

Financial Report 2025

For the financial year ended
31 December 2025

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CORPORATE INFORMATION

ABN / ACN

29 004 167 766 / 004 167 766

Board

Refer to the Board Report.

Company Secretary

Emma Lincoln

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 18, 500 Bourke Street
Melbourne Victoria 3000

Bankers

Australia and New Zealand Banking Group Limited (ANZ)
833 – 839 Collins Street
Docklands Victoria 3008

Auditors

PKF Melbourne Audit & Assurance Pty Ltd
Level 15, 500 Bourke Street
Melbourne Victoria 3000

FINANCE REPORT TO FELLOWS

The Financial Report for the year ended 31 December 2025 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 2025 financial year saw the Royal Australasian College of Surgeons (RACS) deliver a modest surplus, building on the positive result achieved in the previous year. This outcome reflects the continued impact of prudent financial controls introduced to strengthen and restore the College's balance sheet. The stronger financial position also enabled RACS to hold member, education, and training fees at 2024 levels, a key initiative supporting the College's member value proposition.

RACS delivered an overall comprehensive income, including other comprehensive income predominately from investment assets, of \$7.9m in 2025 compared to \$11.5m in 2024. A surplus from operations, excluding other income, of \$1.3m was achieved in 2025 compared to a surplus of \$4.1m in 2024.

The surplus from operations includes the Foundation for Surgery's scholarship and grants payment program and deployment costs to deliver it. Other comprehensive includes investment income to support the program driven from positive investment performance returns of 9.52% (before fees). The investment income is predominately attributable to the Specific Purpose Trusts held within the Foundation for Surgery.

RACS' positive financial position enabled the College to fund all operating activities from operational cash flows, meaning the bank loan facility was not drawn during the year. In January 2024, RACS also fully repaid the remaining \$5 million balance outstanding at 31 December 2023. The facility will remain in place to support seasonal cash-flow fluctuations; however, given the improved financial outlook, the facility limit has been reduced to \$7.5m and is not expected to be utilised in 2026.

Revenue

Revenues from operations were \$69.6m compared to \$67.9m in 2024, an increase of \$1.60m (2.4%).

Key revenue streams for the year reflect:

- Subscriptions and entrance fees of \$27.1m (2024: \$26.3m), an increase of \$0.8m (3.0%) predominately as a result of an increase in the number of trainees which saw higher fellowship entrance fee income;
- Training, examination, and assessment fees of \$26.4m (2024: \$27.6m), a decrease of \$1.12m (4.1%) primarily due to lower international medical graduate assessments.
- Sponsorship and donations of \$1.6m (2024: \$1.5m), an increase of \$0.08m (5.0%) due to increase of donations and bequests.
- Conference registrations of \$1.7m (2024: \$1.8m), decrease of \$0.15m (8.3%) due to lower attendance at the Sydney Annual Scientific Congress (ASC); and
- Project income and management fees from external parties of \$9.0m (2024: \$8.4m), an increase of \$0.58m (6.8%) due to an increase in externally funded projects.

Expenditure

Expenditures from operations of \$69.6m compared to \$65.0m in 2024, an increase of \$4.6m (7.13%). The increase is largely driven by higher temporary agency cost, increased recruitment activity, and redundancies arising from the 2025 restructure IT.

Key expenses for the year reflect:

- Personnel costs of \$30.8m (2024: \$28.8m), the increase of \$2.0m (7.1%) driven primarily by higher temporary agency costs associated, increased recruitment activity, and redundancies arising from the 2025 IT restructure announcement.
- Audit, legal and professional fees of \$1.3m (2024: \$1.1m), an increase of \$0.2m (23.1%) driven by additional internal audit engagements undertaken in 2025 and higher external audit and legal activity;
- Depreciation and Amortisation costs of \$7.9m (2024: \$7.9m), a decrease of \$0.04m (0.5%) reflect several assets has become fully depreciated during the period partially offset by continued investment in transformation initiatives.
- Facilities hire and catering costs of \$4.4m (2024: \$3.6m), an increase of \$0.7m (20.0%) due to increase room and venue hire activity as well as higher catering costs during the period, largely driven by the Sydney ASC;

- Information systems costs of \$3.4m (2024: \$3.7m), a decrease of \$0.33m (8.9%) is predominately due to a reduction in software / maintenance licence fees, hiring of equipment and project consultant fees;
- Outsourced service provider costs of \$5.1m (2024: \$4.4m), an increase of \$0.75m (17.2%) reflecting the costs associated with transitioning parts of the IT function to a managed service provider, expanded delivery of corporate services, governance and strategic programs, increased delivery of externally funded programs, and higher clinical professional services costs;
- Scholarships, fellowships and research grant costs of \$1m (2024: \$0.8m), an increase of \$0.2m (22.3%) is mainly due to the fiscal review of 2024 grants program together with higher grants awarded in 2025 compared to the prior year; and
- Travel and accommodation of \$5.8m (2024: \$5.4m), an increase of \$0.4m (7.8%) reflecting higher travel requirements to support the delivery of member services, education and training activities, and externally funded projects, which are delivered predominantly through RACS' pro-bono workforce.

