacted by challenging economic conditions, including inflationary pressures, additional costs to run events given the first full year post COVID-19, the digital transformation initiatives and activity associated with stabilising the financial position, including redundancies payments.

Key expenses for the year reflect:

- Personnel costs of \$33.7m (2022: \$33.9m), the decrease of \$0.2m (1%) driven by a reduction in 'Other Staff Costs' associated with a review of the College Transformation program as well as the net impact of staff redundancies in the second half of 2023;
- Outsourced service provider costs of \$4.5m (2022: \$4.2m), the increase of \$0.3m (7%) reflects the growth in externally funded programs, both within Australia and Internationally and costs associated with the College Transformation program which were scaled back in the second half of 2023.
- Information systems costs of \$4.3m (2022: \$4.5m), the decrease of \$0.2m (4%) is predominately due to a reduction in software / maintenance licence fees;

- Travel and accommodation of \$5.5m (2022: \$5.0m), the increase of \$0.5m (10%) reflects inflationary pressures driven by higher fuel and accommodation costs, combined with a full year of post COVID-19 resumption of activity to deliver services to members, externally funded project and international program much which is delivered by a pro-bono workforce. Recovery initiatives put in place included a review of non-essential travel, travel policy exclusions on business class travel and the use of virtual activities where possible;
- Audit, legal and professional fees of \$1.3m (2022: \$0.6m), the increase of \$0.7m (116%) relates to net improvements in operating costs and recovery of legal fees from the College's insurer;
- Utilities and other property costs of \$1.1m (2022: \$1.8m), the decrease of \$0.7m (39%) is due to higher prior year utility prices, repairs and increased cleaning post COVID;
- Scholarships, fellowships and research grant costs of \$1.8m (2022: \$1.7m), the increase of \$0.1m is due to a full resumption of programs which saw some reduce during COVID-19;
- Externally funded grants of \$1.0m (2022: \$1.4m), the decrease of \$0.4m (29%) is primarily related to the delivery of services and a review of expenditure as part of recovery activity to manage costs;
- Facilities hire and catering costs of \$4.0m (2022: \$4.4m), the decrease of \$0.4m (9%) predominately due to a review of expenditure as part of recovery activity to manage costs; and
- Amortisation costs of \$3.2m (2022: \$1.6m), an increase of \$1.6m (100%) reflects the continual development and investment in transformation initiatives and digital platforms.

## Financial position

Statement of Financial Position reflects:

- Net assets of \$120.0m (2022: \$121.8m), the decrease of \$1.8m (1%) being directly related to the comprehensive loss of \$1.8m;
- The net assets of \$120m include specific purpose funds of \$58.2m (2022: \$64.2m). RACS' net assets, excluding specific purpose funds is \$61.8m (2022 \$57.6m);
- Cash and short-term deposits of \$22.2m (2022: \$30.4m), the decrease of \$8.2m (27%) is resulting from net cash outflows from operating activities of \$4.3m, outflows for payments of property, plant, equipment and intangibles of \$6.4m, and payments of lease liabilities of \$1.4m. This was funded through the realisation of investments (net) of \$0.5m. investment income of \$5.0m and financing activities of \$5m;
- Trade and other receivables \$25.4m (2022: \$23.2m), the increase of \$2.2m (10%) largely due to the CPI increase (5%) in billing of Fellows and Trainees annual fees and other receivables;
- Other current assets of \$4.1m (2022: \$4.1m), on par with the prior year.
- Non-current other financial assets of \$78.8m (2022: \$73.6m), the increase of \$5.2m (7%) relates to appreciation in investment assets managed within the portfolio aligned to the overall increase in market valuations, and a realisation of investments during the year;
- Property, plant and equipment of \$55.7m (2022: \$56.2m), the decrease of \$0.5m (1%) being attributable to the net capital improvements to facilities during the year;
- Intangible assets of \$15.5m (2022: \$14.6m), the increase of \$0.9m (7%) is the result of digital technology investments under the multi-year 'One College Transformation' program;
- Contract liabilities and other revenue received in advance of \$54.0m (2022: \$52.6m), the increase of \$1.4m (3%) 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 \$19.6m (2022: \$20.7m), the decrease of \$1.1m (5%) reduction is the net movement of interest and lease repayments;
- Total employee benefits of \$3.9m (2022: \$4.6m) the decrease of \$0.7m (15%) relate to payments made as part of staff redundancies which reduced the overall employee.

## 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 \$4.3m (2022: \$2.5m), the increase in outflows of \$1.8m is due to an increase in payments to suppliers and employees for redundancies;
- Net cash outflows from investing activities of \$7.5m (2022: inflows \$0.1m), the net outflow is due to lower net proceeds from investments and is offset with a reduction in purchases for property, plant and equipment and intangibles, associated with the 'One College Transformation' program. There were two redemption of funds held on behalf of others (societies) during the year.
- Net cash inflows from financing activities of \$3.6m (2022: Outflows \$1.2m) and is a result of funds received from loan facility and payments for lease liabilities.

## Foundation for Surgery

The Foundation activities encompass scholarships, fellowships, and research grants as well as direct oversight of RACS philanthropic endeavours. It is Council's strategic aim to commit to an annual funding limit of up to \$2.5m, 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 \$1.8m being paid in the year (2022: \$1.6m).

