

**THE ROYAL COLLEGE OF PATHOLOGISTS OF
AUSTRALASIA**

ABN 52 000 173 231

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED**

30 JUNE 2017

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

INDEX	PAGE
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	9
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	10
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	11
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12
CONSOLIDATED STATEMENT OF CASH FLOWS	13
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	14
INDEPENDENT AUDITOR'S REPORT	35

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

DIRECTORS' REPORT

Your directors present their report together with the consolidated financial statements of the Royal College of Pathologists of Australasia, (the College) and its controlled entity (the group) for the year ended 30 June 2017.

DIRECTORS' DETAILS

The names of the directors of the company in office at any time during or since the end of the financial year are:

Dr Lawrence Bott
A/Prof Merrole Cole-Sinclair
Dr Michael Dray
Dr Michael Harrison
A/Prof Christine Hemmings (Appointed February 2017)
Dr Jan Kencian
Prof Anthony Landgren
Dr Bruce Latham
Prof Roger Wilson
Dr Sophie Otto (Resigned February 2017)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

INFORMATION ON DIRECTORS

Dr Michael Harrison

President

BSc (Med) MBBS (1st class honours) FRCPA

A medical graduate of the University of Queensland, Michael Harrison was admitted to the fellowship of the College in 1984 as a general pathologist. Since that time he has practised at Sullivan Nicolaides Pathology, principally in the fields of chemical pathology and microbiology. He became CEO/Managing Partner of SNP in 2002. He has been a member of the Queensland State Council since 2003 and Queensland State Councillor 2008-2011. Other current roles include Chairman of the Quality Use of Pathology Committee from 1999, Chairman of the Medical Testing Accreditation Advisory Committee from 1999, Member National Pathology Accreditation Advisory Council 2008-9, currently a member of APC and Member, Diagnostics Expert Advisory Panel, National Prescriber Service. Past roles include PSTC and PCC member, Statistics Subcommittee of PCC/PSTC and Chairman of AAPP.

Dr Michael Dray

Vice President, New Zealand

MBChB (Otago), DCH, Dip Obst, FRCPA

Dr Michael Dray is a Consultant Histopathologist based at Waikato Hospital. He gained his medical degree from the University of Otago. His initial medical career saw him in General Practice for several years prior to training in Anatomical Pathology in Sydney, NSW for 5 years before returning to New Zealand in 2006. He spent 6 years working at Middlemore Hospital, South Auckland, before moving to his current position. He is also Chair of the NZ Committee of Pathologists, a Senior Lecturer at the University of Auckland being an active member of the Bone & Joint Research Group, Secretary of the NZ Society of Pathologists, a Coronial Pathologist and member of the IANZ Medical Testing Professional Advisory Committee.

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

Dr Bruce Latham

Vice President

BMed Sci (Hons), MBBS, FRCPA

Bruce Latham is a graduate of the University of Western Australia. He carried out his Anatomical Pathology training predominantly at Royal Perth Hospital and was admitted to Fellowship in 1995. Bruce has worked as an Anatomical Pathologist in both the public and private sector, and is currently an Anatomical Pathologist with PathWest at Fiona Stanley Hospital where he has a diagnostic and research interest in breast and pulmonary pathology. He is the Chair of the RCPAQAP Anatomical Pathology General Module Committee and is an Adjunct Associate Professor at Notre Dame University. He was previously the RCPA State Councillor for Western Australia and a member of the Anatomical Pathology Advisory Committee.

Dr Jan Kencian

Secretary/Treasurer

BMed (Hons) FRCPA

Dr Jan Kencian has held the role of supervising pathologist for Sullivan Nicolaides in Cairns, Queensland since 2004. In 2003 she worked at the Brisbane laboratory and prior to that at laboratories in Cairns. Her resident training was at Royal Newcastle and Gosford Hospitals and she undertook anatomical pathology as a registrar at Royal North Shore Hospital, St Leonards NSW achieving FRCPA in 1988. Jan has held several roles over the years with IAP and was Treasurer of IAP Australasian Division for 3 years and a Board member for 5 years. Over the years she has represented Far North Queensland on many groups including Queensland Breast Screen and Queensland State Cervical Cytology Register Working Group. She was elected as RCPA Secretary/Treasurer in November 2013, the first person to hold the new dual role.

Dr Tony Landgren

Chairman, Board of Education and Assessment

MBBS LLB FRCPA FACLM Barrister & Solicitor Supreme Court of Victoria.

Tony Landgren is a graduate in Medicine and Law from the University of Melbourne. He trained in Anatomical and Forensic Pathology in Victoria and was admitted to Fellowship in 1990. Tony has worked as a pathologist and administrator in private and public practice in Australia, New Zealand, Malaysia, Singapore and the United States. He is Chair of the Department of Anatomical Pathology at the Royal Melbourne Hospital and Medical Director/Chief Pathologist at Australian Clinical Labs. His legal practice specialises in Commercial and Biotechnology Law. He holds academic appointments at the University of Melbourne. He is a Director of RCPA Quality Assurance Programs Pty Ltd, Chair of the RCPA Board of Education and Assessment, a Director of NATA and Chair of the Victorian Cancer Biobank.