Financial position

Statement of Financial Position reflects:

- Net assets of \$132.8m (2024: \$131.5m), an increase of \$1.2m (1%) being directly related to the comprehensive surplus of \$7.9m offset by the \$6.7m downward revaluation of Melbourne Office land and buildings recognised in the current year;
- The net assets of \$133.0m include specific purpose funds of \$76.3m (2024: \$72.3m). RACS' net assets, excluding specific purpose funds is \$56.4m (2024 \$59.2m);
- Cash and short-term deposits of \$42.2m (2024: \$33.0m), the increase of \$9.1m (27.7%) is from net cash inflow from operating activities of \$11m; net outflow from investing activities of \$0.15m and outflows from financing activities of \$1.7m primarily relating to lease obligation payments;
- Trade and other receivables \$28.7m (2024: \$28.9m), a decrease of \$0.2m (0.68%), a minimal reduction driven by the timing of member payments during the year;
- Other current assets of \$3.1m (2024: \$4.2m), a decrease of \$1.1m (26.4%), predominantly due to prior-period prepaid expenses being fully recognised in the 2025 profit and loss;
- Non-current other financial assets of \$83.1m (2024: \$78.9m), the increase of \$4.2m (5.4%) 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 \$46.3m (2024: \$53.8m), a decrease of \$7.4m (13.8%) being attributable to downward revaluation of buildings;
- Intangible assets of \$9.4m (2024: \$12.1m), a decrease of \$2.7m (22.3%) is the result of net digital technology investments/amortisation under the multi-year 'One College Transformation' program;
- Contract liabilities and other revenue received in advance of \$53.5m (2024: \$51.4m), an increase of \$2.1m (4.1%) 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 \$16.4m (2024: \$18.2m), a decrease of \$1.7m (9.5%) reduction is the net movement of interest and lease repayments;
- Total employee benefits of \$4.1m (2024: \$3.4m) an increase of \$0.77m (23.1%) relate to the increase in leave entitlements to staff for annual and long service leave.

Cash Flow

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

- Net cash inflows from operating activities of \$11.0m (2024: \$10.9m inflow), the increase in inflows of \$0.09m reflects a \$9.1m decrease in receipts from operations and a corresponding reduction in payments to suppliers and employees;
- Net cash outflows from investing activities of \$0.15m (2024: \$6.6m inflow), the \$6.7m net outflow is predominately due to lower net proceeds from investments and lower redemption of investment funds from third parties (societies) and increased PPE intangibles spend.
- Net cash outflows from financing activities of \$1.7m (2024: \$6.5m outflow), a decrease of \$4.8m, primarily due to the bank facility not being utilised during the year, resulting in no loan repayments 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 \$1m being paid in the year (2024: \$0.8m). The increase is mainly due to the fiscal review of 2024 grants program along with the higher grants in 2025 driven by strong applicant numbers.

Investment portfolio – funding the Foundation for Surgery

More stable investment markets over the 2025 calendar year and sound management by the Investment Committee saw the investment portfolio achieve a 9.52% return (2024: 10.9%) contributing positively to RACS overall entity result. Cash income (dividends, imputation credits) within the investment portfolio of \$3.6m (2024: \$3.5m) provides the necessary funding to support the Foundation for Surgery while ensuring that the capital value of the portfolio is maintained in the long term.

Conclusion

The financial result reflects the effectiveness of the measures implemented to strengthen the College's balance sheet and reinforce long-term stability. While disciplined financial stewardship remains, RACS now has a more resilient financial foundation that supports greater focus on advancing strategic priorities, particularly enhancing member value. Continued emphasis on strong governance, sound financial management, and proactive risk oversight will remain central to sustaining the College's future.

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.

In concluding, I would like to thank the RACS CEO, Stephanie Clota and staff for their hard work and commitment in 2025. I would also 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.