## Investment portfolio – funding the Foundation for Surgery

A rally in Investment markets toward the final quarter of 2023 calendar year assisted in the investment portfolio achieving a 11.5% return (2022: -2.7%) contributing positively to the overall entity result. Sound cash income (dividends, imputation credits) within the investment portfolio of \$4.1m (2022: \$4.8m) 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 Committee), Ms Penny Heard (Investment), Mr Chesley Taylor (Investment), Mr Michael Randall OAM (Investment) and Mr Michael Saba (Investment) for their generous and valued support during the year. We thank our Honorary Advisers for their wise counsel and support. I also thank Graeme Hope from our investment advisors, JBWere who retires after 30 years of performance advice to the College.

I would also like to thank the RACS staff for their ongoing hard work and commitment in 2023.

The stabilisation in the financial position of the College compared to the prior year could not have been achieved without the implementation of the recovery initiatives and support of RACS' members. The College is committed to modernize its governance structure and our approach to financial and risk management to ensure the long-term financial sustainability of the RACS.

RACS continues to maintain a solvent financial position and has access to both a bank facility 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 2023. In order 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. Five Council meetings (February, June, October and two Extraordinary meetings in March and May) and ten Council Executive meetings (January, March, April, May, July, August, November and three Extraordinary meetings in May, July and December) were held in 2023. The number of meetings attended by each Councillor is noted below.

		Number of meetings attended		Number of meetings eligible to attend	
		Council	Council Executive	Council	Council Executive
<b>Councillors Meeting Attendance 2023</b>					
<b>Office Holders</b>					
Dr Sally Jane Langley	President (Jan-May)	2	3	2	3
A/Prof Kerin Ann Fielding	President (May-Dec)	5	7	5	7
A/Prof Christopher Martin Pyke	Vice President (Jan-May)	5	3	5	3
Professor Owen Allan Ung	Rotating Member Council Executive (Jan-May); Vice President (May-Dec)	5	10	5	10
Dr Gregory Edwin Witherow	Treasurer	5	9	5	10
Dr Adrian Anand Anthony	Censor in Chief	4	9	5	10
Prof Andrew Graham Hill	Chair, Professional Standards & Fellowship Services Committee (Jan-May)	4	3	5	3
Dr Christine Su-Li Lai	Rotating Member Council Executive (Jan-May); Chair, Professional Standards & Fellowship Services Committee (May-Dec)	5	10	5	10
<b>Elected Members of Council</b>					
Professor Mark Winter Ashton		5	8	5	9
Professor Deborah Bailey		5	0	5	0
Dr Ruth Caroline Bollard		4	0	5	0
Dr Richard Ian Bradbury	Co-opted (Jan- May); appointed 5 May 2023	4	0	5	0
Dr Jennifer Lee Chambers OAM		5	1	5	1
A/Prof Andrew Donald Cochrane AM		5	0	5	0
Dr Sarah Helen Coll		5	0	5	0
Dr John Anthony Crozier AM CSM		4	0	5	0
Dr Mark Anthony James Dexter		5	0	5	0
Prof David Rowley Fletcher AM		5	0	5	0
Prof Mark Frydenberg AM		5	0	5	0
Dr Nicola Maret Hill		5	6	5	7
Dr Annette Coralie Holian		4	0	5	0
Dr Rebecca Kate Jack		3	1	5	1
Dr Philip Neil Morreau		4	0	5	0
Dr Maxine Mariri Ronald		4	0	5	0
Professor Raymond Sacks		3	0	5	0
Professor Henry Hyunshik Woo		4	7	5	7
<b>Co-Opted Members of Council</b>					
Mr Shane Solomon		3	8	3	8
Ms Souella Cumming		5	4	5	8

Dr Nishanthi Gurusinghe		5	0	5	0
Dr Ailene Fitzgerald		3	0	5	0
<b>Retired Members of Council</b>		5	0	5	0
Dr Sally Anne Langley	President (Jan - May) Retired 5 May 2023	5	0	5	0
Dr Justin Parr	RACSTA Chair, 1 January 2023 Retired 31 December 2023	5	0	5	0

## Councillors' and Chief Executive Officer's Qualifications and Current Experience

### Mr Adrian Anand Anthony MBBS MSurgEd GAICD FRACS FASI (Hon)

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; University of Melbourne Graduate Program Faculty; 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

### Adj. Professor Deborah Bailey 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 GAICD 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 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 AFRACMA, 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. Trustee of the Cochrane-Schofield Charitable Trust. Recipient of an NHMRC research grant with colleagues at the Florey Medical Research Institute, Parkville.

