

The furthest corner.
The finest care.





2.5m

square
kilometres
proudly
serviced by our
committed staff

82

years of
dedicated
service

15,648

patients
attended remote
health clinics
in 2016/17

8,330

patients
retrieved
across WA
in 2016/17

Our mission is to provide excellence in Aero Medical and primary health care services.

The Royal Flying Doctor Service (RFDS) is dedicated to providing vital health care to anyone travelling, working or living in Australia.

The iconic RFDS emergency retrieval service operates 24 hours a day, seven days a week. Additionally, it provides regular transfers of patients for life-saving surgery and access to essential health care services for those who live in rural and remote areas.

In Western Australia, RFDS has the lead responsibility for primary evacuations and inter-hospital transfers across the State, and delivers primary health care services to regional and remote communities. These services include general practice, Indigenous health, child and family health, social and emotional wellbeing, women's health, health promotion and dental services.

Today, the RFDS provides the finest care to more than 270,000 Australians each year – that's one person every two minutes.

In the past year, the Royal Flying Doctor Service in Western Australia has touched the lives of nearly 63,000 West Australians, through its emergency Aero Medical retrieval and primary health care services.

Our 2.5 million-square-kilometre-footprint is serviced by six Aero Medical facilities, a fleet of 16 aircraft and, the very best doctors, nurses, pilots, engineers and operations professionals. Last year, the RFDS retrieved over 8,000 patients across Western Australia flying a total distance of 8 million kilometres.



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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 2017.



It has been a year that has seen significant advances in our capability to lead and deliver a world-class health service to the people of Western Australia. Our goal is to be at the forefront of Aero Medical innovation so we can respond to changes and growth in demand for our services.

The State's rapid population growth over recent years has highlighted the critical role we have to participate in the progress and sustainability of WA's health infrastructure. We maintain strong working relationships with the Western Australian and Commonwealth governments in this pursuit and have successfully delivered on operational performance requirements for both State and Federal service agreements.

The demand for our services from people living, working and travelling in regional and remote Western Australia has stabilised compared to last year, although the distances travelled across our vast State increased to 8.4m billable kilometres.

In this financial year, we received a total of \$6.1 million from donors, corporate partners, members and contributors to our various fundraising events and activities. A further \$2.9m 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 The Flying 1000, Friends of the Royal Flying Doctor Service, the Eastern Goldfields Auxiliary, Esperance Auxiliary and army of volunteers state-wide.

We made significant inroads in the evolution of our assets and infrastructure. In 2017, we saw the launch of the \$5 million engineering and aviation facility at Jandakot. Its state-of-the-art design and digital functionality will create greater efficiencies to respond to more patients in less time. Importantly, it will house two new Pilatus PC24 jet aircraft due to arrive in 2018. We also welcomed an additional Pilatus PC12 aircraft into our fleet.

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 2016/17 financial year Western Operations recorded an operating deficit of \$17.3m, and a net result of \$5.3m after non-operating revenue of \$22.6m, as outlined in the Directors' Report on page 6. This is due to the fact that our service agreements with both the Western Australian Government and the Commonwealth Government do not cover the full cost of operation, and falls below the degree needed to properly provide for the cost of operation and depreciation of assets. State funding increased slightly to last year and the Commonwealth funding decreased compared to last year, netting to a reduction in funding from the 2015/16 funding levels by 0.1%. As such, our viability as a long-term corporate social investment is crucial to future growth.

Non-Operating income of \$22.6m was received, including fundraising revenue of \$6.1m, bequests of \$2.9m and capital grants of \$11.7m. This year we received capital grants from the WA Government of \$7.9m and Lotterywest of \$3.65m.

After adjusting the Net Result of \$5.3m for depreciation, loss on sale of assets, capital grants and other non-operating items, this equates to an operating EBITDA of \$1.1m, as shown in the Directors' Report on page 10. This demonstrates that the majority of fundraising revenue for 2016/17 has been needed to cover operating costs, leaving only \$1.1m of fundraising revenue available towards capital replacement/investment. Consequently, now more than ever before we are reliant on the generosity of our donors and supporters to subsidise the costs of our operations. At the same time we continue to seek new and innovative ways of working and we have made considerable efforts to increase efficiency and contain costs, whilst carrying a total of 8,330 patients.

This annual report marks my last as Chairman of Royal Flying Doctor Service of Australia (Western Operations). My involvement with Western Operations began almost 30 years ago and I have proudly stood as Chair for the last nine years. It has been a lifetime experience and honour to be entrusted with the stewardship of the organisation and its service to the people of Western Australia.