Dr Lawrence Bott

Chairman, Board of Professional Practice and Quality

MBBS (Hons), FRCPA

Lawrie graduated from the University of Sydney and trained in pathology at Concord Hospital in Sydney. Since obtaining Fellowship (1989), he has worked as a General Pathologist in private practice in NSW, country Victoria, and Tasmania. He joined Barratt & Smith Pathology in 1990 and was made CEO in 1995. More recently Lawrie was CEO of two divisions of Sonic Healthcare - Diagnostic Services and Southern IML Pathology and in 2016 was appointed Chief Medical Officer Australian Pathology for Sonic. Lawrie served as RCPA Honorary Secretary (2000-2004), Chair of the Overseeing Committee for Pathology Update 2001 to 2004, NSW State Councillor (2005-2007), Member, Deputy Chair and Chair of PPAC from 2004 and now Chair of BPPQ. He is also a Director of RCPA Quality Assurance

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

Programs (QAP) Pty Ltd (2000 to present), was Councillor for Tasmania (2011-2013). He holds a RCPA Meritorious Service Award received in 2013.

Professor Roger Wilson

Representative for States and Regions

MBChB, FRCPA, FRACMA, Dip Microbiol, Grad Dip Health Law (with Distinction)

Roger graduated from Otago University in 1977 and rotated through each discipline of pathology at Dunedin Hospital before completing training in microbiology at Royal North Shore Hospital Sydney and being admitted to Fellowship (1985). He was a consultant Clinical Microbiologist at Royal Perth Hospital from 1986 and moved to the Nepean & Blue Mountains Pathology Service in 1996 as Director of Pathology. Appointed Executive Director of South Eastern Area Laboratory Services (SEALS) in 2001 he remained there until appointed as inaugural Chief Pathologist of 'NSW Health Pathology' in April 2013. Roger is a Fellow of RACMA, holds an appointment as Conjoint Professor at UNSW, was President of NCOPP (2006-2010), has represented NSW Health on NPAAC since 2007 and was recently Chair of NPAAC Strategy and Risk Committee in 2016. Roger was elected Councillor for NSW/ACT in 2012 and in November 2013 appointed to the Board of Directors by the Council Committee representing State and Regional Councillors.

Dr Sophia Otto

General Representative

MBBS, FRCPA

Dr Sophia Otto graduated from the University of Adelaide in 1983, and after a period of Surgical Residency, worked for many years in her own General Practice, as well as serving as Director and Owner of the Surgical Assistants' Service, an employer of doctors providing assistance to surgeons in all specialty groups. She commenced Anatomical Pathology training in late 2001 and when she graduated 5 years later was appointed as a Staff Specialist by SA Pathology at their Royal Adelaide Hospital (RAH) site. She has an interest in renal biopsy pathology as well as head and neck, lymphoma, neuro-oncology and soft tissue pathology. She was appointed as Divisional Head of the Department of Surgical Pathology (RAH site) in 2014. Sophia was elected as State Councillor for SA/NT in 2011 and appointed to the Board of Directors by the Council Committee as the General Council Committee representative in November 2013.

Associate Professor Merrole Cole-Sinclair

Representative, Advisory Committees

BSc (Hons) MBBS FRCPA FRACP FFSc

A graduate in Medicine and Science from the University of Melbourne, Merrole trained in laboratory and clinical haematology through the Joint Specialist Advisory Committee [JSAC, RCPA and RACP] and has been a staff specialist in the Victorian public hospital sector since returning to Australia in 1993 after a Clinical Research Fellowship in London. She is currently Director, Laboratory Haematology at St Vincent's Health Melbourne and holds an Honorary Academic Appointment with the Department of Pathology at the University of Melbourne. Merrole has an interest in diagnostic haematology and transfusion medicine and since 2008 has chaired the Transfusion Outcomes Research Collaborative, an ARCBS and Monash University partnership.

She served as RCPA Chief Examiner in Haematology (2007-2012) and Chair of JCTC for Haematology and currently chairs the RCPA Haematology Advisory Committee. Council appointed her in November 2014 to the Board of Directors as the discipline advisory committee representative.

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
 ABN 52 000 173 231

Associate Professor Christine Hemmings

General Representative
 RGON, BHB, MBChB, FRCPA

A graduate of Auckland Medical School she trained in Anatomic Pathology in New Zealand, gaining FRCPA in 2002 before moving to ACT Pathology in 2003. During her time in Canberra she undertook postgraduate fellowships in London and Boston, furthering her interests in rare cancers (particularly sarcoma) and tumour biology. In 2013 moved to St John of God Pathology in Perth to in a newly created position, Head of Molecular Oncology, and in 2014 became Director of Anatomic Pathology for SJOG's operations in WA. Chris has a longstanding commitment to research and teaching and the maintenance of professional standards, having served as RCPA Honorary Secretary, a member of CanSAC, and chair of the Anatomic pathology programme committee for Pathology Update. She is currently the State Councillor for WA. Chris is a member of the editorial board of the College journal 'Pathology', and serves as a NATA assessor as well as an examiner in Anatomic pathology. She belongs to numerous professional interest groups in the fields of gastrointestinal oncology, sarcoma and multidisciplinary cancer care. She also teaches at UWA and this year will complete a PhD investigating tumour regression in rectal cancer.

MEETINGS OF THE BOARD OF DIRECTORS

Alphabetical list of Directors	Directors Meetings	
	Eligible to attend	Number attended
Dr Lawrence Bott	12	10
A/Prof Merrole Cole-Sinclair	12	11
Dr Michael Dray	12	11
Dr Michael Harrison	12	11
A/Prof Christine Hemmings	5	4
Dr Janet Kencian	12	10
Prof Anthony Landgren	12	11
Dr Bruce Latham	12	11
Dr Sophia Otto	7	7
Prof Roger Wilson	12	9

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Principal activities include promotion of the study of the sciences and practice of pathology in relation to medicine, the consideration of all questions affecting the interests of College Fellows, the provision of quality assurance services to pathology laboratories, as well as the encouragement of research in pathology and ancillary sciences.