Professor Owen Ung
President

BOARD REPORT

2025 marked a governance milestone with RACS completing the transition to its new skills-based Board. The Board is majority-led by surgeons and chaired by a RACS Fellow, complemented by directors with expertise in areas of finance, audit, risk, and governance, ensuring the College's fiduciary responsibilities are met at the highest level. The Board has been focusing on core priorities, risk and financial management, and organisational performance. Under the direction of Council, a recruitment process was undertaken to select new skills-based Fellow directors who will take up their positions in 2026.

RACS Council continues to be the peak body of the College with respect to surgical standards, education and training, research, and advocacy; and remains central to member representation and College leadership. The new structure preserves the vital role of surgical leaders across specialties and regions, ensuring that expertise, diversity, and lived experience continue to inform decision making at all levels.

The names and details of Board Directors in office during 2025 and the number of meetings attended by each are noted below.

RACS Board

Name	Role	Number of meetings attended	Number of meetings eligible to attend
A/Prof Kerin Fielding	Ex officio director as President of Council and Board Chair (Jan-May) Fellow Director (June-Dec)	11	11
Professor Owen Ung	Ex officio director as Vice President of Council (Jan-May) Ex officio director as President of Council and Board Chair (May-Dec)	11	11
Professor Raymond Sacks	Ex officio director as Vice President of Council (May-Dec)	6	7
Professor Mark Ashton	Fellow Director (Jan-Dec)	10	11
Dr Nicola Hill	Fellow Director (Jan-Dec)	9	11
Ms Souella Cumming	Independent Director (Jan-Dec)	10	11
Mr Shane Solomon	Independent Director (Jan-Dec)	8	11

Board and Chief Executive Officer's Qualifications and Current Experience

Professor Mark Winter Ashton MB BS MD FRACS (Plas) GAICD

Specialist Plastic Surgeon, Professor of Surgery, Professor of Anatomy at the University of Melbourne; Chair of Plastic Surgery at Epworth Freemasons Hospital; Former Head of Plastic Surgery at The Royal Melbourne Hospital, Royal Women's Hospital Melbourne; Past president of the Australian Society of Plastic Surgeons; Past Invited Editor for The Plastic and Reconstructive Surgery Journal in America; Co Editor-in-Chief of the Australasian Journal of Plastic Surgery; Member of Council and Board of Training Australian Society of Plastic Surgeons, New Zealand Society of Plastic Surgeons; Invited Faculty Member of the International Perforator Flap Course in Belgium; Past 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 and Director for Interplast. Member and Advisor Safer Care Victoria.

Ms Souella Cumming BCA CRMA CNZM

Hohepa Wellington Regional Trust board member and chair of the Finance and Audit Committee; Hohepa Homes Trust Board Audit Committee member; Hohepa Wellington Families and Friends Association member; Financial Statement 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 trustee; Victoria University of Wellington Foundation trustee (acting chair) and chair 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; Museum of New Zealand (Te Papa) chair of the Audit and Risk Committee; Ministry of Foreign Affairs and Trade member of the Audit and Risk Committee; Land Information New Zealand member of the Strategic Advisory Board; Chartered Accountants Australia and New Zealand (CAANZ) fellow; Global Women member; Institute of Directors member; Institute of Internal Auditors life member.

Associate Professor Kerin Ann Fielding, MBBS(Syd), FRACS(Orth), FAOA, GAICD Hon FRCS. FRCS (ed) Ad Hominem

Senior visiting Orthopaedic Surgeon Calvary Hospital, Wagga Wagga Base Hospital; 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; Academy of Surgical Educators; Chair Rural Health Equity Strategy RACS; Chair Elect CPMC, Member CPMC Executive, Member CPMC Advocacy Committee, CPMC Representative MWAC; Member SEAC Standards Review Working Group; Federal Department Health NMWS Working group RACS Representative; Member SIMG Pathways Review/ Advisory Group APRAH, SET supervisor.

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

Consultant otolaryngology surgeon and Clinical Director Surgical Services at Nelson Marlborough Health, Health New Zealand as; ORL Health Ltd (New Zealand) - director and shareholder; Medical Council of New Zealand - contractor for educational supervision; Honorary Lecturer University of Otago; member of the NZSOHNS Council.

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

Otolaryngology Head & Neck Surgeon; Professor and Head of Discipline of OHNS, Sydney University; Professor of Surgery, Macquarie University; Deputy 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.

Shane Solomon MA (Public Policy) GAID CHIA

Non-executive Director, Silver Chain Group; Non-executive Director, Barwon Health; Non-executive Director GenesisCare; Victorian Department of Health, Health Information Sharing Management Committee; Chair, ACT Health Activity Based Management Steering Committee; Director, Solomon Advisory Services Pty Ltd; Director, Caligo Health; Non-executive Director of Cabrini Health.