I would like to extend my sincere thanks to my fellow Directors, our Chief Executive Officer Grahame Marshall and the Executive Management Team for their support, energy and commitment to the future of RFDS.

Finally, I welcome the incoming Chair, Mr Sam Walsh.



Neville Bassett
Chairman

DIRECTORS' REPORT >

A photograph of a pilot in a Royal Flying Doctor Service vest, smiling while attending to a patient in a helicopter. The pilot's vest has a name tag that reads 'PILOT' and another that reads 'DAMIEN'. The patient is lying down, and a medical professional is visible in the background. The image is overlaid with a blue tint and a large, faint circular graphic.

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 2017. THE NAMES AND PARTICULARS OF THE DIRECTORS OF WESTERN OPERATIONS IN OFFICE DURING AND SINCE THE END OF THE FINANCIAL YEAR ENDED 30 JUNE 2017 ARE:



LEFT TO RIGHT: Mr Neville Bassett* | Mr Michael Hutson* | Mr Richard Alder (retired 15th December 2016)
| Ms Erica Smyth | Dr Ann Ward* | Mr Colin Heath* | Mrs Robyn Sermon * | Mr John Hancock*
| Mr Sam Walsh (appointed 28th April 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

Mr Neville Bassett AM

Qualifications and Experience: Corporate Consultant, B.Bus, FCA. Director since 6 January 1997. **Special Responsibilities:** Chairman, Member of the Remuneration Committee, Member of the Nominations Committee.

Mr Michael Hutson

Qualifications and Experience: Accountant, B. Com, FCPA. Director since 23 October 2004. **Special responsibilities:** Member of the Remuneration Committee.

Mr Richard Alder

Qualifications and Experience: Retired Financial Advisor. Appointed by the Board on 20 December 2007 as an independent director. **Special Responsibilities:** Member of the Risk and Audit Committee, Representative on Australian Council and National Board. (Retired 15th December, 2016).

Ms Erica Smyth

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; DipTropMed; DACSCM. 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. **Special responsibilities:** Member of the Risk and Audit Committee.

Mrs Robyn Sermon

Qualifications and Experience: Associate Director Business Development Industry Engagement, UWA. 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 Hancock

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

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.



COMPANY SECRETARY

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

Ms Ann Witt

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' attendance at meetings July 2016 to June 2017

Directors	Board Meeting		Risk & Audit Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr N Bassett	5	5			1	1
Mr R Alder <i>(retired Dec 2016)</i>	2	2	1	1		
Mr M Hutson	5	4			1	1
Ms E Smyth	5	5	4	4	1	1
Dr A Ward	5	5			1	1
Mr C Heath	5	2	4	1		
Ms R Sermon	5	3	3	3		
Mr J Hancock	5	0				
Mr S Walsh	2	2			1	1

There were no Nominations Committee Meetings held in the year ended 30 June 2017.



> 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:

	2016-17	2015-16
Patients Transported & Treated		
Primary Evacuations	1,427	1,465
Inter-hospital Transfers	6,789	6,994
Repatriations on emergency aircraft	114	139
Total Patients Transported	8,330	8,598
Total Clinics Held	1,813	1,897

Further information about activity and performance is provided in our published '2016-17 Year in Review' document.

> Operating Results

Western Operations made an operating deficit of \$17,301,834 which was subsidised by non-operating revenue from fundraising, bequests and capital grants, resulting in an overall surplus of \$5,306,259. Capital grants from Government totalling \$11,741,534 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:

	2017	2016
Operating Revenue	71,959,633	71,179,518
Operating Expenditure	(89,261,467)	(83,168,610)
Deficit on Operations	(17,301,834)	(11,989,091)
Non Operating Revenue		
Capital Grants	11,741,534	14,953,200
Total Capital Revenue Applied to Assets	11,741,534	14,953,200
Fundraising revenue*	6,064,752	7,941,796
Bequests and Australian Council distribution	4,801,807	3,706,139
Total Non Operating Revenue	22,608,093	26,601,135
Net Result	5,306,259	14,612,043
Add back		
Depreciation expenses	8,496,228	8,337,264
Loss on Sale of Assets	2,453,818	75,084
Borrowing Costs	155,608	470,105
	11,105,654	8,882,452
Less		
Interest received	656,620	358,281
Capital Grants	11,741,534	14,953,200
Bequest income	2,868,347	2,498,579
	15,266,501	17,810,060
Operating EBITDA*	1,145,412	5,684,436



*Shows that \$5m (or 82%) of Fundraising revenue for 2016/17 of \$6.1m has been needed to cover operating costs, leaving only \$1.1m available for use towards capital replacement/investment. This requirement has increased from that of last year 2015/16 whereby \$2.2m (or 27.8%) of Fundraising of \$7.9 was used to cover operating costs.

