

Royal Flying Doctor Service of Australia (Western Operations)

Financial Report for the Year Ended 30 June 2018

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CHAIRMAN'S MESSAGE

On behalf of the Board, I am pleased to present the Annual Report of the Royal Flying Doctor Service of Australia (Western Operations) for the financial year ended 30 June 2018.

This financial year was highlighted by nationwide celebrations and accolades for the 90th Anniversary of the Royal Flying Doctor Service (RFDS).

For Western Operations, the 90th Anniversary gave opportunity to re-engage our staff and stakeholders past, present and future, from all corners of the state. Our official celebration took place at Government House Ballroom on the 17th May. Our guests of honour, The Hon. Kim Beazley, Governor of Western Australia and Deputy Premier, The Hon. Roger Cook gave highly engaging speeches that conveyed the ingenuity and commitment to community that has defined our service and regard in Western Australia.

The 90th Anniversary event was the first public event and address for the new Chief Executive Officer - Western Operations, Rebecca Tomkinson. Commencing in January 2018, Rebecca was previously an Executive Director at MercyCare, Chief Operating Officer at BaptistCare and led major strategic and transformational projects across private and public sectors. Rebecca is the current Chair of the Wheatbelt Development Commission.

In mid financial year, the organisation undertook a transition of resources from the Derby base to Broome. The initiative was a response to changes in patient flow and demand within the Kimberley region. Since 2009, Western Operations had been monitoring a steady shift in patient flow away from Derby and increasing through Broome. The transition program was phased from October 2017 to March 2018 to ensure minimal impact to the Derby team and the local community. The RFDS Derby base had operated for over 60 years and will remain an important part of our history and evolution in Western Australia.

The PC-24 jet aircraft project gained significant momentum in the latter half of the financial year. Our focus on organisational capacity and seamless integration in to fleet and service achieved a number of outcomes including international advanced training for our engineers and pilots. The investment in their development ensures expertise and governance is maintained within RFDS as well as offering new skills opportunities for our staff. The first of the two jets is due to arrive late 2018.

We continued to actively engage our relationships with the Western Australian and Commonwealth governments throughout the financial year. Prior to the release of the 2018/19 Federal Budget in May, the Prime Minister announced a commitment to the Royal Flying Doctor Service across Australia.

The demand for our services from people living, working and travelling in regional and remote Western Australia has increased compared to last year, and the distances travelled across our vast State increased to over 8.7million billable kilometres.

In this financial year, we received a total of \$6.3 million from donors, corporate partners, members and contributors to our various fundraising events and activities. A further \$5.6million has been received from bequests; a poignant legacy to take with us into the future. We are supported by a network of dynamic and passionate advocates of Western Operations. I would like to extend my sincere thanks to all our valued auxiliaries across the state.

Our long term partner, Rio Tinto commenced its four year, \$10 million investment in the Rio Tinto LifeFLight PC-24 jet aircraft. From 2017-18 to 2020-21, RFDS will receive \$2.5 million annually. The two jets will cost Western Operations over \$26 million in capital expenditure.

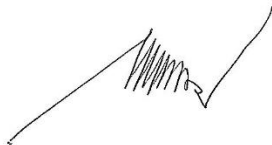
Our most prized asset is the people of Western Operations. We boast a high calibre team of accomplished experts and leaders in medicine, aviation, engineering, ICT, logistics, business, government and community disciplines. Our reputation for excellence is a credit to all of our staff across the state. Their focus and dedication to the service of our patients this year has been truly remarkable, and I would like to acknowledge and thank our staff for their tremendous efforts in delivering the essential service that is the RFDS to people living, working and travelling in regional and remote Western Australia.

For the 2017/18 financial year Western Operations recorded an operating deficit of \$20.7million, and a net deficit of \$4.5million after non-operating revenue of \$16.2million, as outlined in the Directors' Report on page 5. State funding increased on last year by 4.8% and Commonwealth funding decreased compared to last year by 15.0%. As such, our viability as a long-term corporate social investment is crucial to future growth.

Non-Operating income of \$16.2million was received, including fundraising revenue of \$6.3million, bequests of \$5.6million and capital grants of \$3.8million. This year we received capital grants from the WA Government of \$2.8million and Commonwealth Government of \$1million.

There has been an increase for 2018/19 in Commonwealth funding following the May 2018 Federal Budget. It is expected the increased funding will result in a reduction to the operating deficits experienced over the last few years due to the Commonwealth changing the funding model. In addition Western Operations has been going through a period of change to continuously enhance service delivery and improve efficiencies.

In my first financial year as Chairman, I would like to extend my sincere thanks to my fellow Directors, our Chief Executive Officer Rebecca Tomkinson and the Executive Management Team for their support, energy and commitment to the future of RFDS.

A handwritten signature in black ink, appearing to read 'Sam Walsh', with a stylized flourish at the end.

Sam Walsh AO
Chairman

Directors' Report

Your Directors present their report on the Royal Flying Doctor Service of Australia (Western Operations), referred to as "Western Operations", for the financial year ended 30 June 2018. The names and particulars of the Directors of Western Operations in office during and since the end of the financial year ended 30 June 2018 are:

Mr Sam Walsh AO
 Ms Erica Smyth AC
 Dr Ann Ward*
 Mr Colin Heath*
 Mrs Robyn Sermon *
 Mr John Walker* (appointed 27th October 2017)
 Mr Saul Harben* (appointed 27th October 2017)
 Mr Neville Bassett AM (retired 27th October 2017)
 Mr Michael Hutson (retired 27th October 2017)
 Mr John Hancock* (resigned 23rd February 2018)

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

Information on Directors

Mr Sam Walsh AO

Qualifications and Experience: Company Director and retired CEO Rio Tinto, B.Com, Overseas Fellowship (Kettering). Appointed as Director on 28 April 2017. Special Responsibilities: Member of the Remuneration Committee.

Ms Erica Smyth AC

Qualifications and Experience: Geologist BSc (Hons), Hon.DLitt *W.Aust.*, MSc (App) *McG.*, and Company Director, FAICD. Appointed by the Board on 26 February 2010 as an independent director. Special responsibilities: Chair of the Risk and Audit Committee.