No significant changes in the state of affairs of the group occurred during the financial year.

OPERATING RESULTS

The profit of the group for the financial period after providing for income tax amounted to \$2,558,365.

DIVIDENDS

The College is a Not for Profit organisation and as such does not pay dividends.

FUTURE DEVELOPMENTS

Major issues affecting members are being monitored by the College include the Medical Benefits Schedule Review, Collection Centre rental issues and the Cervical Cancer screening renewal.

The engagement with the Medical Boards of Australia and New Zealand continues on matters related to continuing professional development for members.

The College has now embarked on a workforce analysis and requirements study. The results of this will allow us to use up to date statistics when we talk to Governments about workforce requirements and training positions.

RCPA Quality Assurance Programs have embarked on an extensive project to develop new software supporting results collections from participating laboratories and the dissemination of test results and other material. This will greatly improve the "user" experience.

ENVIRONMENTAL ISSUES

The group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or a State or Territory.

MEMBER CONTRIBUTION

Fellows of the College, Honorary Fellows of the College and Fellows of College Faculties would contribute up to \$20 each in the event of winding up.

DIRECTORS BENEFITS

No director of the College has, since the end of the previous financial year, received or become entitled to receive a benefit either by way of a fixed salary as a full-time employee of the company or of related corporations by reason of a contract made by the company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

DIRECTORS AND AUDITORS INDEMNIFICATION

The group companies have not, during the financial period, in respect of any person who is or has been an officer or auditor of the group:

Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or paid or agreed to pay a premium in respect of a contract ensuring against a liability incurred as an officer for the costs or expenses to defending legal proceedings.

PROCEEDINGS ON BEHALF OF GROUP

No person has applied for leave of Court to bring proceedings on behalf of the group companies or intervene in any proceedings to which the group companies are a party for the purpose of taking responsibility on behalf of the group for all or any part of those proceedings. The group companies were not a party to any such proceedings during the financial year.

SUBSEQUENT EVENTS

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration is included on page 9.

For and on behalf of the Board of Directors in accordance with a resolution pursuant to section 298(2)(a) of the Corporations Act 2001 dated 18th October 2017.

Michael Harrison
President

Jan Kencian
Treasurer

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

AUDITOR'S INDEPENDENCE DECLARATION

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Subscription and training revenue	4	7,008,993	6,618,478
Quality assurance program enrolment revenue		17,198,478	16,252,509
Grant revenue	6(b)	14,005,493	13,613,477
Other revenue	5	1,503,671	1,111,528
Gain/(loss) on financial assets held at fair value through profit or loss		358,997	(135,078)
Employee benefits expense		(10,241,045)	(10,184,921)
Cost of goods sold		(4,627,921)	(3,884,223)
Depreciation and amortisation expense	6(a)	(857,100)	(861,463)
Conferencing/education expense		(1,376,998)	(1,349,244)
Professional fee expense		(1,285,051)	(1,161,687)
Premises expense		(1,157,547)	(1,155,745)
Travel and accommodation expense		(1,117,124)	(1,094,564)
Grant expenses	6(b)	(13,969,371)	(13,532,684)
Other expenses		(1,958,207)	(1,603,278)
Finance and investment costs		<u>(360,468)</u>	<u>(169,826)</u>
Profit before income tax		3,124,800	2,463,779
Income tax expense	7	<u>(566,435)</u>	<u>(708,226)</u>
Profit after income tax		<u>2,558,365</u>	<u>1,755,553</u>
Other comprehensive income:			
Other comprehensive income for the year net of income tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year			
- Attributable to the owners of the business		<u>2,558,365</u>	<u>1,755,553</u>

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	8	7,778,033	12,798,428
Trade and other receivables	9	4,070,763	4,444,312
Other current assets	10	2,445,601	2,450,863
Financial assets	11	<u>19,066,588</u>	<u>11,734,309</u>
TOTAL CURRENT ASSETS		<u>33,360,985</u>	<u>31,427,912</u>
NON-CURRENT ASSETS			
Deferred tax assets		533,004	529,773
Financial assets	11	7,107	7,107
Property, plant and equipment	12	8,109,991	7,730,463
Intangible assets	13	<u>538,243</u>	<u>439,386</u>
TOTAL NON-CURRENT ASSETS		<u>9,188,345</u>	<u>8,706,729</u>
TOTAL ASSETS		<u>42,549,330</u>	<u>40,134,641</u>
CURRENT LIABILITIES			
Trade and other payables	14	2,953,193	1,742,443
Borrowings	16	18,712	6,237
Provisions	15	1,315,427	1,330,873
Other current liabilities	14	<u>17,153,327</u>	<u>18,444,711</u>
TOTAL CURRENT LIABILITIES		<u>21,440,659</u>	<u>21,524,264</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		67,771	57,308
Borrowings	16	38,982	70,169
Provisions	15	<u>655,885</u>	<u>695,232</u>
TOTAL NON-CURRENT LIABILITIES		<u>762,638</u>	<u>822,709</u>
TOTAL LIABILITIES		<u>22,203,297</u>	<u>22,346,973</u>
NET ASSETS		<u>20,346,033</u>	<u>17,787,668</u>
EQUITY			
Retained earnings		<u>20,346,033</u>	<u>17,787,668</u>
TOTAL EQUITY		<u>20,346,033</u>	<u>17,787,668</u>