Professor Owen Allan Ung MBBS FRACS FAICD

Director MNHHS Comprehensive Breast Cancer Institute (CBCI); Mayne 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). **Chief Executive Officer**

Stephanie Clota LLB, GEMBA (INSEAD)

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 surplus of RACS for the year, as shown in the Statement of Profit or Loss and Other Comprehensive Income, was \$7.9m (2024: \$11.5m). 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 2025, the number of members was 9,007 (2024: 8,837).

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.

A handwritten signature in blue ink, appearing to read 'R Sacks', written in a cursive style.

Professor Raymond Sacks
Director

A handwritten signature in black ink, appearing to read 'Owen Ung', written in a cursive style.

Professor Owen Ung
Board Chair

MELBOURNE

27 MARCH 2026



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

Our Opinion

We have audited the accompanying consolidated financial report of Royal Australasian College of Surgeons (the Company), which comprises the statement of financial position as at 31 December 2025 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 material 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 2025 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 Regulations 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.

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.

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.



Auditor's Responsibilities for the Audit of the Financial Report (Continued)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

A handwritten signature in black ink that reads 'PKF' in a stylized, cursive font.

PKF

Melbourne, 27 March 2026

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

Kenneth Weldin

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 2022.

On behalf of the Directors.



Professor Raymond Sacks
Director



Professor Owen Ung
Board Chair

MELBOURNE
27 MARCH 2026

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

	<u>Note</u>	<u>2025</u>	<u>2024</u>
		\$	\$
Revenue from operations	4(a)	69,518,544	67,916,646
Other income	4(b)	1,355,424	1,157,804
Total revenue		70,873,968	69,074,450
Personnel costs	5(a)	30,814,346	28,776,564
Associations and library publications		2,143,881	2,090,583
Audit, legal and professional fees		1,319,345	1,071,696
Depreciation and amortisation	5(c)	7,859,141	7,898,446
Facilities hire and catering costs		4,356,381	3,629,356
Information system costs		3,412,910	3,747,527
Outsourced service providers	5(b)	5,125,035	4,371,751
Project equipment purchases, hire & repairs		776,536	584,912
Scholarships, fellowships and research grants		958,698	783,669
Travel and accommodation		5,801,632	5,383,453
Utilities and other property costs		1,219,262	1,203,226
Other expenses from operating activities	5(e)	5,816,296	5,431,571
Total expenditure		69,603,463	64,972,754
Surplus / (deficit) from operations, external projects and Foundation		1,270,505	4,101,696
Other income			
Financial asset income		3,583,435	3,503,077
Gain / (loss) on sale of financial assets		(161,629)	189,963
Changes in the fair value of financial assets at FVTPL		1,433,899	1,603,024
Total other income		4,855,705	5,296,064
Surplus / (deficit) from operations including other income		6,126,210	9,397,760
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of equity investments and debt instruments at FVOCI		2,307,699	3,273,481
Realised loss on equity investments and debt instruments at FVOCI		(619,544)	(1,082,035)
Exchange differences in translating foreign operations		95,422	(125,882)
Other comprehensive income		1,783,577	2,065,564
Total comprehensive income		7,909,787	11,463,324

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 2025

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	6	42,177,536	33,041,228
Trade and other receivables	7	28,733,979	28,931,461
Contract assets	8	1,298,759	1,599,901
Other assets	9	3,084,365	4,187,621
Total current assets		75,294,639	67,760,211
NON-CURRENT ASSETS			
Trade and other receivables	7	907,200	290,400
Other financial assets	10	83,070,860	78,837,030
Property, plant and equipment	11	46,318,506	53,753,971
Intangible assets	12	9,388,044	12,087,941
Right-of-use assets	13	12,990,258	14,867,239
Total non-current assets		152,674,868	159,836,581
TOTAL ASSETS		227,969,507	227,596,792
CURRENT LIABILITIES			
Trade and other payables	14	9,622,868	11,419,060
Contract liabilities and other revenue received in advance	15	53,460,797	51,380,014
Lease liabilities	13	1,827,376	1,672,310
Loans		-	-
Employee benefits	16	3,627,295	3,159,476
Funds held on behalf of others	10	11,203,551	11,402,929
Total current liabilities		79,741,887	79,033,789
NON-CURRENT LIABILITIES			
Lease liabilities	13	14,602,254	16,487,979
Employee benefits	16	497,819	192,256
Provisions	17	400,216	401,048
Total non-current liabilities		15,500,289	17,081,283
TOTAL LIABILITIES		95,242,176	96,115,072
NET ASSETS		132,727,331	131,481,720
MEMBERS FUNDS AND RESERVES			
Retained surplus		88,025,046	81,357,916
Investment revaluation reserve		12,949,691	11,802,456
Asset revaluation reserve		31,803,155	38,467,331
Foreign currency translation reserve		(50,561)	(145,983)
TOTAL MEMBERS FUNDS AND RESERVES	3	132,727,331	131,481,720