Dr Ann Ward

Qualifications and Experience: Medical Practitioner MBBS, FRACGP; DRANZCOG (adv); DACCO. Director since 24 October 2010. Special responsibilities: Member of the Remuneration Committee.

Mr Colin Heath

Qualifications and Experience: Licensed Real Estate Agent, Property Developer and Company Director. Elected to the Board on 26 October 2012. Member of the Risk and Audit Committee.

Mrs Robyn Sermon

Qualifications and Experience: Acting Director, Innovation and Industry Engagement, UWA. GAICD, Bachelor of Arts in Industrial Relations & English and post-graduate degrees in Journalism and Cross Sector Partnerships. Elected to the Board on 25 October 2013.

Mr John Walker

Qualifications and Experience: Chief Executive Officer, Cit of Kalgoorlie-Boulder, Chairman of ASX Listed Newstat Ltd and Company Director. Elected to the Board on 27 October 2017.

Mr Saul Harben

Qualifications and Experience: Admitted Solicitor and Partner of Clayton Utz; B-Comm, LLB. Elected to the Board on 27 October 2017.

Mr Neville Bassett AM

Qualifications and Experience: Corporate Consultant, B.Bus, FCA. Appointed Director 6 January 1997. Special Responsibilities: Chairman, Member of the Remuneration Committee, Member of the Nominations Committee. Retired 27 October 2017.

Mr Michael Hutson

Qualifications and Experience: Accountant, B. Com, FCPA. Appointed Director 23 October 2004. Special responsibilities: Member of the Remuneration Committee. Retired 27 October 2017.

Mr John Hancock

Qualifications and Experience: Mining Consultant and Company Director. Appointed to the Board to fill a casual vacancy on 14 June 2014. Resigned 23 February 2018.

Directors' report continues...

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Mrs Ann Dawson

Qualifications and Experience: Accountant, MBA (Exec), B.Bus, CPA, GAICD. Appointed 19 September 2016 as Chief Financial Officer and Company Secretary. Has responsibility for finance, asset management, information management, corporate governance, risk management and administrative areas of the Company.

CORPORATE GOVERNANCE

The Board

The Board of Western Operations currently consists of eight Directors. Six Directors are elected by the members and the Board may appoint up to three independent Directors. Elected members are denoted with an asterisk (*)

COMMITTEES OF THE BOARD

Nominations Committee

The Nominations Committee consists of two Directors and meets as required. The purpose of this committee is to review nominations of Directors and make recommendations to the Board and to the Members.

Risk and Audit Committee

The Risk and Audit Committee consists of three Directors and three Executive Managers, and meets at least twice a year. The committee assists the Board in fulfilling its responsibilities for Company accounts and external financial reporting and also reviews the risk management profile and reporting for the Company. The committee is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

Remuneration Committee

The Remuneration Committee consists of three Directors, and meets at least once a year. The purpose of this committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Chief Executive Officer and the Executive Management Team.

Directors' report continues...

Directors' attendance at meetings July 2017 to June 2018

Directors	Board Meeting		Risk & Audit Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr S Walsh AO	5	5			1	1
Ms E Smyth AC	5	5	3	3	1	1
Dr A Ward	5	5				
Mr C Heath	5	3	3	3		
Ms R Sermon	5	5	3	3	1	1
Mr J Walker (appointed Oct 2017)	3	2				
Mr S Harben (appointed Oct 2017)	3	2				
Mr N Bassett (retired Oct 2017)	2	2				
Mr M Hutson (retired Oct 2017)	2	1				
Mr J Hancock (resigned Feb 2018)	3	0				

There were no Nominations Committee Meetings held in the year ended 30 June 2018.

Principal Activities

The principal activities of Western Operations during the financial year were the provision of aero- medical health services to people travelling, working and living in remote and regional Western Australia.

The company's objectives are to expand the range, reach and quantity of primary health services, and to improve health outcomes for people transported by RFDS aircraft and crews and for people consulted by phone or in person at RFDS clinics.

In the short term, Western Operations aims to improve performance in emergency services in terms of response times and to increase capacity by way of staff and aircraft in order to meet the ongoing high level of demand for patient evacuation. The short term objectives for primary health care are to ensure that clinic services and health programs are delivered efficiently and cost effectively. Management of expenditure that is subject to foreign exchange or pricing risk such as aviation fuel is achieved with competitive national contracts for supply and ongoing monitoring and control. We are committed to our people and in order to achieve our objectives the company must be financially sustainable and able to fund our strategic health priorities.

The following information demonstrates the level of activity:

	2017-18	2016-17
Patients Transported & Treated		
Primary Evacuations	1,415	1,427
Inter-hospital Transfers	7,014	6,789
Repatriations on emergency aircraft	106	114
Total Patients Transported	8,535	8,330
Total Clinics Held	1,896	1,813

Further information about activity and performance is provided in our published '2017-18 Year in Review' document.

Directors' report continues...

Operating Results

Western Operations made an operating deficit of \$20,734,453 which was subsidised by non-operating revenue from fundraising, bequests and capital grants, resulting in an overall deficit of \$4,541,750. Capital grants from Government totalling \$3,828,530 were applied to the purchase of aircraft and construction costs. This expenditure is not recorded as operating expenditure but forms part of the increase of aircraft and property assets reported in the Statement of Financial Position.

The following table provides a summary reconciliation:

	2018	2017
Operating Revenue	72,583,709	71,959,633
Operating Expenditure	(93,318,162)	(89,261,467)
Deficit on Operations	(20,734,453)	(17,301,834)
Non Operating Revenue		
Capital Grants	3,828,530	11,741,534
Total Capital Revenue Applied to Assets	3,828,530	11,741,534
Fundraising revenue *	6,251,199	6,064,752
Bequests and RFDS Australia (Federation Office)	6,112,974	4,801,807
Total Non Operating Revenue	16,192,703	22,608,093
Net Result	(4,541,750)	5,306,259
Add back		
Depreciation expenses	8,897,967	8,496,228
Loss on Sale of Assets	2,084,284	2,453,818
Borrowing Costs	156,905	155,608
	11,139,156	11,105,654
Less		
Interest received	596,566	656,620
Capital Grants	3,828,530	11,741,534
Bequest income	5,634,757	2,868,347
	10,059,853	15,266,501
Operating EBITDA *	(3,462,447)	1,145,412

* Shows that all Fundraising revenue for 2017/18 of \$6.3m has been needed to cover operating costs, leaving none available for use towards capital replacement/investment. This has increased from that of last year 2016/17 whereby \$5m (or 82%) of Fundraising revenue was used to cover operating costs.