Operating expenditure includes fundraising expenses of \$1,778,377 or 19.91% of fundraising revenue earned in the year ended 30 June 2017 (2016 \$1,596,430 or 15.03% of fundraising revenue).

There is a review of Commonwealth funding allocations for 2016/17 being sought (around \$1.165m), which may eventuate in additional funding being received during 2017/18.

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.

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 2017, the total amount that members of the company are liable to contribute if the company is wound up is \$0, (2016: \$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 15 and forms part of this report.

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

Neville Bassett, **Chairman**

Date: 25 August 2017
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 2017, 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:

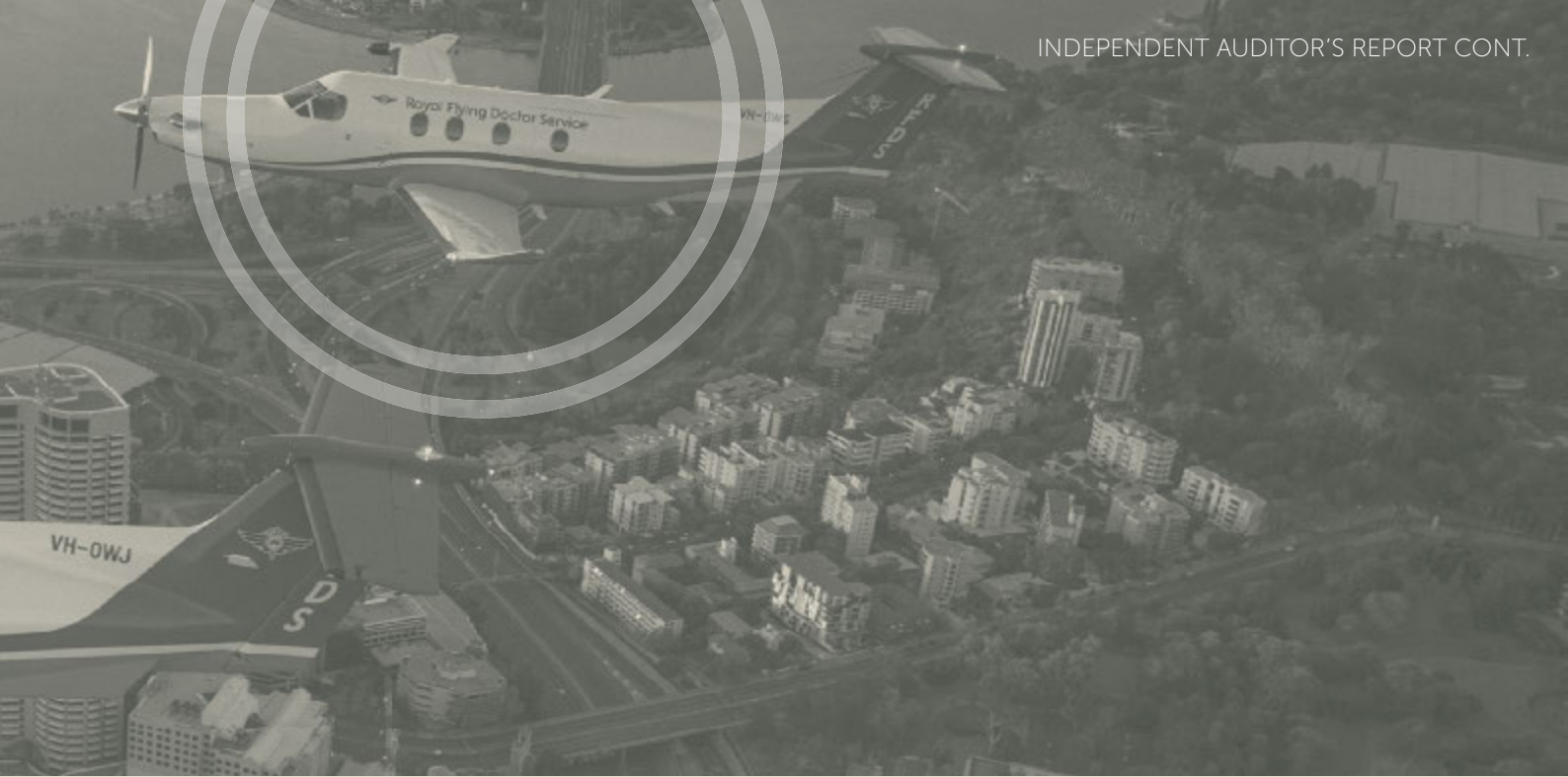
- (a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance and cash flows for the year then ended; and
- (b) complying with Australian Accounting Standards and *Division 60 of the Australian Charities and Not-for-profits Commission Regulation 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 confirm that the independence declaration required by *Division 60 of the Australian Charities and Not-for-profits Commission Act 2012*, which has been given to the directors, would be in the same terms if given as at the time of this auditor's report.