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 2025

	Retained Earnings	Asset Revaluation Reserve	Investment Revaluation Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2024	68,189,781	38,467,331	13,381,385	(20,101)	120,018,396
Surplus for the year	9,397,760	-	-	-	9,397,760
Other comprehensive income	(1,082,035)	-	3,273,481	(125,882)	2,065,564
Transfer realised gain / (loss)	4,852,410	-	(4,852,410)	-	-
Balance at 31 December 2024	81,357,916	38,467,331	11,802,456	(145,983)	131,481,720
Surplus for the year	6,126,210	-	-	-	6,126,210
Other comprehensive income	(619,544)	-	2,307,699	95,422	1,783,577
Revaluation		(6,664,176)	-	-	(6,664,176)
Transfer realised gain / (loss)	1,160,464	-	(1,160,464)	-	-
Balance at 31 December 2025	88,025,046	31,803,155	12,949,691	(50,561)	132,727,331

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 2025

	<u>Note</u>	<u>2025</u>	<u>2024</u>
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		72,658,010	81,793,038
Payments to suppliers and employees		(60,890,497)	(70,029,589)
Interest on leases/loans		(749,906)	(834,260)
Net cash inflows / (outflows) from operating activities	6	11,017,607	10,929,189
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment and intangible assets	11 & 12	(2,561,182)	(704,919)
Proceeds from sale of investments		15,793,376	25,798,580
Purchase of investments		(16,101,429)	(21,225,016)
Receipts and repayments of third-party funds		(1,107,847)	(1,489,481)
Investment dividends, interest and franking credits received		3,830,185	4,201,373
Net cash inflows / (outflows) from investing activities		(146,897)	6,580,537
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans		-	(5,000,000)
Payment of lease liabilities	13	(1,677,548)	(1,523,676)
Net cash inflows / (outflows) from financing activities		(1,677,548)	(6,523,676)
Net increase / (decrease) in cash and cash equivalents		9,193,162	10,986,050
Cash and cash equivalents at the beginning of the financial year		33,041,228	22,188,050
Effects of exchange rate changes in the balance of cash held in foreign currencies		(56,854)	(132,872)
Cash and cash equivalents at the end of the financial year		42,177,536	33,041,228

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 2025

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 2025.

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 financial statements were authorised for issue in accordance with a resolution of the Board of Council on 27 March 2026.

2. SUMMARY OF MATERIAL 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 2.4.

The material accounting policies adopted by RACS pertaining to account balances and transactions for the year ended 31 December 2025 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 – General Purpose Financial Statements, 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 11) 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 2025, RACS' current liabilities exceeded current assets by \$4.4m (2024: \$11.3m). 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 4)*
- *Trade and other receivables (note 7)*
- *Other financial assets (note 10)*
- *Property, plant and equipment (note 11 and 12)*
- *Right of use assets and lease liabilities (note 13)*
- *Employee entitlements (note 16)*

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 AND RACS SPECIFIC PURPOSE TRUST FUND

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 of RACS and the Foundation for Surgery.

The reserved funds are governed by the RACS Specific Purpose Trust Fund (**Fund**) Charter which defines the rules and procedures for the treatment of these funds in relation to how they are received, accounted for, managed, invested and protected. The aim of the Fund is to ensure these monies are held on trust in accordance with the Trust Law as it applied in the State of Victoria, Australia. This protection has been validated by Queen's Council (now King's Council) legal advice.

The total Members' Funds and Reserves of \$132.7 million (2024: \$131.5m) contain specific purpose funds within the Foundation for Surgery of \$76.3 million (2024: \$72.3m).

The movement in specific purpose funds from the prior year reflect changes in the market value of investment assets, the net cost of the delivery of the scholarship and grant program for both the Foundation and Global Health and related deployment costs incurred by RACS on behalf of the Foundation for Surgery.