Operating expenditure includes fundraising expenses of \$2,165,899 or 18.22% of fundraising revenue earned in the year ended 30 June 2018 (2017 \$1,778,377 or 19.91% of fundraising revenue).

There has been an increase in Commonwealth funding following the May 2018 Federal Budget.

After Balance Date Events

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

Directors' report continues...

Members' Guarantee

The Company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$10 each toward meeting any outstanding obligations of the entity. At 30 June 2018, the total amount that members of the company are liable to contribute if the company is wound up is \$0, (2017: \$0).

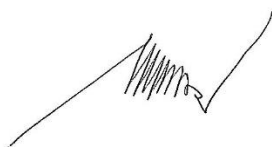
Review of Operations

Please refer to the Chairman's Message.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13 and forms part of this report.

Signed in accordance with a resolution of the Board of Directors:

A handwritten signature in black ink, appearing to read 'Sam Walsh', with a long, sweeping horizontal line extending to the left.

Sam Walsh AO
Chairman

Date: 3 September 2018
Perth, Western Australia

Independent Auditor's Report

To the Members of Royal Flying Doctor Service of Australia (Western Operations)

Opinion

We have audited the financial report of Royal Flying Doctor Service of Australia (Western Operations) ("the Company") which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001* and Division 60 of 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 30 June 2018 and of its financial performance and cash flows for the year then ended; and
- b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

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

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

Information Other than the Financial Report and Auditor's Report Thereon

Those charged with governance are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards, the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, 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 the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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 the 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 the 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 management.
- Conclude on the appropriateness of the management's 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.

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, related safeguards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
3 September 2018

Di Giallonardo

L Di Giallonardo
Partner

DIRECTORS' DECLARATION

The Directors of Royal Flying Doctor Service of Australia (Western Operations) declare that:

1. In the Directors' opinion, the financial statements and notes, are in accordance with the *Corporations Act 2001* and Division 60 of the Australian Charities and Not-for-profits Commission Act 2012 and;

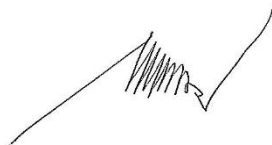
a. comply with Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulations 2013*; and

b. give a true and fair view of the financial position as at 30 June 2018 and of the performance of the Company for the year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. In the Directors' opinion, the financial statements and notes are prepared in compliance with International Financial Reporting Standards and Interpretations adopted by the International Accounting Standards Board, as described in Note 1.

This declaration is made in accordance with a resolution of the Board of Directors.



Sam Walsh AO
Chairman

3 September 2018
Perth, Western Australia

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Royal Flying Doctor Service of Australia (Western Operations) for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia
3 September 2018


L Di Giallonardo
Partner

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Continuing Operations			
Revenue from Operations	2	72,583,709	71,959,633
Expenses			
Aviation Expenses		34,101,943	33,158,421
Health Services Expenses		31,172,809	30,407,471
Depreciation Expense		8,897,967	8,496,228
Loss on Sale of Assets		2,084,284	2,453,818
Loss on Foreign Exchange		409,824	247,729
Facility Expenses		5,225,425	5,079,904
Administrative Expenses		7,466,888	5,967,609
Fundraising Expenses		2,165,899	1,778,377
Borrowing Costs		156,905	155,608
Project Expenses		1,404,313	1,264,691
Other Expenses		231,905	251,611
		93,318,162	89,261,467
Deficit for the year from continuing operations		(20,734,453)	(17,301,834)
Non-Operating Revenue	2	16,192,703	22,608,093
Surplus / (Deficit) for the year		(4,541,750)	5,306,259
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss:</i>			
Reversal of previous revaluation increments		(6,904)	(652,847)
		(6,904)	(652,847)
Total Comprehensive Income / (Deficit) for the year		(4,548,654)	4,653,412

The accompanying notes form part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018	2017 \$
Assets			
Current Assets			
Cash & cash equivalents	6	27,372,154	35,611,318
Trade & other receivables	7	9,435,613	8,686,335
Inventories	8	2,103,185	1,518,756
Assets classified as held for sale	10	262,222	3,536,280
Total Current Assets		<u>39,173,174</u>	<u>49,352,689</u>
Non-Current Assets			
Financial assets	9	302,138	267,355
Aircraft, property, plant and equipment	11	89,358,450	80,678,968
Total Non-Current Assets		<u>89,660,588</u>	<u>80,946,324</u>
Total Assets		<u>128,833,762</u>	<u>130,299,012</u>
Current Liabilities			
Trade and other payables	12	11,049,787	7,790,443
Financial liabilities	13	296,144	280,915
Short-term provisions	14	3,719,474	3,701,406
Total Current Liabilities		<u>15,065,405</u>	<u>11,772,764</u>
Non-Current Liabilities			
Financial liabilities	13	2,945,358	3,241,502
Long-term provisions	14	452,999	366,093
Total Non-Current Liabilities		<u>3,398,357</u>	<u>3,607,595</u>
Total Liabilities		<u>18,463,762</u>	<u>15,380,359</u>
Net Assets		<u>110,370,000</u>	<u>114,918,654</u>
Equity			
Retained earnings		90,911,569	95,453,319
Asset revaluation reserve		19,438,431	19,445,335
Pharmaceutical reserve		20,000	20,000
Total Equity		<u>110,370,000</u>	<u>114,918,654</u>