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Contributed Equity \$	Retained Earnings \$	Total \$
Balance at 1 July 2015	-	16,032,115	16,032,115
Net profit after tax for the year	-	1,755,553	1,755,553
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,755,553	1,755,553
Balance at 30 June 2016	-	17,787,668	17,787,668
Balance at 1 July 2016	-	17,787,668	17,787,668
Net profit after tax for the year	-	2,558,365	2,558,365
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	2,558,365	2,558,365
Dividends paid	-	-	-
Balance at 30 June 2017	-	20,346,033	20,346,033

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR 30 JUNE 2017

	Note	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		28,374,317	25,842,211
Payments to suppliers and employees (inclusive of GST)		(38,461,578)	(38,254,477)
Interest received		362,521	409,995
Grants received		13,717,424	14,287,238
Interest paid		-	(1,276)
Donations received		196,947	145,576
Income tax paid		<u>(483,315)</u>	<u>(259,575)</u>
Net cash provided by operating activities	18	<u>3,706,316</u>	<u>2,169,692</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(1,296,597)	(324,500)
Payments for intangible assets		(438,120)	(56,566)
Transfers to managed investments		<u>(6,973,282)</u>	<u>(4,458,241)</u>
Net cash used in investing activities		<u>(8,707,999)</u>	<u>(4,839,307)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/increase in borrowings		<u>(18,712)</u>	<u>76,406</u>
Net cash generated by financing activities		<u>(18,712)</u>	<u>76,406</u>
Net decrease in cash and cash equivalents		(5,020,395)	(2,593,209)
Cash and cash equivalents at the beginning of the financial year		<u>12,798,428</u>	<u>15,391,637</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>7,778,033</u></u>	<u><u>12,798,428</u></u>

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

1. Nature of operations

The Royal College of Pathologists of Australasia and subsidiaries' ('the Group') principal activities include promotion of the study of the sciences and practice of pathology in relation to medicine, the consideration of all questions affecting the interests of College Fellows, the provision of quality assurance services to pathology laboratories, as well as the encouragement of research in pathology and ancillary sciences. These activities are grouped into the following service lines:

- Training and education: focused on managing training and assessment for aspiring Pathologists and providing professional development activities for members.
- Research: provides grants to support research into the study of science and pathology.
- Quality assurance: involved in providing comprehensive quality assurance programs for pathology laboratories in Australia and overseas.

2. General information and statement of compliance

The consolidated financial report of The Royal College of Pathologists of Australasia for the financial year ended 30 June 2017 was authorised for issue in accordance with a resolution of Directors, dated 18th October 2017.

The Royal College of Pathologists of Australasia is a company limited by guarantee.

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards - Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The Royal College of Pathologists of Australasia has adopted the reduced disclose requirements as it is a not-for-profit entity for the purpose of preparing the financial statements. The financial statements have been prepared in accordance with the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with those of previous periods unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise. The amounts presented in the financial statements are in Australian Dollars which is the College's functional and presentational currency and have been rounded to the nearest dollar. The financial report has been prepared on a going concern basis.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

3. Significant Accounting Policies

(a) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and its subsidiary as of 30 June 2017. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary has a reporting date of 30 June.

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

(b) Business combination

A business combination involving entities under common control is accounted for under the pooling of interest method since the combining businesses are ultimately controlled by the same party, both before and after the business combination. The assets and liabilities of the combining entities are reflected at their carrying amounts and no adjustments are made to reflect fair values at the date of combination. Goodwill is not recognised as a result of the combination. The income statement reflects the results of the combining entities for the full year, irrespective of when the combination took place. Comparatives are also restated as there has been effectively no change in control. Any difference between the consideration paid and the equity acquired is reflected within equity.

(c) Income Tax

The College is classified as a scientific and educational institution by the Australian Taxation Office and therefore, in accordance with section 50-5 of the Income Tax Assessment Act 1997, is exempt from paying income tax.

The other member of the group applies the following policy;

The income tax expense for the period comprises current income tax expense and deferred tax expense.

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income Tax (continued)

With respect to land and buildings measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Deferred Expenditure

Items of expenditure having a benefit or relating to more than one accounting period are amortised over the periods to which they relate. The deferred expenditure comprises consumable materials and operating costs. These costs pertain to programs to be conducted during the following financial year and accordingly will be matched against the revenue earned in that year. Deferred expenditure has been included within prepayments in the Consolidated Statement of Financial Position.

(e) Revenue and Unearned Revenue

Membership fees, training fees and quality assurance subscriptions

Revenue from the rendering of the service is recognised upon the delivery of the service to the customers.

The unearned revenue shown in the financial statements will be brought to account in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the following year. These amounts comprise subscriptions received in advance for programs to be conducted in the following financial year.

Royalties, interest and other income

Revenue is assigned to the time period to which it relates and recognised in that period.

Donations

Revenue is recognised at the time the donation is received.

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Grants

The group receives grant monies to fund projects either for contracted periods of time or for specific projects irrespective of the period of time required to complete those projects. It is the policy of the group to treat grant monies as deferred grant income in the Statement of Financial Position where the group is contractually obliged to provide the services in a subsequent financial period to when the grant is received or in the case of specific project grants where the project has not been completed.

(g) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost, less where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining the recoverable amount. All items of plant and equipment are depreciated using the straight-line method.