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>2025</u>	<u>2024</u>
	\$	\$
a. REVENUE FROM OPERATIONS		
Subscriptions and entrance fees	27,139,031	26,343,265
Training, examination and assessment fees	26,425,742	27,550,749
Sponsorship and donations	1,624,044	1,546,598
Conference registrations	1,659,546	1,809,081
Project income and management fees	9,011,660	8,434,922
Advertising, royalties and rebates	1,978,726	952,148
Other	1,679,795	1,279,883
Total revenue from operations	69,518,544	67,916,646
b. OTHER INCOME		
Property rental and recoveries	1,355,424	1,157,804
Total OTHER INCOME	1,355,424	1,157,804

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 2024, 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>2025</u>	<u>2024</u>
	\$	\$
a. EXPENDITURE - PERSONNEL		
Wages and salaries expense	25,887,916	25,149,783
Workers' compensation costs	153,042	160,681
Superannuation costs	2,616,159	2,632,047
Other staffing costs	2,157,229	834,053
Total expenditure - personnel	30,814,346	28,776,564
b. EXPENDITURE - OUTSOURCED SERVICE PROVIDERS		
Clinical - professional services		
- Specialist international medical graduate assessments	631,865	43,966
- International aid and development programs	390,809	200,000
- Audits of surgical mortality programs	255,646	161,602
- Other (including research, audits and training)	800,812	539,780
Total clinical professional services	2,079,132	945,348
Other – professional services		
- Digital services - business support and development	1,092,062	1,098,996
- Corporate services – governance, communications and strategic programs	1,222,543	740,000
- Externally funded programs – customer contracts	342,661	526,427
- Foundation for surgery programs	-	5,045
- Other (including uncapitalised costs of Melbourne office refurbishment)	388,637	1,055,935
Total other professional services	3,045,903	3,426,403
Total expenditure - outsourced providers	5,125,035	4,371,751
c. EXPENDITURE – DEPRECIATION AND AMORTISATION		
Depreciation expense	11	1,773,054
Amortisation expense	12	4,259,073
Depreciation of right-of-use asset	13	1,827,014
Total expenditure – depreciation and amortisation	7,859,141	7,898,446
d. EXPENDITURE – AUDITOR REMUNERATION		
Auditors Remunerations		
- External Audit Fees: PKF	127,800	131,792

5. EXPENDITURES (CONT.)

	<u>2025</u>	<u>2024</u>
	\$	\$
e. EXPENDITURE – OTHER		
- Telephone, teleconference and audio-visual costs	974,886	805,838
- Printing, stationery and photocopying	173,389	202,374
- Postage and courier costs	333,287	288,338
- Bank fees and merchant charges	547,120	719,329
- Interest on lease liabilities	749,906	823,536
- Interest on bank loans	-	10,724
- Insurance	694,661	757,815
- Training manuals and consumables used in education and field projects	477,257	181,300
- Awards, other grants, gifts and prizes	270,453	206,991
- Specialty societies funding costs	551,487	984,121
- Bad and doubtful debts	15,735	(52,472)
- Other expenses from operating activities	1,028,115	503,677
Total expenditure - OTHER	5,816,296	5,431,571

6. CASH AND SHORT-TERM DEPOSITS

	2025	2024
	\$	\$
CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	37,681,687	28,300,745
Deposits at call ^(a)	4,495,849	4,740,483
	42,177,536	33,041,228
RECONCILIATION OF DEFICIT TO THE NET CASH		
OUTFLOWS FROM OPERATING ACTIVITIES		
Surplus / (deficit) for the year	6,126,210	9,397,760
Plus / (minus) non-operating items:		
Interest and dividend income received	(3,594,533)	(3,503,077)
Net (gain) / loss on sale of property, plant and equipment	-	-
Net (gain) / loss on sale of financial assets	161,629	(189,963)
Plus / (minus) non-cash items:		
Depreciation and amortisation	7,859,140	7,898,446
Foreign exchange translation	40,479	(70,270)
Add back loss allowance on trade receivables	15,735	(52,472)
(Gain) / loss on revaluation of financial assets at FVTPL	(1,433,899)	(1,603,024)
Changes in assets and liabilities:		
(Increase) / decrease in receivables	(419,318)	(3,289,370)
(Increase) / decrease in contract assets	301,142	(690,318)
(Increase) / decrease in other assets	1,103,256	4,041
Increase / (decrease) in trade & other payables	(1,797,024)	1,732,330
Increase / (decrease) in contract liabilities and other revenue received in advance	2,080,783	2,078,252
Increase / (decrease) in employee benefits	773,382	(546,952)
Increase / (decrease) in funds held on behalf of others	(199,375)	(236,194)
Net cash inflow / (outflow) from operating activities	11,017,607	10,929,189

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 \$6.0m (2024: \$4.7m).