The accompanying notes form part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Retained Earnings	Asset Revaluation Reserve	Pharmaceutical Reserve	Total
	\$	\$	\$	\$
Balance at 30 June 2016	90,147,061	20,098,182	20,000	110,265,243
Surplus attributable to the entity	5,306,259	-	-	5,306,259
Revaluation adjustment	-	(652,847)	-	(652,847)
Total comprehensive income for the year	5,306,259	(652,847)	-	4,653,412
Closing balance at 30 June 2017	95,453,319	19,445,335	20,000	114,918,654
Deficit attributable to the entity	(4,541,750)	-	-	(4,541,750)
Revaluation adjustment	-	(6,904)	-	(6,904)
Total comprehensive loss for the year	(4,541,750)	(6,904)	-	(4,548,654)
Closing balance 30 June 2018	90,911,570	19,438,430	20,000	110,370,000

The accompanying notes form part of the Financial Statements.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from services provided		15,257,655	8,383,904
Payments to suppliers and employees		(86,527,171)	(81,772,139)
Commonwealth operational grants		17,562,244	20,665,815
State operational grants		41,562,479	39,658,849
Other Grants - Projects		4,402,087	2,202,904
Dividends received		6,506	7,457
Interest received		596,566	656,620
Finance costs		(156,905)	(155,608)
Net cash (used in) operating activities	15	<u>(7,296,539)</u>	<u>(10,352,198)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of aircraft, property, plant and equipment		(17,231,734)	(16,843,512)
Proceeds from sale of property, plant and equipment		434,233	3,558,262
Repayment of bonds		(41,687)	(1,540)
Government capital grants received		3,828,530	11,741,534
Bequests		5,634,757	2,868,347
RFDS Australia (Federation Office)		478,217	1,933,460
Proceeds from fundraising activities		6,251,199	6,064,752
Term deposit - Aeromedical Fund		-	2,095,802
Net cash provided by / (used in) investing activities		<u>(646,485)</u>	<u>11,417,105</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(296,140)	(4,086,786)
Reduction in finance lease and hire purchase liabilities		-	-
Net cash (used in) financing activities		<u>(296,140)</u>	<u>(4,086,786)</u>
Net (decrease) in Cash Held		(8,239,164)	(3,021,879)
Cash at beginning of year		35,611,318	38,633,196
Cash at end of year	15	<u>27,372,154</u>	<u>35,611,318</u>

The accompanying notes form part of the Financial Statements.

Notes to the Financial Statements for the Financial Year ended 30 June 2018

1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is for Royal Flying Doctor Service of Australia (Western Operations), referred to as “Western Operations”, as an individual entity, incorporated and domiciled in Australia, is a public company limited by guarantee. The principal activities of the entity are described in the Directors’ report.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Adoption of New and Revised Standards

In the year ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2018. As a result of this review the Directors have determined that the following standards may have a material effect on the Company’s accounting policies in future financial periods, however the Company has not yet quantified this effect:

- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 1058 Income of Not-for-Profit Entities
- AASB 9 Financial Instruments

Statement of Compliance

The financial report was authorised for issue on 3 September 2018. The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Accounting Policies

a) Income Tax

Due to the nature of its activities, Western Operations has been granted an exemption from the payment of income tax under Division 50 of the Income Tax Assessment Act 1997.

b) Inventories

Inventories are measured at cost, adjusted when applicable for any loss of service potential. Inventories acquired at no cost, or for nominal consideration are valued at the current replacement cost as at the date of acquisition.

c) Aircraft, property, plant & equipment

Aircraft

Aircraft are stated at their fair value based on periodic, but at least triennial, valuations by the board, less subsequent depreciation. In determining the fair value, the board will consider utilising all information at its disposal, which could include independent, external valuations, evidence available to the board in relation to current market values, and any other relevant information.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm’s length transaction as at the valuation date.

Increases in the carrying amount arising on revaluation of aircraft are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same class of assets are charged against the revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income.

Notes to the Financial Statements for the Financial Year ended 30 June 2018

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Aircraft that have been contributed at no cost, or for nominal cost are valued at the fair value of the asset at the date they are acquired.

Rotable Assets

Rotable assets are stated at their fair value based on periodic, but at least triennial, valuations by the board. In determining the fair value, the board will consider utilising all information at its disposal, which could include independent, external valuations, evidence available to the board in relation to current market values, and any other relevant information.

Rotable assets comprise major aircraft components and their fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Increases in the carrying amount arising on revaluation of rotatable assets are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same class of assets are charged against the revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income.

Property

Freehold land and buildings are stated at their fair value based on periodic, but at least triennial, valuations by the board, less subsequent depreciation for buildings. In determining the fair value, the board will consider utilising all information at its disposal, which could include independent, external valuations, evidence available to the board in relation to current market values, and any other relevant information. In prior years, the triennial restatements to fair value were based solely on independent, external valuations. This constitutes a change in accounting policy.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same class of assets are charged against the revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Freehold land and buildings that have been contributed at no cost, or for nominal cost are valued at the fair value of the asset at the date they are acquired.

Plant and Equipment

Plant and equipment are measured on the cost basis less 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 these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Plant and equipment that have been contributed at no cost, or for nominal cost are valued at the fair value of the asset at the date they are acquired.

Depreciation

Depreciation is provided on property, plant and equipment, including buildings and capitalised lease assets, but excluding land and rotatable assets. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life.

The following estimated useful lives are used in the calculation of depreciation:

Buildings (Incl. Leasehold Improvements)	10 - 15 years
Aircraft – turbo prop	15,000 hours
Aircraft – jet	10 years
Plant and equipment	5 - 10 years
Office equipment	3 years
Furniture and Fittings	3 years
Motor Vehicles	7 years
Software	1 – 2 years

Notes to the Financial Statements for the Financial Year ended 30 June 2018

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to Western Operations, are classified as finance leases. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Impairment of Assets

Western Operations assesses at each reporting date whether there is an indication that an asset class may be impaired. If any such indication exists, the recoverable amount of the asset class, being the higher of the class of asset's fair value less costs to sell and value-in-use, is compared to the class of asset's carrying value. Any excess of the class of assets carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where the future economic benefits of the asset class are not primarily dependent upon the class of asset's ability to generate net cash inflows and when Western Operations would, if deprived of the asset class, replace its remaining future economic benefits, value-in-use is determined to be the depreciated replacement cost of an asset class.