**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; Vice President of the Australian Federation Medical Women; Peer Messenger Cairns Private Hospital; Panel Member – Medical Assessment Tribunal of Queensland Workcover; 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; CoDirector National Alliance for Action on Alcohol

**Ms Souella Cumming** BCA CRMA

Partner, KPMG New Zealand (retired 31 December 2023); Hohepa Wellington Regional Trust board member (appointed 1 July 2023); Hohepa Homes Trust Board Audit Committee member; Hohepa Wellington Families and Friends Association member; Financial Statemen of Government (The Treasury) Audit and Risk Committee member; St John International Audit and Risk Committee member; St John New Zealand Audit and Risk Committee member; Special Olympics New Zealand Foundation chair; Victoria University of Wellington Foundation trustee and member of the Finance, Risk and Investment; Victoria University of Wellington School of Business and Government Advisory Board member; Zonta International board member/treasurer; Zonta Foundation for Women board member/treasurer; Chartered Accountants Australia and New Zealand (CAANZ) fellow; Global Women member; Institute of Directors member; Institute of Internal Auditors life member.

**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 Base 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 Australian & New Zealand Hip Fracture Registry Executive; Member Trauma Committee Wagga Wagga Base Hospital, Expert Peer Reviewer Medical Board NSW; Australian Orthopaedic Association (AOA), AOA Rural Health Equity Working Party; Academy of Surgical Educators; AOA CPD working Party; Federal Department Health NMWS Working group (RACS Rep), SET supervisor.

**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; Advisor Therapeutics Goods Administration

**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; Director, Peninsula Health; Director, 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) CMInstD

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 MSurgEd, FRACS FAOrthA GAICD

Fulltime staff specialist, Director of Trauma, National Critical Care and Trauma Response Centre, Royal Darwin Hospital; Past president Australian Orthopaedic Association (AOA); APOA Chair of Disaster Preparedness; APOA WAVES – President-elect; VPCC Anaesthetic consultative Group; AVANT: Member National Stakeholder Advisory Committee; Clinical Director Surgery and Perioperative Services, RAAF; Councillor, Asia Pacific Orthopaedic Association; Member, Victoria DHHS Perioperative Working Group; Governor, Shrine of Remembrance, Melbourne; Patron, Catalina Flying Boat section, RAAFA.

**Dr Rebecca Kate Jack** MBBS MPhil FRACS AFRACMA GAICD

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 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; client of FRAIS Capital

**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.

**Dr Justin Parr**, B.SC. MBBS

Registrar/SET Trainee, Department of Plastic and Reconstructive Surgery, Middlemore Hospital, Auckland, NZ; Chair, RACSTA

**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; ENT Representative Prosthetics and Devices Committee, Australian Dept of Health and Ageing; Consultant to Medtronic Pty Ltd.

**Shane Solomon** MA (Public Policy) GAID CHIA

Director Silverchain Board; Chair SA Electronic Medical Record Implementation Board; Member SA Digital Health Board; Chair, Taskforce Ambulance Ramping SA

**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; Director MIGA; President, Breast Surgery International.

**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; client of FRAIS Capital

**Professor Henry Woo** MBBS DMedSc FRACS

Urological surgeon; Head, Department of Urology, Blacktown Hospital; Staff Specialist, WSLHD; Professor of Urology, College of Health and Medicine, Australian National University; Director of Uro-Oncology Chris O'Brien Lifehouse; Board of Directors, Urologist Society of Australia and New Zealand (USANZ); Board Director, Australian and New Zealand Uro-genital and Prostate Cancer Trials Group (ANZUP); Board Director Australasian Urological Foundation (AUF); Executive Committee member Asian Pacific Prostate Society; Member MS Urology Review Committee; Associate Editor, SIU Journal; Clinical Trial Investigator for Prodeon, Zenflow, Boston Scientific, Astellas, Janssen, Olympus, Myovant.

**Chief Executive Officer**

Tamsin Garrod – Interim Chief Executive (Appointed November 2023 – January 2024)

John Biviano - BAppSci MBus FIML GAICD (Resigned August 2023)

**Special Advisor**

Dr Tony Sherbon MB BS (Hons) MBA GAICD (Appointed June 2023)

## **Principal Activities**

The principal activities of RACS in 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 \$1,620,232 (2022: income \$12,902,540). 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 that have arisen since the end of the financial year that 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 for 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 premium amount.

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 2023, the number of members was 8,750 (2022: 8,565).

## **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.



Associate Professor Kerin Fielding  
**President**



Dr Greg Edwin Witherow  
**Treasurer**

**MELBOURNE**

**22 MARCH 2024**



PKF Melbourne Audit & Assurance  
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## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF ROYAL AUSTRALASIAN COLLEGE OF SURGEONS

In accordance with the requirements of section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012, as auditor for the audit of Royal Australian College of Surgeons for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized, handwritten signature of the letters 'PKF' in black ink.

PKF

Melbourne, 22 March 2024

A handwritten signature in black ink that reads 'Kenneth Weldin'.

Kenneth Weldin

Partner



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## **Independent Auditor's Report to the Directors of the 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 2023 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 2023 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 2022.

### ***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 2023' 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 Disclosers 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, 22 March 2024



Kenneth Weldin  
Partner

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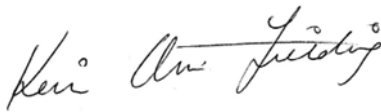
## DIRECTORS' DECLARATION

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.