7. TRADE AND OTHER RECEIVABLES

	<u>2025</u>	<u>2024</u>
	\$	\$
Current trade and other receivables		
Subscription, fees and levies	18,629,491	18,574,322
Training, examination and assessment fees	8,766,664	8,775,603
Conference registrations	298,451	272,384
Loans to fellows	10,000	114,905
Other sundry debtors	1,075,229	1,224,369
Sub-total	28,779,835	28,961,583
Provision for doubtful debts	(45,856)	(30,122)
Total current trade and other receivables	28,733,979	28,931,461
Non-current trade and other receivables		
Fellowship entrance fees (due 2 to 5 years)	907,200	290,400
Total non-current trade and other receivables	907,200	290,400
Total trade and other receivables	29,641,179	29,221,861
PROVISION FOR DOUBTFUL DEBTS MOVEMENT		
Provision balance as at beginning of year	30,122	90,694
Amount provided for during the year	45,856	30,122
Amount written off during the year	(30,122)	(90,694)
Provision balance as at end of year	45,856	30,122

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>2025</u>	<u>2024</u>
	\$	\$
Work performed on programs not yet able to be invoiced	1,298,759	1,599,901
Total contract assets	<u>1,298,759</u>	<u>1,599,901</u>

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. OTHER CURRENT ASSETS

	<u>2025</u>	<u>2024</u>
	\$	\$
Prepaid expenditure	3,084,365	4,187,621
Total other current assets	<u>3,084,365</u>	<u>4,187,621</u>

Accounting policy

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

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

	<u>2025</u>	<u>2024</u>
	\$	\$
OTHER FINANCIAL ASSETS		
Financial assets at fair value through profit or loss (FVTPL)	35,519,831	29,138,858
Financial assets at fair value through other comprehensive income (FVOCI)	47,551,029	49,698,172
Total other financial assets	83,070,860	78,837,030
Less: FUNDS HELD ON BEHALF OF OTHERS		
Funds held on behalf of other surgical societies and groups	11,203,551	11,402,929
Total funds held on behalf of others	11,203,551	11,402,929
Net RACS other financial assets	71,867,309	67,434,101

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.

11. PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold Land	Buildings	Leasehold Improvements	Plant and Equipment (including WIP)	Treasures, Gordan Craig Library and Great Mace	Total
		\$	\$	-	\$	\$	\$
Balance at 1 January 2024		27,000,000	23,554,632	1,520,553	3,281,540	326,807	55,683,532
Additions		-	-	-	85,908	-	85,908
Valuations		-	-	-	-	-	-
Disposals		-	-	-	-	-	-
Net Transfers between Classes		-	-	-	-	-	-
Depreciation		-	(945,228)	(201,812)	(868,283)	-	(2,015,323)
Exchange differences		-	-	-	(146)	-	(146)
Balance at 1 January 2025		27,000,000	22,609,404	1,318,741	2,499,019	326,807	53,753,971
Additions		-	-	-	1,002,006	-	1,002,006
Valuations		(5,000,000)	(1,664,176)	-	-	-	(6,664,176)
Disposals		-	-	-	-	-	-
Net Transfers between Classes		-	-	-	-	-	-
Depreciation		-	(945,228)	(201,132)	(626,693)	-	(1,773,053)
Exchange differences		-	-	-	(242)	-	(242)
Balance at 31 December 2025		22,000,000	20,000,000	1,117,609	2,874,090	326,807	46,318,506

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 three 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 2025, RACS appointed Jones Lang Lasalle to provide an independent valuation of land and buildings as at 31 December 2025. 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.

12. INTANGIBLE ASSETS

	<u>2025</u>	<u>2024</u>
	\$	\$
Net balance at the beginning of the year	12,087,941	15,524,023
Acquisitions	1,559,176	619,011
Amortisation expense	(4,259,073)	(4,055,093)
Net balance at the end of the year	9,388,044	12,087,941

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 internally controlled 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 when RACS can evidence control and ownership of the underlying code and intellectual property, separable from its hosting platform.

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.

13. 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 2025 was \$82,086 (2024: \$208,325).

	<u>2025</u>	<u>2024</u>
	\$	\$
RIGHT OF USE ASSETS		
Net balance at beginning of year	14,867,239	16,636,143
Additions / adjustments	4,960	98,336
Depreciation	(1,827,014)	(1,828,030)
Foreign exchange movement	(54,927)	(39,210)
Net balance at end of year	12,990,258	14,867,239
LEASE LIABILITIES		
Current	1,827,376	1,672,310
Non-current	14,602,254	16,487,979
Total lease liabilities	16,429,630	18,160,289
LEASE LIABILITY MATURITY ANALYSIS		
<1 year	2,493,786	2,421,971
1-5 years	8,136,426	8,797,793
> 5 years	9,840,675	11,722,778
Total undiscounted lease liability	20,470,887	22,942,542
Impact of discounting	(4,041,257)	(4,782,253)
Lease liability included in the statement of financial position	16,429,630	18,160,289

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.