Where it is not possible to estimate the recoverable amount of an assets class, Western Operations estimates the recoverable amount of the cash-generating unit to which the class of assets belongs.

d) Employee Benefits

Provision is made for Western Operations' liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the net present value of expected future payments.

e) Comparative Figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented for the current financial year.

f) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

The Company is the sole beneficiary of two trusts, which are not included in the assets and liabilities reported in the Statement of Financial Position. The accounts are held on term deposit with Bankwest. Balances held as at 30 June 2018 are as follows:

R & H Dicks Memorial Foundation	\$296,157
Eileen Lillian Cross RFDS Education Trust	\$322,977

g) Foreign Currency

All foreign currency transactions during the financial year have been brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Exchange differences are brought to account in the statement of comprehensive income in the period in which they arise except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Notes to the Financial Statements for the Financial Year ended 30 June 2018

h)

*Financial Instruments***Recognition and Initial Measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when Western Operations becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed in the statement of comprehensive income immediately.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby Western Operations no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred and the fair value of consideration paid, including the transfer of non-cash assets or liabilities is assumed in statement of comprehensive income.

*Classification and Subsequent Measurement***Financial assets at fair value through profit and loss**

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in statement of comprehensive income.

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 interest rate method.

Held-to-maturity investments

These investments are non-derivative financial assets that have fixed maturities, and it is Western Operations' intention to hold these investments to maturity. Any held-to-maturity investments held by Western Operations are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. Changes in fair value are recognised through equity unless significant or prolonged where they are recognised in statement of comprehensive income.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are recognised at amortised cost using the effective interest rate method.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, Western Operations assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Notes to the Financial Statements for the Financial Year ended 30 June 2018

i) Revenue Recognition

Revenue from Grants:

Revenue from government grants are recognised on the receipt of monthly payments, except for lump sums received in advance of the financial year for which the grants are paid. Where grants are received in advance, they are recorded as a liability, "Income received in Advance", and are included in Trade and Other Payables.

Revenue from insurance recoveries:

Revenue from insurance recoveries is recognised when invoices are raised.

Donations, Fundraising Revenue and Bequests:

Donations, fundraising revenue and bequests are recognised as revenue when received unless they are designated for a specific purpose, where they are carried forward as prepaid income in the statement of financial position.

Other Revenue:

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities which is disclosed as operating cash flows.

k) Unexpended Grants

Western Operations 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 Western Operations to treat grant monies as unexpended grants in the statement of financial position where the entity 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.

l) Contributions

Western Operations receives non-reciprocal contributions from the government and other parties for no value or a nominal value. These contributions are recognised at the fair value on the date of acquisition upon which time an asset is taken up in the statement of financial position and revenue in the statement of comprehensive income.

m) Provisions

Provisions are recognised when Western Operations has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in expenditure in the period in which they are incurred.

o) Economic Dependence

Western Operations is dependent on both the Federal and State Government for the majority of its revenue used to fund operations. At the date of this report the Board of Directors has no reason to believe that this support will not continue.

Notes to the Financial Statements for the Financial Year ended 30 June 2018

Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgments 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 Western Operations.

Western Operations assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Western Operations evaluates the useful life of assets, according to the type of asset, manufacturer's recommendations, annual utilisation and experience in maintaining and operating the asset under conditions specific to the Company.

Notes to the Financial Statements for the Financial Year ended 30 June 2018**2 REVENUE**

	2018	2017
	\$	\$
Revenue from Operations		
Commonwealth Government Service Agreement	17,562,244	20,665,815
State Government WA Health Department	41,562,479	39,658,849
Interest received	596,566	656,620
Dividends received	6,506	7,457
Insurance recoveries	6,323,557	7,160,401
Gain on foreign exchange	162,434	255,174
Other income	1,967,836	1,352,413
Project grants	4,402,087	2,202,904
	72,583,709	71,959,633
Non-Operating Revenue		
Capital grants	3,828,530	11,741,534
RFDS Australia (Federation Office)	478,217	1,933,460
Fundraising revenue	6,251,199	6,064,752
Bequest Income	5,634,757	2,868,347
	16,192,703	22,608,093
TOTAL REVENUE	88,776,412	94,567,726

3 SURPLUS

	2018	2017
	\$	\$
Expenses		
Depreciation	(8,897,967)	(8,496,228)
Operating lease expenses	(1,425,805)	(1,083,406)
Borrowing costs	(156,905)	(155,608)
Loss on foreign exchange*	(409,824)	(247,729)
Loss on sale of assets	(2,084,284)	(2,453,818)

* The loss on foreign exchange is derived from the purchase of aircraft, fuel, engine overhaul services and spare parts. The risk is managed with the use of forward exchange contracts.

4 KEY MANAGEMENT PERSONNEL COMPENSATION

	2018	2017
	\$	\$
Short-term benefits	2,248,380	2,248,884
Post employment benefits	199,013	198,875
Total compensation	2,447,393	2,447,758

Notes to the Financial Statements for the Financial Year ended 30 June 2018**5 REMUNERATION OF AUDITORS**

	2018 \$	2017 \$
Remuneration of the auditor of the company for:		
(a) Auditing the financial report	48,500	47,000
(b) Other assurance services - program acquittals	750	500
	<u>49,250</u>	<u>47,500</u>

6 CASH AND CASH EQUIVALENTS**Current**

Cash at bank and on hand	9,601,464	11,193,328
Short-term bank deposits	<u>17,770,690</u>	<u>24,417,990</u>
	<u>27,372,154</u>	<u>35,611,318</u>

The weighted average interest rate on cash and cash equivalents was 2.10% (2017: 1.67%). These deposits are held at call or with a maturity of only 90 days.

7 TRADE AND OTHER RECEIVABLES

Trade receivables	8,242,859	8,898,012
Provision for impairment of receivables (i)	<u>(388,981)</u>	<u>(388,981)</u>
	<u>7,853,878</u>	<u>8,509,031</u>
Other - Employees	9,224	9,239
Other - Prepayments	<u>1,572,511</u>	<u>168,065</u>
	<u>1,581,735</u>	<u>177,304</u>
	<u>9,435,613</u>	<u>8,686,335</u>

(i) Allowance for Impairment of Receivables

Current trade receivables are generally on 30 day terms. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been included in other expense items.