Associate Professor Kerin Fielding  
**President**



Dr Greg Edwin Witherow  
**Treasurer**

**MELBOURNE**  
**22 MARCH 2024**

# STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	<u>Note</u>	<u>2023</u>	<u>2022</u>
		\$	\$
Revenue from operations	4(a)	63,702,448	59,991,119
Other income	4(b)	836,776	1,008,413
<b>Total revenue</b>		<b>64,539,224</b>	<b>60,999,532</b>
Personnel costs	5(a)	33,713,399	33,918,033
Associations and library publications		1,794,834	1,798,196
Audit, legal and professional fees	5(b)	1,278,180	661,973
Depreciation and amortisation	5(c)	7,785,852	5,362,603
Facilities hire and catering costs		4,034,538	4,399,892
Grants		977,893	1,376,275
Information system costs		4,322,768	4,498,779
Outsourced service providers	5(b)	4,469,542	4,224,280
Project equipment purchases, hire & repairs		1,067,932	1,146,344
Scholarships, fellowships and research grants		1,805,023	1,664,352
Travel and accommodation		5,496,629	4,990,717
Utilities and other property costs		1,135,149	1,755,573
Other expenses from operating activities	5(e)	6,545,289	6,758,981
<b>Total expenditure</b>		<b>74,427,028</b>	<b>72,555,998</b>
<b>Deficit from operations, external projects and Foundation</b>		<b>(9,887,804)</b>	<b>(11,556,466)</b>
<b>Other income</b>			
Financial asset income		4,091,528	4,774,268
Gain / (loss) on sale of financial assets		553,508	(991,989)
Changes in the fair value of financial assets at FVTPL		1,155,969	(2,262,300)
<b>Total other income</b>		<b>5,801,005</b>	<b>1,519,979</b>
<b>Deficit from operations including other income</b>		<b>(4,086,799)</b>	<b>(10,036,487)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in the fair value of equity investments and debt instruments at FVOCI		2,437,106	(1,972,880)
Realised loss on equity investments and debt instruments at FVOCI		(71,539)	(892,008)
Exchange differences in translating foreign operations		101,000	(1,165)
<b>Other comprehensive income</b>		<b>2,466,567</b>	<b>(2,866,053)</b>
<b>Total comprehensive income</b>		<b>(1,620,232)</b>	<b>(12,902,540)</b>

*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 2023

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	22,188,050	30,376,959
Trade and other receivables	7	25,375,479	23,161,775
Contract assets	8	909,583	569,147
Inventories	9	19,423	16,557
Other assets	10	4,172,239	4,141,059
<b>Total current assets</b>		<b>52,664,774</b>	<b>58,265,497</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	7	557,012	482,847
Other financial assets	11	78,769,463	73,608,113
Property, plant and equipment	12	55,683,534	56,226,291
Intangible assets	13	15,524,023	14,554,361
Right-of-use assets	14	16,636,143	18,205,087
<b>Total non-current assets</b>		<b>167,170,175</b>	<b>163,076,699</b>
<b>TOTAL ASSETS</b>		<b>219,834,949</b>	<b>221,342,196</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	5,000,026	4,893,453
Contract liabilities and other revenue received in advance	16	53,987,277	52,557,182
Lease liabilities	14	1,526,363	1,375,777
Loans		5,000,000	-
Employee benefits	17	3,338,634	4,122,373
Funds held on behalf of others	11	11,895,801	16,365,932
<b>Total current liabilities</b>		<b>80,748,101</b>	<b>79,314,717</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	14	18,106,894	19,369,957
Employee benefits	17	560,050	496,187
Provisions	18	401,508	401,606
<b>Total non-current liabilities</b>		<b>19,068,452</b>	<b>20,267,750</b>
<b>TOTAL LIABILITIES</b>		<b>99,816,553</b>	<b>99,582,467</b>
<b>NET ASSETS</b>		<b>120,018,396</b>	<b>121,759,729</b>
<b>MEMBERS FUNDS AND RESERVES</b>			
Retained surplus		68,189,781	68,940,463
Investment revaluation reserve		13,381,385	14,473,036
Asset revaluation reserve		38,467,331	38,467,331
Foreign currency translation reserve		(20,101)	(121,101)
<b>TOTAL MEMBERS FUNDS AND RESERVES</b>	<b>3</b>	<b>120,018,396</b>	<b>121,759,729</b>

*The Statement of Financial Performance 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 2023

	Retained Earnings	Asset Revaluation Reserve	Investment Revaluation Reserve	Foreign Currency Translation Reserve	Total
	Restated				Restated
	\$	\$	\$	\$	\$
<b>Balance at 1 January 2022</b>	<b>83,603,917</b>	-	<b>12,710,957</b>	<b>(119,936)</b>	<b>96,194,938</b>
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	-	-
<b>Balance at 31 December 2022</b>	<b>68,940,463</b>	<b>38,467,331</b>	<b>14,473,036</b>	<b>(121,101)</b>	<b>121,759,729</b>
Surplus for the year	(4,086,799)	-	-	-	(4,086,799)
Other comprehensive income	(71,539)	-	2,437,106	(20,101)	2,345,466
Transfer realised gain / (loss)	3,528,757	-	(3,528,757)	-	-
Transfer translation reserve	(121,101)	-	-	121,101	-
<b>Balance at 31 December 2023</b>	<b>68,189,781</b>	<b>38,467,331</b>	<b>13,381,385</b>	<b>(20,101)</b>	<b>120,018,396</b>