14. TRADE AND OTHER PAYABLES

	<u>2025</u>	<u>2024</u>
	\$	\$
Trade payables	2,003,866	2,811,223
Subscriptions collected on behalf of specialist societies	4,946,837	5,252,612
Other payables	1,887,546	2,555,779
Net external conferences – monies held ^(a)	784,619	799,446
Total trade and other payables	9,622,868	11,419,060

(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.

15. CONTRACT LIABILITIES AND OTHER REVENUE RECEIVED IN ADVANCE

	<u>2025</u>	<u>2024</u>
	\$	\$
CONTRACTS WITH CUSTOMERS ^(a)		
Specialist Training Program	12,615,221	10,628,561
RACS Global Health Projects	1,886,185	1,736,400
Audits of Surgical Mortality	1,366,255	553,940
Other	20,841	316,345
	15,888,502	13,235,246
OTHER REVENUE RECEIVED IN ADVANCE ^(b)		
Subscriptions billed in advance	25,920,048	25,309,563
Examination entry and annual training fees billed in advance	6,081,685	6,911,367
Skills training courses billed in advance	5,060,178	5,329,543
Other fees billed in advance	510,384	594,295
	37,572,295	38,144,768
	53,460,797	51,380,014

(a) 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.

(b) Other revenue received in advance will be recognised over the next 12 months as services are delivered.

16. EMPLOYEE BENEFITS

	<u>2025</u>	<u>2024</u>
	\$	\$
Current employee benefits		
Annual leave	1,770,747	1,512,345
Long service leave – current portion	1,856,548	1,647,131
Total current employee entitlements	3,627,295	3,159,476
Non-current employee benefits		
Long service leave	497,819	192,256
Total non-current employee entitlements	497,819	192,256
Total employee benefits	4,125,114	3,351,732

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.

17. PROVISIONS

	<u>2025</u>	<u>2024</u>
	\$	\$
Make good provision under leases	400,216	401,048
Total non-current provisions	400,216	401,048

- (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.

18. BANK GUARANTEE

At the reporting date, RACS had bank guarantees issued by ANZ in the ordinary course of business. These guarantees have been provided to third parties primarily in respect of lease obligations and contractual commitments. The bank guarantees are secured by a charge over the RACS's cash and cash equivalents and/or are supported by standard security arrangements with the ANZ.

The Directors are not aware of any circumstances that would give rise to a call on these guarantees, and accordingly no provision has been recognised in the statement of financial position.

	<u>2025</u>	<u>2024</u>
	\$	\$
Bank Guarantees	\$1,971,867	\$1,971,867

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

There were no related party transactions during the reporting period. Accordingly, no amounts have been recognised, disclosed, or reported in relation to related parties.

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 2025 there were 9 (2024: 6) key management personnel roles including any that have resigned or retired during the year.

	<u>2025</u>	<u>2024</u>
	\$	\$
Compensation to key management personnel	2,063,072	1,689,879
	<u>2,063,072</u>	<u>1,689,879</u>

ACFID CODE OF CONDUCT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2025

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 2025 - International Aid and Development Programs

	<u>2025</u>	<u>2024</u>
	\$	\$
REVENUE		
Donations and gifts – monetary	150,314	340,375
Donations and gifts – non-monetary	1,008,067	591,411
Grants		
- Department of Foreign Affairs and Trade	2,249,965	1,918,001
- Other Australian Grants	283,808	329,065
- Other Overseas	110,364	125,289
Investment Income	1,006,033	1,128,391
Other income – International programs		741
Other income – all other RACS activities	71,929,189	70,528,652
Total Revenue	76,737,740	74,961,925
EXPENDITURE		
International Aid and Development Programs		
International Programs		
- Funds to international programs	3,262,035	2,504,713
- Program support costs	649,713	1,624,519
Accountability and administration	41,422	51,016
Non-monetary expenditure	1,008,067	591,411
Total International Aid and Development Programs Expenditure	4,961,237	4,771,659
Other expenditure – all other RACS activities	65,650,293	60,792,506
Total Expenditure	70,611,530	65,564,165
Surplus / (Deficit)	6,126,210	9,397,760
Other Comprehensive Income	1,783,577	2,065,564
TOTAL COMPREHENSIVE INCOME / (LOSS)	7,909,787	11,463,324