	Opening Balance	Charge for the year	Amounts Written Off	Closing Balance
Current trade receivables				
Balance as at 30 June 2017	349,003	39,979	-	388,981
Balance as at 30 June 2018	388,981	-	-	388,981

All impaired receivables relate to insurance recoveries and are treated as doubtful debts with ageing of 120 plus days.

No write-offs are anticipated.

(ii) Ageing of past due but not impaired receivables

	Total	31-60 Days	61-90 Days	91-120 Days	120+ Days
Aged Analysis Trade Receivables					
Balance as at 30 June 2017	2,950,689	1,939,902	218,897	791,890	-
Balance as at 30 June 2018	907,164	170,881	123,717	612,566	-

Notes to the Financial Statements for the Financial Year ended 30 June 2018**8 INVENTORIES**

	2018	2017
	\$	\$
At cost		
Aircraft spare parts	1,888,357	1,327,438
Merchandise and Uniforms	193,893	170,414
Aviation Fuel	20,935	20,904
	<u>2,103,185</u>	<u>1,518,756</u>

9 FINANCIAL ASSETS**Non-Current**

Bonds	207,167	165,480
Available-for-sale financial assets (Listed investments - shares in listed corporations at fair value)	94,971	101,875
	<u>302,138</u>	<u>267,355</u>

10 ASSETS CLASSIFIED AS HELD FOR SALE

	2018	2017
	\$	\$
Land and buildings	262,222	3,536,280
	<u>262,222</u>	<u>3,536,280</u>

The company intends to dispose of various land and buildings it no longer uses in the next 12 months. Land and buildings reclassified were impaired in the prior year. During the current year, certain land and buildings which had met to criteria in the previous year to classify them as being held for sale, no longer met this criteria, and have been reclassified to property, plant and equipment.

Notes to the Financial Statements for the Financial Year ended 30 June 2018**11 AIRCRAFT, PROPERTY, PLANT AND EQUIPMENT**

	2018 \$	2017 \$
Land and Building - at fair value (i)	35,481,184	35,481,184
Land and Building - at cost	1,694,979	-
Accumulated depreciation	(1,897,538)	-
Impairment	-	-
	<u>35,278,625</u>	<u>35,481,184</u>
Aircraft - at fair value (ii)	41,757,624	41,757,624
Aircraft - at cost	11,478,810	-
Accumulated depreciation	(2,123,285)	-
	<u>51,113,150</u>	<u>41,757,624</u>
Rotable Assets - at fair value (iii)	528,526	506,451
Accumulated depreciation	-	-
	<u>528,526</u>	<u>506,451</u>
Plant, equipment, furniture - at deemed cost	10,435,003	10,437,792
Accumulated depreciation	(8,028,434)	(7,552,129)
	<u>2,406,569</u>	<u>2,885,663</u>
Software - at cost	454,410	454,410
Accumulated depreciation	(422,830)	(406,364)
	<u>31,580</u>	<u>48,045</u>
	<u>89,358,451</u>	<u>80,678,968</u>

- (i) The Directors assessed the fair value of all property as at 30 June 2017 in accordance with the accounting policy disclosed in Note 1(c).
- (ii) The Directors assessed the fair value of aircraft as at 30 June 2017 in accordance with the Company's accounting policy disclosed in Note 1(c).
- (iii) The Directors assessed the fair value of rotatable assets as at 30 June 2017 in accordance with the accounting policy disclosed in Note 1 (c).

11a MOVEMENTS IN CARRYING AMOUNTS

Fair Value or Deemed Cost	Land & Buildings	Aircraft	Rotable Assets	Plant, Equipment &	Software	Total
Opening Balance 1 July 2017	35,481,183	41,757,624	506,451	10,437,792	454,410	88,637,460
Additions	166,180	16,533,062	22,075	38,239	-	16,759,557
Disposals	(1,818,498)	(5,054,252)	-	(41,028)	-	(6,913,778)
Transfer from assets classified as held for sale	3,347,298	-	-	-	-	3,347,298
Closing Balance 30 June 2018	<u>37,176,163</u>	<u>53,236,434</u>	<u>528,526</u>	<u>10,435,003</u>	<u>454,410</u>	<u>101,830,536</u>
Depreciation						
Opening Balance 1 July 2017	-	-	-	7,552,128	406,365	7,958,493
Depreciation Charge	2,439,650	5,924,518	-	517,334	16,465	8,897,967
Disposals	(542,113)	(3,801,233)	-	(41,028)	-	(4,384,375)
Closing Balance 30 June 2018	<u>1,897,538</u>	<u>2,123,285</u>	<u>-</u>	<u>8,028,433</u>	<u>422,830</u>	<u>12,472,085</u>

Notes to the Financial Statements for the Financial Year ended 30 June 2018

Additions	5,338,326	10,796,923	19,110	971,743	-	17,126,102
Disposals	(1,405,002)	(10,894,584)	-	(64,507)	-	(12,364,093)
Transfer to assets classified as held for sale	(3,536,280)	-	-	-	-	(3,536,280)
Impairment	(652,847)	-	-	-	-	(652,847)
Transfer on revaluation	(5,707,063)	(8,521,870)	-	-	-	(14,228,933)
Closing Balance 30 June 2017	35,481,183	41,757,624	506,451	10,437,792	454,410	88,637,461
Depreciation						
Opening Balance 1 July 2016	3,756,261	8,625,759	-	7,088,637	389,900	19,860,556
Depreciation Charge	2,006,771	5,965,309	-	507,683	16,465	8,496,228
Disposals	(55,969)	(6,069,197)	-	(44,192)	-	(6,169,358)
Transfer on revaluation	(5,707,063)	(8,521,870)	-	-	-	(14,228,933)
Closing Balance 30 June 2017	-	-	-	7,552,128	406,365	7,958,493

(i) In accordance with the Company's accounting policy, the Company has obtained independent valuations of its properties as at 30 June 2017. No impairment loss was recognised in the current financial year as the Directors of the Company expect the fair value less cost to sell to be higher than the carrying value.