Costs related to fixed assets under development are measured at cost. Depreciation is charged from the date the development of the asset is complete and the asset is judged to be capable of operating in the manner intended by management.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use.

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	10%
Leasehold Improvements	10 – 20%
Leased Plant & Equipment	20%

(h) Intangibles

Software and website development costs are capitalised where it is probable that sufficient future benefits will be derived so as to recover those costs. Costs related to software under development are measured at cost. Amortisation is charged when the software has been tested and is judged to be capable of operating in the manner intended by management.

Software and website development costs are amortised at a rate of 40% per annum on a straight line basis over the period during which the related benefits are expected to be realised.

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The cash flows disclosed on the Statement of Cash Flows are presented on a gross basis.

(j) Comparative Figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

(k) Foreign Currency

Transaction and Balances

Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at the reporting date are converted at the rates of exchange ruling at that date.

The gains and losses from conversions of assets and liabilities, whether realised or unrealised are included in the Statement of Profit or Loss and Other Comprehensive Income as they arise.

(l) Financial Instruments

Financial instruments are initially measured at fair value on trade date which includes transaction costs when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective rate of interest method.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost using the effective rate of interest method, comprising original debt less principal payments and amortisation.

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial Instruments (continued)

Investments

Investments in securities are measured on a cost basis. The carrying amount of investments is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value of the securities. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(m) Employee Benefits

Annual leave

Non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the current provision for employee benefits and is measured in accordance with the above policy.

The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the non-current provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(n) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Provision for impairment of receivables

The provision for impairment of receivables assessment (note 9) requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Critical Accounting Estimates and Judgements (continued)

Estimation of useful lives of assets

The group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Restoration of leased premises

A make good provision (note 16) has been made for the present value of the anticipated costs for future restoration of leased premises. As the restoration costs will be incurred in relation to fit outs installed by the company the costs are capitalised over the lease term and depreciated on a straight line basis.

Income tax

One group company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on the company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will be reflected in the current tax provisions in the period in which such determination is made.

Long service leave provision

As discussed in Note 3(m), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

(o) Capital Management

The capital structure of the group primarily consists of trading assets and liabilities including cash and cash equivalents, trade and other receivables and trade and other payables. The company does not utilise any form of third party debt and given the strong cash position this has not changed during the financial year and is not anticipated to change going forward.

The capital resources are primarily used for carrying out day to day operations.

Although the group does not have a documented policy to manage the levels and types of risks it is exposed to, the Directors consider that minimising exposure to equity markets adequately addresses the company's exposure to such risks.

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

NOTE 3: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

(q) Current and Non-current Classification

Assets and liabilities are presented in the consolidated statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(r) New, revised or amending Accounting Standards and Interpretations Adopted

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current accounting period.

As at the date of this report there are a number of new Australian Accounting Standards that have been issued but are not yet effective. The group has yet to fully assess the impact of the new Australian Accounting Standards.

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
Note 4. Subscription and training revenue			
Membership subscriptions		3,957,782	3,817,753
Training registration fees		791,927	711,216
Examination fees		1,011,533	1,044,900
Pathology update conference and other training events		1,247,751	1,044,609
		7,008,993	6,618,478
Note 5. Other revenue			
Earnings from cash holdings and managed funds			
- Dividends received		211,045	174,721
- Interest		362,521	320,988
Donations received – RCPA Foundation		196,947	140,181
Royalties & editorial support for “Pathology” journal		295,332	297,180
Cost recovery from managing grants and projects		33,175	-
Revenue from other activities		404,651	178,458
		1,503,671	1,111,528
Note 6. (a) Revenue and expenses			
Depreciation of non-current owned assets		768,689	789,954
Depreciation of non-current leased assets		18,691	17,516
Amortisation of intangibles		69,720	53,991
Remuneration of auditor:			
- audit of financial statements		103,160	99,171
- tax and other services		59,515	43,968
Impairment of trade receivables		36,739	79,370
Bad debts		-	180,228
Rental Expenses on operating leases		757,154	783,642
Superannuation guarantee contributions		809,875	831,228
Loss on disposal of property, plant and equipment		369,233	-
Finance and investment costs:			
- Merchant charges for credit card facility		102,823	98,526
- Investment charges		115,527	46,021
- Bank fees and charges		18,742	23,014
- Unrealised foreign exchange loss on foreign currency bank balances		121,405	-
- Lease finance charges		-	1,276
- Other fees		1,971	-
		360,468	168,837

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
Note 6. Revenue and expenditure (continued)		
(b) Significant Revenues and Expenses		
The following revenue and expenses are relevant in explaining the financial performance of the Group:		
Included in revenue and other expenses per the Consolidated Statement of Profit or Loss and Other Comprehensive Income are the following revenues and expenses resulting from specific grants received by the Group. Grant revenue is recognised as expenses are incurred, any excess of Grant receipts over Grant expenses is recognised in the Consolidated Statement of Financial Position as Deferred Grant Income. Unexpended Grant income is returned to the Grant provider.		
<i>Grant - Standardisation of Pathology Information Terminology and Units Part 1 and 2</i>		
Revenues	622,903	338,725
Expenses	586,781	338,725
Deferred Grant Income	12,997	635,900
<i>Grant – Pathology Workforce Change - National Cervical Screening Program</i>		
Revenues	350,543	117,303
Expenses	350,543	117,303
Deferred Grant Income	112,154	232,697
<i>Grant – Medical Services Advisory Committee</i>		
Revenues	-	25,000
Expenses	-	25,000
Deferred Grant income	-	(15,910)
<i>Grant - Electronic Decision Support - Pathology Requesting</i>		
Revenues	-	-
Expenses	-	-
Deferred Grant Income	23,915	23,915
<i>Grant - Common Sense Pathology</i>		
Revenues	-	97,909
Expenses	-	97,909
Deferred Grant Income	-	-
<i>Grant – Structured Reporting of Cancer funding for an additional protocol</i>		
Revenues	134,310	-
Expenses	134,310	-
Deferred Grant income	2,565	82,331
<i>Other Grants</i>		
Revenues	-	97,839
Expenses	-	97,839
Deferred Grant Income	19,742	80,347