*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 2023

	<u>Note</u>	<u>2023</u>	<u>2022</u>
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from operations		77,081,709	78,975,534
Payments to suppliers and employees		(80,392,099)	(80,707,651)
Interest on leases/loans		(1,021,446)	(754,453)
<b>Net cash outflows from operating activities</b>	<b>6</b>	<b>(4,331,836)</b>	<b>(2,486,570)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment and intangible assets	12 & 13	(6,387,771)	(9,832,789)
Proceeds from sale of investments		20,550,317	21,665,159
Purchase of investments		(21,030,163)	(17,295,614)
Receipts and repayments of third-party funds		(5,557,322)	(726,360)
Investment dividends, interest and franking credits received		4,957,964	6,147,170
<b>Net cash inflows/(outflows) from investing activities</b>		<b>(7,466,975)</b>	<b>(42,434)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans		12,750,000	-
Repayment of loans		(7,750,000)	-
Payment of lease liabilities	14	(1,368,622)	(1,197,147)
<b>Net cash inflows/(outflows) from financing activities</b>		<b>3,631,378</b>	<b>(1,197,147)</b>
Net increase/(decrease) in cash and cash equivalents		(8,167,433)	(3,726,151)
Cash and cash equivalents at the beginning of the financial year		30,376,959	34,152,380
Effects of exchange rate changes in the balance of cash held in foreign currencies		(21,476)	(49,270)
<b>Cash and cash equivalents at the end of the financial year</b>		<b>22,188,050</b>	<b>30,376,959</b>

*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 2023

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# 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 2023.

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 material accounting policies adopted by RACS pertaining to account balances and transactions for the year ended 31 December 2023 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.

The financial report has been prepared on a historical cost basis, except for financial assets, land and buildings, treasures, mace and library (refer Note 12) 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 2023, RACS' current liabilities exceeded current assets by \$27.9 million (2022: \$21.0 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 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*.

### 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)*

## **2.6 Changes in accounting policies**

There were no changes in accounting policies during the year.

## **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 \$120,018,396 containing specific purpose funds within the Foundation for Surgery of \$58,213,974 (2022: Members' Funds and Reserves \$121,759,729 containing specific purpose funds of \$64,219,379).

The reduction in specific purpose funds from the prior year is due to a reclassification of funds sourced from RACS' operating surpluses which were classified as specific purpose funds and have been reclassified as RACS General Reserves/Retained surplus; and a transfer of scholarship and grant deployment costs incurred by RACS on behalf of the Foundation for Surgery and Global Health which were transferred back to RACS general reserves.

General reserves/retained surpluses represent the net members funds and reserves in the Statement of Financial Position after excluding specific purpose funds and netting off all remaining assets, liabilities and reserves such as asset revaluations and foreign currency translations.

## 4. REVENUES

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>a. REVENUE FROM OPERATIONS</b>		
Subscriptions and entrance fees	21,484,745	19,706,044
Training, examination and assessment fees	24,200,153	22,443,579
Sponsorship and donations	4,113,813	5,240,007
Conference registrations	2,129,897	2,097,639
Project income and management fees	9,687,823	9,334,489
Advertising, royalties and rebates	1,456,798	502,401
Other	629,219	666,960
<b>Total revenue from operations</b>	<b>63,702,448</b>	<b>59,991,119</b>
<b>b. OTHER INCOME</b>		
Property rental and recoveries	836,776	1,008,413
<b>Total OTHER INCOME</b>	<b>836,776</b>	<b>1,008,413</b>

### 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 2023, 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 operating leases on RACS properties is accounted for 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

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>a. EXPENDITURE - PERSONNEL</b>		
Wages and salaries expense	30,013,909	29,217,547
Workers' compensation costs	178,339	120,578
Superannuation costs	2,889,756	2,768,118
Other staffing costs	631,395	1,811,790
<b>Total expenditure - personnel</b>	<b>33,713,399</b>	<b>33,918,033</b>
<b>b. EXPENDITURE - OUTSOURCED SERVICE PROVIDERS</b>		
Clinical - professional services		
- Specialist international medical graduate assessments	75,797	51,224
- International aid and development programs	147,581	180,236
- Audits of surgical mortality programs	73,791	71,920
- Other (including research, audits and training)	353,798	318,010
<b>Total clinical professional services</b>	<b>650,967</b>	<b>621,390</b>
Other – professional services		
- Digital services - business support and development	1,124,106	593,331
- Corporate services – governance, communications and strategic programs	572,862	347,180
- Externally funded programs – customer contracts	1,406,327	668,886
- Foundation for surgery programs	32,584	190,941
- Other (including uncapitalised costs of Melbourne office refurbishment)	682,696	1,802,552
<b>Total other professional services</b>	<b>3,818,575</b>	<b>3,602,890</b>
<b>Total expenditure - outsourced providers</b>	<b>4,469,542</b>	<b>4,224,280</b>
<b>c. EXPENDITURE – DEPRECIATION AND AMORTISATION</b>		
Depreciation expense	12	2,732,131
Amortisation expense	13	3,227,815
Depreciation of right-of-use asset	14(a)	1,825,906
<b>Total expenditure – depreciation and amortisation</b>		<b>7,785,852</b>
<b>d. EXPENDITURE – AUDITOR REMUNERATION</b>		
Auditors Remunerations		
- External Audit Fees: PKF	107,000	87,700