12 TRADE AND OTHER PAYABLES

	2018 \$	2017 \$
Current:		
Trade Payables	3,127,464	1,347,481
Tax Liability - GST & PAYG	760,707	690,865
Deferred income and grants in advance	902,603	190,388
Annual leave	4,932,864	4,540,694
Short term leave	831,828	741,704
Other liabilities	494,321	279,311
	<u>11,049,787</u>	<u>7,790,443</u>

13 FINANCIAL LIABILITIES

	2018 \$	2017 \$
Current:		
Bank loan secured	296,144	280,915
Non-Current:		
Bank loan secured	<u>2,945,358</u>	<u>3,241,502</u>
	<u>3,241,502</u>	<u>3,522,417</u>

- Loans for aircraft represent 0% (2017: 0%) of total financial liabilities.
- Loans for the purchase of housing are secured by mortgage over the property subject to the loan. Housing loans represent 100% (2017: 100%) of total financial liabilities.

14 PROVISIONS**Provision for Long-term Employee Benefits**

A provision has been recognised for employee benefits relating to long service leave for employees. Provision is made for employees who have maintained continuous service for over six years and the amount provided includes the salary and on-costs attributable to each employee. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 1(d).

Notes to the Financial Statements for the Financial Year ended 30 June 2018

	2018	2017
	\$	\$
Employee Benefits		
Current	3,719,474	3,701,406
Non-Current	452,999	366,093
	<u>4,172,473</u>	<u>4,067,499</u>
Opening balance	4,067,499	4,180,794
Additional provisions raised during the year	948,326	273,928
Amounts used	(843,352)	(387,223)
Closing balance	<u>4,172,473</u>	<u>4,067,499</u>

15 NOTES TO THE STATEMENT OF CASH FLOWS

(a) The net cash used in operating activities is reconciled to the surplus for the year as follows:

	2018	2017
	\$	\$
Surplus / (Deficit) for the year	(4,541,750)	5,306,259
Depreciation	8,897,967	8,496,228
(Gain)/Loss in foreign exchange	409,824	247,729
(Gain)/Loss on disposal of property, plant and equipment	2,084,284	2,453,818
Reclassification of capital contributions and grants to investing activities	(16,192,703)	(22,608,093)
(Increase)/Decrease in Assets:		
Current receivables	(749,278)	(3,079,863)
Inventory	(584,430)	(36,069)
Provision for Doubtful Debts	-	39,978
Increase/(Decrease) in Liabilities:		
Current accounts payable	3,331,643	(843,136)
Employee Benefits	104,974	(32,442)
Tax Liabilities - GST	(57,070)	(296,606)
Net cash provided by / (used in) operating activities	<u>(7,296,539)</u>	<u>(10,352,198)</u>

(b) For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2018	2017
	\$	\$
Cash - Operational	9,581,464	11,173,328
- Capital/Project cash holdings	17,770,690	24,417,990
- Restricted Cash (Medical chest float)	20,000	20,000
	<u>27,372,154</u>	<u>35,611,318</u>

16 FINANCIAL INSTRUMENTS**(a) Financial Risk Management**

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable.

Notes to the Financial Statements for the Financial Year ended 30 June 2018

(i) **Treasury Risk Management**

Senior members of management meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) **Financial Risk Exposures and Management**

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2018 approximately 23% of debt is fixed.

Foreign Currency Risk

The Company is exposed to foreign currency risk on purchases that are denominated in a currency other than Australian dollars. The currencies giving rise to this risk are primarily U.S. Dollars. The Company uses forward exchange contracts to hedge its foreign currency risk. No forward exchange contracts are held as at 30 June 2018.

In respect of other monetary assets and liabilities held in currencies other than AUD, the entity ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short term imbalances. The financial risk to the Company in foreign currency risk has been shown through the maturity profile of financial liabilities throughout this note.

Liquidity Risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity. Bank loans for the purchase of aircraft are secured by a fixed and floating charge over the Company's assets.

Credit risk is managed by the Company and reviewed regularly by the Board. It arises from exposures to customers as well as through deposits with financial institutions.

The entity monitors the credit risk by actively assessing the rating quality and liquidity of counterparties:

- Only banks and financial institutions with an 'A' rating are utilised.
- Only accredited fund managers linked to 'A' rated financial institutions are used.

The credit standing of counterparties is reviewed monthly for liquidity and credit risk.

The trade receivables balances at 30 June 2018 and 30 June 2017 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

Price risk

The Company is not exposed to any material commodity price risk.

(b) Financial Instruments Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as managements' expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

Notes to the Financial Statements for the Financial Year ended 30 June 2018**Financial Assets**

	2018			2017		
	Cash & Cash Equivalents	Receivables	Investments	Cash & Cash Equivalents	Receivables	Investments
Weighted Average Effective Interest Rate	2.10%			2.07%	-	-
Floating Interest Rate	27,352,474	-	-	33,127,062	-	-
Fixed Interest Rate (maturing within 1 year)	-	-	-	-	-	-
Non-Interest Bearing	19,680	9,642,780	94,971	2,484,255	8,851,815	101,875
Total	27,372,154	9,642,780	94,971	35,611,318	8,851,815	101,875

Financial Liabilities

	2018		2017	
	Bank Loan Secured	Trade, Other Payables & Provisions	Bank Loan Secured	Trade, Other Payables & Provisions
Weighted Average Effective Interest Rate	4.62%		4.83%	-
Floating Interest Rate	-	-	-	-
Fixed Interest Rate (maturing within 1 year)	296,144	-	280,915	-
Fixed Interest Rate (maturing within 1 -5 years)	2,945,358	-	3,241,502	-
Non-Interest Bearing	-	15,222,260	-	11,857,942
Total	3,241,502	15,222,260	3,522,417	11,857,942

Trade, other payables and provisions are expected to be paid as follows:

	2018 \$	2017 \$
Less than 6 months	3,127,464	1,311,289
6 months to 1 year	-	36,192
	<u>3,127,464</u>	<u>1,347,481</u>
Sundry payables		
Less than 6 months		-
6 months to 1 year	11,641,797	10,144,368
Greater than 1 year	452,999	366,093
	<u>12,094,796</u>	<u>10,510,461</u>
	<u>15,222,260</u>	<u>11,857,942</u>

c) Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at reporting date adjusted for transaction costs expected to be incurred. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at reporting date:

Notes to the Financial Statements for the Financial Year ended 30 June 2018

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Available-for-sale financial assets at fair value	94,971	94,971	101,875	101,875

Sensitivity analysis:**Interest rate risk**

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on current year results and equity which could result from a change in this risk.