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
Note 6. Revenue and expenditure (continued)		
(b) Significant Revenues and Expenses (continued)		
<i>Grant – Structural Pathology Reporting of Cancer 2016</i>		
Revenue	5,752	-
Expenses	5,752	-
Deferred Grant Income	281,699	-
<i>Grant - Structural Pathology Reporting of Cancer</i>		
Revenues	19,691	228,553
Expenses	19,691	228,553
Deferred Grant Income	-	30,560
<i>Grant – Specialist Training Program - Tasmania</i>		
Revenue	551,962	794,151
Expenses	551,962	794,151
Deferred Grant Income	474,383	875,641
<i>Grant - Specialist Training Program</i>		
Revenues	11,049,174	10,993,953
Expenses	11,049,174	10,913,160
Deferred Grant Income	1,370,948	1,886,822
<i>Grant – Health Genomics</i>		
Revenues	4,868	-
Expenses	4,868	-
Deferred Grant Income	23,196	-
<i>Grant – Molecular Genetics</i>		
Revenue	(3,828)	(3,828)
Expense	(3,828)	(3,828)
Deferred Grant Income	340,334	-
<i>Grant – Quality Assurance for the AMS</i>		
Revenues	432,980	442,320
Expenses	432,980	442,320
Deferred Grant Income	-	243,571
<i>Grant - Biological Sensitive QAP</i>		
Revenues	762,166	477,224
Expenses	762,166	477,224
Deferred Grant Income	-	173,800
<i>Grant – World Health Organisation</i>		
Revenues	74,972	4,328
Expenses	74,972	4,328
Deferred Grant Income	84,559	31,928
Total Grant Revenues	14,005,494	13,613,477
Total Grant Expenses	13,969,371	13,532,684
Total Deferred Grant Income	2,746,493	4,281,602

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA

ABN 52 000 173 231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
Note 7: Income tax		
<i>Income tax expense</i>		
Current tax	801,870	775,038
Deferred tax – origination and reversal of temporary differences	-	(64,812)
Adjustment recognised for prior years	(235,238)	-
Income tax expense	<u>566,435</u>	<u>708,226</u>
The prima facie tax on profit is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit before income tax at 30% (2016: 30%)		
	937,440	739,134
Add/(less) tax effect of:		
- income tax exemption	(94,358)	(30,908)
- research and development claim	(41,409)	-
- over provision from prior year	(235,238)	-
Income tax (benefit)/expense	<u>566,435</u>	<u>708,226</u>
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	3,231	68,729
Increase in deferred tax liabilities	10,462	(1,917)
Deferred tax – origination and reversal of temporary differences	<u>13,693</u>	<u>66,812</u>
Franking credits		
Balance of franking account at year end adjusted for franking credits arising from payment of current tax liability.	3,181,168	2,032,048
Note 8. Cash and cash equivalents		
Cash at bank	7,778,033	12,607,312
Cash held in trust	-	191,116
	<u>7,778,033</u>	<u>12,798,428</u>
Note 9. Trade and other receivables		
Current		
Trade receivables	4,454,187	4,842,586
Other receivables	85,969	97,005
Less: provision for impairment	(469,393)	(495,279)
	<u>4,070,763</u>	<u>4,444,312</u>

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
Note 10. Other current assets		
Prepayments	2,280,628	2,310,818
Cash held on behalf of State Committees	164,973	140,045
	<u>2,445,601</u>	<u>2,450,863</u>
The Cash held on behalf of State Committees, its ultimate ownership rests with the College. State Committees have discretion over the use of this cash.		
Note 11. Financial Assets		
Current		
Term deposits	319,988	574,463
Managed Investments at fair value through profit or loss		
- Cash Management	2,718,481	3,155,470
- Fixed Interest – securities	13,422,382	6,586,790
- Equity investments	2,001,578	1,417,586
- Other investments	604,159	-
	<u>19,066,588</u>	<u>11,734,309</u>
Non-Current		
Shares in listed corporations		
- At cost	7,107	7,107
	<u>7,107</u>	<u>7,107</u>
Note 12. Property plant and equipment		
Plant and equipment at cost	2,927,685	3,566,607
Less: Accumulated depreciation	(1,731,158)	(2,323,986)
Total plant and equipment	<u>1,196,527</u>	<u>1,242,621</u>
Leasehold improvements at cost	3,472,794	3,515,283
Less: Accumulated depreciation	(1,020,383)	(1,170,694)
Assets under development	-	62,155
Total leasehold improvements	<u>2,452,411</u>	<u>2,406,744</u>
Land and building improvements	178,898	178,898
Less: Accumulated depreciation	(63,534)	(45,658)
Land and buildings – at cost [refer note 1 (b)]	4,240,084	3,814,492
Assets under development	50,742	-
Less: impairment	(148,185)	(148,185)
Total property	<u>4,258,005</u>	<u>3,799,547</u>
Computer equipment at cost	1,897,195	1,842,999
Less: Accumulated depreciation	(1,754,983)	(1,640,975)
Total Computer equipment	<u>142,212</u>	<u>202,024</u>
Leased assets at cost	93,558	93,558
Less: Accumulated depreciation	(32,722)	(14,031)
Total Leased assets	<u>60,836</u>	<u>79,527</u>
Total Property, Plant & Equipment	<u>8,109,991</u>	<u>7,730,463</u>