## 5. EXPENDITURES (CONT.)

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>e. EXPENDITURE – OTHER</b>		
- Telephone, teleconference and audio-visual costs	894,916	808,157
- Printing, stationery and photocopying	451,034	763,222
- Postage and courier costs	385,213	435,900
- Bank fees and merchant charges	547,368	473,832
- Interest on lease liabilities	889,478	754,453
- Interest on bank loans	131,968	-
- Make good (gain) / loss	-	(34,426)
- Insurance	865,189	788,899
- Training manuals and consumables used in education and field projects	280,154	831,363
- Awards, other grants, gifts and prizes	257,196	213,291
- Specialty societies funding costs	931,076	845,444
- Bad and doubtful debts	34,055	7,173
- Loss on disposal of PP&E	811	6,278
- Other expenses from operating activities	876,831	865,395
<b>Total expenditure - OTHER</b>	<b>6,545,289</b>	<b>6,758,981</b>

## 6. CASH AND SHORT-TERM DEPOSITS

	2023	2022
	\$	\$
<b>CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	8,367,109	13,339,460
Deposits at call <sup>(a)</sup>	13,820,941	17,037,499
	<b>22,188,050</b>	<b>30,376,959</b>
<b>RECONCILIATION OF DEFICIT TO THE NET CASH</b>		
<b>OUTFLOWS FROM OPERATING ACTIVITIES</b>		
Deficit for the year	(4,086,799)	(10,036,487)
<b>Plus/(minus) non-operating items:</b>		
Interest and dividend income received	(4,091,528)	(4,774,268)
Net (gain)/loss on sale of property, plant and equipment	811	6,278
Net (gain)/loss on sale of financial assets	(553,508)	991,989
<b>Plus/(minus) non-cash items:</b>		
Depreciation and amortisation	7,785,852	5,362,603
Foreign exchange translation	(20,101)	(1,165)
Add back loss allowance on trade receivables	34,055	7,173
(Gain)/loss on revaluation of financial assets at FVTPL	(1,155,969)	2,262,300
<b>Changes in assets and liabilities:</b>		
(Increase) / decrease in receivables	(2,409,671)	(1,724,936)
(Increase) / decrease in contract assets	(340,436)	(124,849)
(Increase) / decrease in inventories and other assets	(34,046)	(1,204,923)
Increase / (decrease) in trade & other payables	93,202	(1,027,955)
Increase / (decrease) in contract liabilities and other revenue received in advance	1,430,095	5,859,942
Increase / (decrease) in employee benefits	(719,876)	432,757
Increase / (decrease) in funds held on behalf of others	(5,821,239)	758,611
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(9,889,158)</b>	<b>(3,212,930)</b>

### 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.

- (a) Deposits at call include funds received in advance for the delivery of projects in 2025 and held on behalf of third parties of \$10.6m (2022: \$8.0m).



## 7. TRADE AND OTHER RECEIVABLES

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>Current trade and other receivables</b>		
Subscription, fees and levies	15,570,190	14,234,415
Training, examination and assessment fees	8,628,259	7,126,949
Conference registrations	403,856	223,334
RACS projects – work in progress	6,740	457,732
Loans to fellows	80,000	113,024
Other sundry debtors	777,128	1,061,147
<b>Sub-total</b>	<b>25,466,173</b>	<b>23,216,601</b>
Provision for doubtful debts	(90,694)	(54,826)
<b>Total current trade and other receivables</b>	<b>25,375,479</b>	<b>23,161,775</b>
<b>Non-current trade and other receivables</b>		
Fellowship entrance fees (due 2 to 5 years)	557,012	462,847
Loans to Fellows	-	20,000
<b>Total non-current trade and other receivables</b>	<b>557,012</b>	<b>482,847</b>
<b>Total trade and other receivables</b>	<b>25,932,491</b>	<b>23,644,622</b>

### PROVISION FOR DOUBTFUL DEBTS MOVEMENT

Provision balance as at beginning of year	54,826	47,844
Amount provided for during the year	90,694	54,826
Amount written off during the year	(54,826)	(47,844)
<b>Provision balance as at end of year</b>	<b>90,694</b>	<b>54,826</b>

#### 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>2023</u>	<u>2022</u>
	\$	\$
Work performed on programs not yet able to be invoiced	909,583	569,147
<b>Total contract assets</b>	<b>909,583</b>	<b>569,147</b>

### 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>2023</u>	<u>2022</u>
	\$	\$
Inventory at cost	19,423	16,557
<b>Total inventory</b>	<b>19,423</b>	<b>16,557</b>

### 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>2023</u>	<u>2022</u>
	\$	\$
Prepaid expenditure	4,172,239	4,141,059
<b>Total other current assets</b>	<b>4,172,239</b>	<b>4,141,059</b>

### 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>2023</u>	<u>2022</u>
	\$	\$
<b>OTHER FINANCIAL ASSETS</b>		
ANZ bank – term deposit - banking facility cash security	2,000,000	2,723,000
Financial assets at fair value through profit or loss (FVTPL)	21,678,677	18,069,431
Financial assets at fair value through other comprehensive income (FVOCI)	55,090,786	52,815,682
<b>Total other financial assets</b>	<b>78,769,463</b>	<b>73,608,113</b>
<b>Less: FUNDS HELD ON BEHALF OF OTHERS</b>		
Funds held on behalf of other surgical societies and groups	11,895,801	16,365,932
<b>Total funds held on behalf of others</b>	<b>11,895,801</b>	<b>16,365,932</b>
<b>Net RACS other financial assets</b>	<b>66,873,662</b>	<b>57,242,181</b>

### 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. Fair value is based on one of; quoted price for identical or similar asset in a active market.