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

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2017, 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.

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 Australian Accounting Standards, the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using 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 Entity'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 Entity'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 Entity 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

L Di Giallonardo

L Di Giallonardo
Partner

Perth, Western Australia
25 August 2017

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Liability limited by a scheme approved under Professional Standards Legislation
HLB Mann Judd (WA Partnership) is a member of International, a worldwide organisation of accounting firms and business advisers.



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 2017 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.

Neville Bassett, **Chairman**

25 August 2017
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 2017, 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.

L Di Giallonardo,
Partner, HLB Mann Judd

Perth, Western Australia
25 August 2017

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Continuing Operations			
Revenue from Operations	2	71,959,633	71,179,518
Expenses			
Aviation Expenses		33,158,421	31,320,192
Health Services Expenses		30,407,471	28,699,858
Depreciation Expense		8,496,228	8,337,264
Loss on Sale of Assets		2,453,818	75,084
Loss on Foreign Exchange		247,729	174,006
Facility Expenses		5,079,904	5,040,569
Administrative Expenses		5,967,609	6,002,077
Fundraising Expenses		1,778,377	1,569,430
Borrowing Costs		155,608	470,105
Project Expenses		1,264,691	1,169,525
Other Expenses		251,611	310,500
		89,261,467	83,168,610
Deficit for the year from continuing operations		(17,301,834)	(11,989,091)
Non-Operating Revenue	2	22,608,093	26,601,135
Surplus for the year		5,306,259	14,612,043
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss:</i>			
Reversal of previous revaluation increments		(652,847)	(7,809,547)
		(652,847)	(7,809,547)
Total Comprehensive Income for the year		4,653,412	6,802,497

The accompanying notes form part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
Assets			
Current Assets			
Cash & cash equivalents	6	35,611,318	38,633,196
Trade & other receivables	7	8,686,335	12,444,874
Inventories	8	1,518,756	1,482,687
Financial assets	9 (a)	-	2,095,802
Assets classified as held for sale	10	3,536,280	-
Total Current Assets		49,352,689	54,656,559
Non-Current Assets			
Financial assets	9 (b)	267,355	265,815
Aircraft, property, plant and equipment	11	80,678,968	82,432,955
Total Non-Current Assets		80,946,324	82,698,770
Total Assets		130,299,012	137,355,329
Current Liabilities			
Trade and other payables	12	7,790,443	15,300,089
Financial liabilities	13	280,915	3,810,351
Short-term provisions	14	3,701,406	2,306,181
Total Current Liabilities		11,772,764	21,416,621
Non-Current Liabilities			
Financial liabilities	13	3,241,502	3,798,853
Long-term provisions	14	366,093	1,874,613
Total Non-Current Liabilities		3,607,595	5,673,466
Total Liabilities		15,380,359	27,090,087
Net Assets		114,918,654	110,265,243
Equity			
Retained earnings		95,453,319	90,147,061
Asset revaluation reserve		19,445,335	20,098,182
Pharmaceutical reserve		20,000	20,000
Total Equity		114,918,654	110,265,243

The accompanying notes form part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Retained Earnings	Asset Revaluation Reserve	Pharmaceutical Reserve	Total
	\$	\$	\$	\$
Balance at 30 June 2015	75,535,017	27,907,731	20,000	103,462,748
Surplus attributable to the entity	14,612,043	-	-	14,612,043
Revaluation adjustment	-	(7,809,549)	-	(7,809,549)
Total comprehensive income for the year	14,612,043	(7,809,549)	-	6,802,495
Closing 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 30 June 2017	95,453,319	19,445,335	20,000	114,918,654