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

12. Property, Plant and Equipment (continued)

(a) Movement in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current year are as follows:

	Land and Buildings	Computer Equipment & Software	Plant, Equipment & Furniture	Leasehold Improve- ments	Work in progress	Leased Assets	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at beginning of year	3,799,547	202,024	1,242,622	2,344,588	62,155	79,527	7,730,463
Additions	425,592	54,195	663,324	166,678	50,742	-	1,360,531
Disposals, write-downs and transfers	-	-	(416,445)	284,975	(62,155)	-	(193,625)
Depreciation expense	(17,876)	(114,007)	(292,974)	(343,830)	-	(18,691)	(787,378)
Carrying amount at the end of year	4,207,263	142,212	1,196,527	2,452,411	50,742	60,836	8,109,991

(b) Fair value of land and buildings

The Directors obtained professional advice from an insurance valuer to ascertain the insurance replacement value of the freehold property owned by the College at 203-205 Albion Street, Surry Hills. The advice received was dated May 2016. Based on the valuation provided, the property has a current replacement value of \$3.136 million. This valuation takes into account the age and condition of the property, recent comparable sales and the fact that the property is heritage listed. In addition, the Directors obtained a market valuation for the property from a licensed independent valuer. Their report is dated 20 April 2015 and the market value of the property was found to be \$2.8 million. In the Directors opinion, the independent valuation best reflects current market conditions and the recoverable amount of the property. An impairment charge of \$148,185 was recorded in 2016. The carrying value of the property remains at \$2.8 million as at 30 June 2017.

The Directors considered the valuation of the property owned by the College at 207 Albion Street, Surry Hills and obtained professional advice from an insurance valuer to ascertain the insurance replacement value. The advice received was a formal valuation and was dated May 2013. Based on the valuation provided, the property has a current replacement value of \$2.78 million. This valuation takes into account the age and condition of the property, recent comparable sales and the fact that it is heritage listed. The above value does not include costs of realisation, estimated to be in the range of 3% to 4%. In the Directors opinion, this valuation and current market conditions continue to support that the carrying value of the property of \$1.29 million, is not in excess of its recoverable amount.

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
Note 13. Intangibles		
Software and website development:		
At cost	441,725	527,273
Less: Accumulated amortisation	(168,128)	(87,887)
Software under development	264,646	-
	<u>538,243</u>	<u>439,386</u>
Movements in carrying amounts:		
Balance at the beginning of the year	439,386	436,812
Additions	438,121	56,566
Write-downs	(269,544)	-
Amortisation	(69,720)	(53,991)
Carrying value at the end of the year	<u>538,243</u>	<u>439,386</u>
Note 14. Trade and Other Payables		
Current (unsecured)		
Trade creditors	937,941	181,659
Accruals	406,897	495,922
Income tax payable	794,443	718,555
Deferred lease incentive	37,784	56,676
Other current payables	776,128	289,631
Total trade and other payables	<u>2,953,193</u>	<u>1,742,443</u>
Other Current Liabilities (unsecured)		
Grant income deferred	2,746,493	4,281,603
Funds committed for special purpose projects	1,000,421	-
Revenue received in advance	13,406,413	14,163,108
Total other liabilities	<u>17,153,327</u>	<u>18,444,711</u>
Note 15. Borrowings		
Current (secured)		
Lease liability (Note 14)	18,712	6,237
Non Current (secured)		
Lease liability (Note 14)	<u>38,982</u>	<u>70,169</u>
Total current and non current secured liabilities	<u>57,694</u>	<u>76,406</u>

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
Note 16. Provisions		
Current		
Employee benefits:		
Annual leave	963,469	1,004,881
Long service leave	<u>351,958</u>	<u>325,992</u>
Total current provisions	<u>1,315,427</u>	<u>1,330,873</u>
Non Current		
Employee benefits:		
Long service leave	425,885	365,232
Provision for make good - Refer to note 3(n)	<u>230,000</u>	<u>330,000</u>
Total non current provisions	<u>655,885</u>	<u>695,232</u>

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 3 of this financial report.

A make good provision has been made for the present value of the anticipated costs for future restoration of leased premises. As the restoration costs will be incurred in relation to fit outs installed by the company the costs are capitalised over the lease term and depreciated on a straight line basis.

Note 17. Capital and Lease Commitments

(a) Finance Lease Commitments Payable:

- Not later than one year	18,712	6,237
- Later than one year but not later than five years	<u>38,982</u>	<u>70,168</u>
Minimum lease payments	57,694	76,405
Less future finance charges		-
Total lease liability	<u><u>57,694</u></u>	<u><u>76,405</u></u>

The finance lease on office plant and equipment, which commenced in September 2015, is a 5-year lease. The lease payments are paid monthly in advance. The security for this lease is the asset being leased under this arrangement.

(b) Operating Lease Commitments Payable:

Non-cancellable operating leases contracted for but not capitalised in the consolidated financial statements.