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	Treasures, Gordon Craig Library and Great Mace at Fair Value	TOTAL
		\$	\$	\$	\$	\$	\$
<b>COST OR FAIR VALUE</b>							
<b>Balance at 1 January 2022</b>		<b>3,650,000</b>	<b>17,507,255</b>	-	<b>18,980,590</b>	<b>326,807</b>	<b>40,464,652</b>
Additions		-	-	1,397,268	893,102	-	2,290,370
Revaluation		23,350,000	6,992,745	-	-	-	30,342,745
Disposals		-	-	-	(107,959)	-	(107,959)
Transfer from right of use assets	14	-	-	300,000	-	-	300,000
Exchange differences		-	-	-	(5,336)	-	(5,336)
<b>Balance at 31 December 2022</b>		<b>27,000,000</b>	<b>24,500,000</b>	<b>1,697,268</b>	<b>19,760,397</b>	<b>326,807</b>	<b>73,284,472</b>
Additions		-	-	-	2,179,202	-	2,179,202
Disposals		-	-	-	(11,423,428)	-	(11,423,428)
Reclassification of assets/transfer to intangibles	13	-	-	393,790	(1,388,332)	-	(994,542)
Exchange differences		-	-	-	(4,010)	-	(4,010)
<b>Balance at 31 December 2023</b>		<b>27,000,000</b>	<b>24,500,000</b>	<b>2,091,058</b>	<b>9,123,829</b>	<b>326,807</b>	<b>63,041,694</b>
<b>ACCUMULATED DEPRECIATION</b>							
<b>Balance at 1 January 2022</b>		-	<b>7,686,816</b>	-	<b>15,451,688</b>	-	<b>23,138,504</b>
Depreciation charge for the year		-	437,770	98,219	1,611,688	-	2,147,677
Revaluation		-	(8,124,586)	-	-	-	(8,124,586)
Disposals		-	-	-	(101,681)	-	(101,681)
Transfer from right of use asset		-	-	3,334	-	-	3,334
Exchange differences		-	-	-	(5,067)	-	(5,067)
<b>Balance at 31 December 2022</b>		-	-	<b>101,553</b>	<b>16,956,628</b>	-	<b>17,058,181</b>
Depreciation charge for the year		-	945,368	200,739	1,586,024	-	2,732,131
Disposals		-	-	-	(11,422,595)	-	(11,422,595)
Reclassification of assets/transfer to intangibles		-	-	268,213	(1,273,847)	-	(1,005,634)
Exchange differences		-	-	-	(3,923)	-	(3,923)
<b>Balance at 31 December 2023</b>		-	<b>945,368</b>	<b>570,505</b>	<b>5,842,287</b>	-	<b>7,358,160</b>
<b>NET BOOK VALUE</b>							
Balance as at 31 December 2022		27,000,000	24,500,000	1,595,715	2,803,769	326,807	56,226,291
Balance as at 31 December 2023		27,000,000	23,554,632	1,520,553	3,281,542	326,807	55,683,534

## **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 (including project and low-value equipment – immediately to 5 years).

### Impairment

RACS performs an impairment assessment at each reporting date by evaluating conditions specific to RACS and the particular asset that may lead to impairment. If an impairment trigger exists, the asset's recoverable amount 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 2023, RACS appointed Jones Lang Lasalle to provide an independent valuation of land and buildings as at 31 December 2023. 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>2023</u>	<u>2022</u>
	\$	\$
Net balance at the beginning of the year	14,554,361	7,207,138
Acquisitions	4,208,569	8,939,687
Transfer from PP&E	(11,092)	-
Amortisation expense	(3,227,815)	(1,592,464)
<b>Net balance at the end of the year</b>	<b>15,524,023</b>	<b>14,554,361</b>

### 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 2023 was \$208,325 (2022: \$68,269).

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>RIGHT OF USE ASSETS</b>		
Net balance at beginning of year	18,205,087	15,170,368
Additions / adjustments	266,215	4,981,460
Depreciation	(1,825,906)	(1,622,462)
Transfer leasehold improvement to PP&E	-	(296,666)
Foreign exchange movement	(9,253)	(27,613)
<b>Net balance at end of year</b>	<b>16,636,143</b>	<b>18,205,087</b>
<b>LEASE LIABILITIES</b>		
Current	1,526,363	1,375,777
Non-current	18,106,894	19,369,957
<b>Total lease liabilities</b>	<b>19,633,257</b>	<b>20,745,734</b>
<b>LEASE LIABILITY MATURITY ANALYSIS</b>		
<1 year	2,347,771	2,251,920
1-5 years	9,229,657	9,547,653
> 5 years	13,724,417	15,624,755
<b>Total undiscounted lease liability</b>	<b>25,301,845</b>	<b>27,424,328</b>
<b>Lease liability included in the statement of financial position</b>	<b>19,633,257</b>	<b>20,754,734</b>

### **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.

RACS has elected not to separate non-lease components from lease components have accounted for all leases as a single component.