As at balance date, the effect on surplus and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2018	2017
	\$	\$
Change in profit / (loss)		
- Increase in interest rate by 2%	503,590	664,632
- Decrease in interest rate by 2%	(503,590)	(664,632)
Change in equity		
- Increase in interest rate by 2%	503,590	664,632
- Decrease in interest rate by 2%	(503,590)	(664,632)

This sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

Foreign Exchange Risk

As at balance date, the effect on surplus and equity as a result of changes in the U.S. dollar foreign exchange rate, with all other variables remaining constant, would be as follows:

	2018	2017
	\$	\$
Change in profit / (loss)		
- Increase in exchange rate by 2%	394	49,685
- Decrease in exchange rate by 2%	(394)	(49,685)
Change in equity		
- Increase in exchange rate by 2%	394	49,685
- Decrease in exchange rate by 2%	(394)	(49,685)

This sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

17 CAPITAL MANAGEMENT

Management controls the capital of the Company to ensure that adequate cash flows are generated to fund its activities and that returns from investments are maximised. The Board ensures that the overall risk management strategy is in line with this objective. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

Notes to the Financial Statements for the Financial Year ended 30 June 2018

The Company's capital consists of financial liabilities, supported by financial assets. Management effectively manages the Company's capital by assessing the financial risks and responding to changes in these risks and in the market. These responses may include the consideration of debt levels and liquidity. These indicators are reported for the years ended 30 June 2018 and 30 June 2017 respectively:

		2018	2017
Liquidity Ratio	Total Current Assets/Total Current Liabilities	2.60	4.19
Debt to Equity Ratio	Total Liabilities/Total Equity (reserves + retained earnings)	16.7%	13.4%

There have been no changes to the strategy adopted by management to control the capital of the Company since the previous year.

Net working capital is positive as demonstrated in the table below.

	2018	2017
	\$	\$
Total Current Assets	39,173,174	49,352,689
Total Current Liabilities	15,065,405	11,772,764
Net Working Capital	24,107,769	37,579,925

18 COMMITMENTS FOR EXPENDITURE**a) Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalised in the financial statements. Operating lease payments are charged as an expense in the period in which they are incurred.

	2018	2017
	\$	\$
Property lease		
(minimum lease payments)		
Not later than 12 months	1,168,887	1,098,422
Between 12 months and 5 years	1,351,330	1,378,060
Greater than 5 years	2,383,456	2,632,338
	<u>4,903,674</u>	<u>5,108,820</u>
Motor vehicle lease		
(minimum lease payments)		
Not later than 12 months	187,206	238,731
Between 12 months and 5 years	156,432	241,369
Greater than 5 years	-	-
	<u>343,637</u>	<u>480,100</u>
Aircraft lease		
(minimum lease payments)		
Not later than 12 months	521,675	894,300
Between 12 months and 5 years	-	298,100
Greater than 5 years	-	-
	<u>521,675</u>	<u>1,192,400</u>

Notes to the Financial Statements for the Financial Year ended 30 June 2018

Company vehicles are leased for three years. Contingent rental payments and terms of renewal are determined by the terms of the lease agreement. There is no provision for an option to purchase leased vehicles. There are no escalation clauses in the agreement.

b) Capital Commitments**NAB Forward Hedge**

The Company has engaged NAB to develop a product for fuel hedging, using swaps to mitigate the impact of fuel price volatility. A swap is an agreement between the Company and NAB to swap a floating price for a fixed price for a specified grade of fuel over a predetermined period of time. Swap transactions allow the Company to achieve a fixed price for an agreed number of Litres of fuel on agreed future dates. There is no physical receipt or delivery of fuel under a swap.

Pilatus PC12 Aircraft

The company has contracted with Pilatus Limited for the delivery of a new aircraft in September 2018. Pricing of all elements of the contract is commercial in confidence.

Pilatus PC24 Aircraft

The company has contracted with Pilatus Limited for the delivery of two new aircraft in 2018/19, contingent on achievement of CASA certification in Australia. Pricing of all elements of the contract is commercial in confidence.

19 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Company's assets measured at fair value:

	Date of valuation	Fair value measurement using:			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		\$	\$	\$	\$
Available-for-sale financial assets (Note 9)	30/06/2018	94,971	94,971	-	-
Land and buildings (Note 11)	30/06/2017	35,278,625	-	-	35,278,625
Aircraft (Note 11)	30/06/2017	51,113,150	-	-	51,113,150
Rotable assets (Note 11)	30/06/2017	528,526	-	-	528,526

20 CONTINGENT LIABILITIES

There were no contingent liabilities as at reporting date.

21 AFTER BALANCE DATE EVENTS

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

Notes to the Financial Statements for the Financial Year ended 30 June 2018

22 RELATED PARTY DISCLOSURES

Directors

The Directors of RFDS Western Operations during the year were:

Mr S Walsh AO
Ms E Smyth AC
Dr A Ward
Mr CR Heath
Mrs R Sermon
Mr J Walker (appointed 27th October 2017)
Mr S Harben (appointed 27th October 2017)
Mr N Bassett AM (retired 27th October 2017)
Mr M Hutson (retired 27th October 2017)
Mr J Hancock (resigned 23rd February 2018)

23 REMUNERATION OF DIRECTORS

There was no income received or due and receivable by Directors of the Company in connection with the management of the Company and any related body corporate.

24 GUARANTEE OF MEMBERS

RFDS Western Operations is a public company limited by guarantee. Each member of the Company has undertaken to contribute to the assets of the Company in the event of it being wound up while a member or within one year following cessation of membership, for the payment of the debts and liabilities of the Company contracted before the cessation of that membership, together with the costs, charges and expenses of winding up and for the adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding \$10.

25 COMPANY DETAILS

Registered Office

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Jandakot WA 6164
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Facsimile: (08) 9417 6308