- No later than one year	683,573	809,445
- Later than two years but no later than five years	2,851,171	2,772,580
- Greater than five years	<u>255,023</u>	<u>1,012,969</u>
Total operating lease commitments	<u>3,789,767</u>	<u>4,594,994</u>

(c) Capital Expenditure

The Group has no commitments for capital expenditure at the date of this report

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
Note 18. Cash Flow Information		
(a) Reconciliations of Cash		
Cash at bank	7,778,033	12,607,312
Cash held in trust	-	191,116
	<u>7,778,033</u>	<u>12,798,428</u>
(b) Reconciliation of Profit after Income Tax to Net Cash from Operating Activities		
Profit after income tax	2,558,365	1,755,552
Non-cash flows in profit		
Depreciation	857,100	861,463
Movement in bad debt provision	(25,886)	79,370
Fair value loss on financial assets through to profit or loss	(358,997)	135,078
Loss on disposal of fixed assets	369,233	-
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	399,435	(614,468)
Decrease/(increase) in prepayments and other current assets	5,261	(753,552)
Decrease/(increase) in deferred tax assets	7,233	(66,812)
Increase in tax payable	75,887	515,464
Increase/ (decrease) in creditors and accruals	1,378,584	(46,217)
(Decrease)/increase in provisions	(24,793)	68,223
(Decrease)/increase in other unearned revenue	(1,535,106)	235,591
Cash flows provided by operating activities	<u>3,706,316</u>	<u>2,169,692</u>

Note 19. Interests in Subsidiary

	Proportion of Ownership interests	
	30 June 2017	30 June 2016
RCPA Quality Assurance Programs Pty Ltd	100%	100%
The company is incorporated in Australia and provides quality assurance services for pathology laboratories.		

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
 ABN 52 000 173 231

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

Note 19. Interests in Subsidiary (continued)

Significant judgements and assumptions

On 1 July 2015, The Royal College of Pathologists of Australasia, a company limited by guarantee, acquired 100% of the ordinary shares of RCPA Quality Assurance Programs Pty Limited, a company incorporated in Australia, for a total consideration of \$2. There is no contingent consideration. The Royal College of Pathologists of Australasia's principal activities is the study of sciences and practice of pathology in relation to medicine. RCPA Quality Assurance Programs Pty Limited's principal activity is the operation of quality assurance programs for pathology labs.

As both The Royal College of Pathologists of Australasia and RCPA Quality Assurance Programs Pty Ltd are under common control, the pooling of interest method is used.

The acquired business contributed revenues of \$17,614,455 and profit before interest and tax of \$2,360,754 to the consolidated entity for the period from 1 July 2015 to 30 June 2016. As the business was acquired under common control, the prior comparatives were restated to reflect the acquisition from the earliest reported period. As such the acquired business contributed revenues of \$17,799,142 and profit before interest and tax of \$2,174,444 to the consolidated entity for the period from 1 July 2014 to 30 June 2015.

Note 20. Related Party Transactions

	2017	2016
	\$	\$
During the year the College entered into the following transactions with the following entities.		
Cost recovery from ICCR	69,888	88,235
Amount owed by ICCR at balance date	9,788	37,950

Term of payment for ICCR is 30 days from the date of invoice.

ICCR, full name International Collaboration for Cancer Reporting Limited, was established as a company limited by guarantee in 2014. The College is a founding member of ICCR and has permanent representation on the board of directors.

Note 21. Remuneration of Directors

The Directors of the College received no remuneration or benefits during the financial year (2016: \$Nil).

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Dr Roger Wilson	Prof Anthony Landgren
Dr Michael Dray	Dr Michael Harrison
Dr Lawrence Bott	Dr Merrole Cole-Sinclair
Dr Bruce Latham	Dr Janet Kencian
Dr Christine Hemmings (appointed in Feb. 2017)	Dr Sophie Otto (resigned in February 2017)

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

Note 22. Key Management Personnel Remuneration

The total compensation of key management personnel is as follows:

	2017	2016
	\$	\$
Salaries, bonuses and superannuation contributions	<u>970,723</u>	<u>917,973</u>

Note 23. Contingent Liabilities

The Directors of the College are not aware of any contingent liabilities as at 30 June 2017 (2016 \$Nil).

Note 24. Events Subsequent to Reporting Date

No matters or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2017	2016
	\$	\$
Profit after income tax	<u>488,405</u>	<u>303,025</u>
Total comprehensive income	<u>488,405</u>	<u>303,025</u>

Statement of financial position

	Parent	
	2017	2016
	\$	\$
Total current assets	<u>16,397,114</u>	<u>17,195,644</u>
Total assets	<u>21,295,775</u>	<u>21,421,516</u>
Total current liabilities	<u>9,923,716</u>	<u>10,535,766</u>
Total liabilities	<u>10,147,897</u>	<u>10,762,024</u>
Equity		
Retained earnings	<u>11,147,897</u>	<u>10,659,492</u>
Total equity	<u><u>11,147,897</u></u>	<u><u>10,659,492</u></u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has not entered into any guarantees in relation to the debts of its subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 3.

THE ROYAL COLLEGE OF PATHOLOGISTS OF AUSTRALASIA
ABN 52 000 173 231

Directors' Declaration

In the opinion of the Directors of the Royal College of Pathologists of Australasia:

1. The consolidated financial statements and notes of the Royal College of Pathologists of Australasia are in accordance with the Corporations Act 2001, including:
 - Giving a true and fair view of its financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - Complying with Australian Accounting Standards - Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Royal College of Pathologists of Australasia will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

Michael Harrison
President

Jan Kencian
Treasurer