### **Accounting policy**

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 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**

	<b><u>2023</u></b>	<b><u>2022</u></b>
	<b>\$</b>	<b>\$</b>
Trade payables	1,645,671	1,596,195
Other payables	2,395,244	2,128,530
Net external conferences – monies held <sup>(a)</sup>	959,111	1,168,728
<b>Total trade and other payables</b>	<b><u>5,000,026</u></b>	<b><u>4,893,453</u></b>

(a) Net external conferences – monies held relate to monies received by RACS on behalf of a third party for whom they are managing a conference or event. RACS receives monies from attendees and sponsors of the event, makes payments to venues and other contractors for services. After deducting RACS fees, the balance of funds is remitted to the third party.



## 16. CONTRACT LIABILITIES AND OTHER REVENUE RECEIVED IN ADVANCE

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>CONTRACTS WITH CUSTOMERS <sup>(a)</sup></b>		
Specialist Training Program	10,396,581	13,311,804
RACS Global Health Projects	821,630	2,171,168
Audits of Surgical Mortality	487,521	223,939
Other	119,744	114,091
	<b>11,825,476</b>	<b>15,821,002</b>
<b>OTHER REVENUE RECEIVED IN ADVANCE <sup>(b)</sup></b>		
Subscriptions billed in advance	25,167,117	19,824,730
Examination entry and annual training fees billed in advance	11,370,867	10,884,097
Skills training courses billed in advance	4,801,447	5,320,992
Other fees billed in advance	822,370	706,361
	<b>42,161,801</b>	<b>36,736,180</b>
	<b>53,987,277</b>	<b>52,557,182</b>

- (b) Revenue from contracts with customers will be recognised in line with activity plan agreed to with those customers and would normally be recognised within 12 months.
- (c) Other revenue received in advance will be recognised over the next 12 months as services are delivered.

## 17. EMPLOYEE BENEFITS

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>Current employee benefits</b>		
Annual leave	1,549,217	1,864,961
Long service leave – current portion	1,789,417	2,257,412
<b>Total current employee entitlements</b>	<b>3,338,634</b>	<b>4,122,373</b>
<b>Non-current employee benefits</b>		
Long service leave	560,050	496,187
<b>Total non-current employee entitlements</b>	<b>560,050</b>	<b>496,187</b>
<b>Total employee benefits</b>	<b>3,898,684</b>	<b>4,618,560</b>

### 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.

## 18. PROVISIONS

	<u>2023</u>	<u>2022</u>
	\$	\$
Make good provision under leases	401,508	401,606
<b>Total non-current provisions</b>	<b>401,508</b>	<b>401,606</b>

- (a) The make-good provision relates to a provision in Australia and Aotearoa, New Zealand. The Aotearoa New Zealand portion is subject to the change in exchange rate year on year. There are no other movements during the year.

## 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 2023 financial year totalling \$Nil (2022: \$Nil).

## 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 2023 there were 10 (2022: 8) key management personnel in 6 (2022: 7) key management roles including any that have resigned or retired during the year.

	<u>2023</u>	<u>2022</u>
	\$	\$
Compensation to key management personnel	2,505,859	2,469,742
	<u>2,505,859</u>	<u>2,469,742</u>

# ACFID CODE OF CONDUCT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 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 2023 - International Aid and Development Programs

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>REVENUE</b>		
Donations and gifts – monetary <sup>(1)</sup>	81,578	(170,487)
Donations and gifts – non-monetary	501,483	763,823
Grants		
- Department of Foreign Affairs and Trade	2,059,686	2,833,823
- Other Australian Grants	321,636	366,627
- Other Overseas	153,514	216,450
Investment Income	1,134,352	325,883
Other income – International programs	16,751	1,812
Other income – all other RACS activities	66,572,712	58,945,403
<b>Total Revenue</b>	<b>70,841,712</b>	<b>63,283,334</b>
<b>EXPENDITURE</b>		
<b>International Aid and Development Programs</b>		
International Programs		
- Funds to international programs	5,122,413	3,368,550
- Program support costs	1,112,527	1,135,739
Accountability and administration	46,351	28,822
Non-monetary expenditure	501,483	763,823
<b>Total International Aid and Development Programs Expenditure</b>	<b>6,782,774</b>	<b>5,296,934</b>
Other expenditure – all other RACS activities	68,145,737	68,022,887
<b>Total Expenditure</b>	<b>74,928,511</b>	<b>73,319,821</b>
<b>Surplus / (Deficit)</b>	<b>(4,086,799)</b>	<b>(10,036,487)</b>
Other Comprehensive Income	2,466,567	(2,866,053)
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>	<b>(1,620,232)</b>	<b>(12,902,540)</b>

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