The accompanying notes form part of the Financial Statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Cash Flows from Operating Activities			
Receipts from services provided		8,383,904	9,049,595
Payments to suppliers and employees		(81,772,139)	(73,023,294)
Commonwealth operational grants		20,665,815	25,553,375
State operational grants		39,658,849	40,865,918
Other Grants - Projects		2,202,904	2,236,183
Dividends received		7,457	18,836
Interest received		656,620	358,281
Finance costs		(155,608)	(470,105)
Net cash provided by / (used in) operating activities	15	(10,352,198)	4,588,789
Cash Flows from Investing Activities			
Purchase of aircraft, property, plant and equipment		(16,843,512)	(7,154,794)
Proceeds from sale of property, plant and equipment		3,558,262	327,191
Repayment of bonds		(1,540)	(13,826)
Government capital grants received		11,741,534	14,953,200
Bequests		2,868,347	2,498,579
Australian Council		1,933,460	2,807,560
Proceeds from fundraising activities		6,064,752	7,941,796
Term deposit - Aeromedical Fund		2,095,802	(2,095,802)
Net cash provided by investing activities		11,417,105	19,263,904
Cash Flows from Financing Activities			
Repayment of borrowings		(4,086,786)	(4,496,047)
Reduction in finance lease and hire purchase liabilities		-	(65,860)
Net cash provided by / (used in) financing activities		(4,086,786)	(4,561,907)
Net increase/(decrease) in Cash Held		(3,021,879)	19,290,786
Cash at beginning of year		38,633,196	19,342,410
Cash at end of year	15	35,611,318	38,633,196

The accompanying notes form part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 2017, 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 2017. 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 Revenue of Not-for-Profit Entities

Statement of Compliance

The financial report was authorised for issue on 25 August 2017. 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.

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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.

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.

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

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.

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 2017 are as follows:

R & H Dicks Memorial Foundation	\$292,000
Eileen Lillian Cross RFDS Education Trust	\$318,423

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.

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.

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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.

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 > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. REVENUE

	2017 \$	2016 \$
Revenue from Operations		
Commonwealth Government Service Agreement	20,665,815	21,543,215
State Government WA Health Department	39,658,849	38,837,933
Interest received	656,620	358,281
Dividends received	7,457	18,836
Insurance recoveries	7,160,401	6,564,065
Gain on foreign exchange	255,174	178,023
Other income	1,352,413	1,442,981
Project grants	2,202,904	2,236,184
	<hr/> 71,959,633	<hr/> 71,179,518
Non-Operating Revenue		
Capital grants	11,741,534	14,953,200
Australian Council distribution	1,933,460	1,207,560
Fundraising revenue	6,064,752	7,941,796
Bequest Income	2,868,347	2,498,579
	<hr/> 22,608,093	<hr/> 26,601,135
Total Revenue	<hr/> 94,567,726	<hr/> 97,780,653

3. SURPLUS

	2017 \$	2016 \$
Expenses		
Depreciation	(8,496,228)	(8,337,264)
Operating lease expenses	(1,083,406)	(346,623)
Borrowing costs	(155,608)	(470,105)
Loss on foreign exchange*	(247,729)	(174,006)
Loss on sale of assets	(2,453,818)	(75,084)

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

4. KEY MANAGEMENT PERSONNEL COMPENSATION

	2017 \$	2016 \$
Short-term benefits	2,248,884	2,207,495
Post employment benefits	198,875	212,097
Total compensation	<hr/> 2,447,758	<hr/> 2,419,592

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

5. REMUNERATION OF AUDITORS

	2017 \$	2016 \$
Remuneration of the auditor of the company for:		
(a) Auditing the financial report	47,000	46,000
(b) Other assurance services - program acquittals	500	5,000
	<u>47,500</u>	<u>51,000</u>

6. CASH AND CASH EQUIVALENTS

	2017 \$	2016 \$
Current		
Cash at bank and on hand	11,193,328	34,137,642
Short-term bank deposits	24,417,990	4,495,555
	<u>35,611,318</u>	<u>38,633,196</u>

The weighted average interest rate on cash and cash equivalents was 1.67% (2016: 1.84%).

These deposits are held at call or with a maturity of only 90 days.

7. TRADE AND OTHER RECEIVABLES

	2017 \$	2016 \$
Trade receivables	8,898,012	12,720,386
Provision for impairment of receivables (i)	(388,981)	(349,003)
	<u>8,509,031</u>	<u>12,371,383</u>
Other - Employees	9,239	9,542
Other - Prepayments	168,065	63,949
	<u>177,304</u>	<u>73,492</u>
	<u>8,686,335</u>	<u>12,444,874</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 2016	349,003	-	-	349,003
Balance as at 30 June 2017	349,003	39,978	-	388,980

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

No write-offs are anticipated.

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

(ii) Ageing of Past Due but not Impaired Receivables

	Total	0–60 Days	61–90 Days	91–120 Days	120+ Days
Aged Analysis Trade Receivables					
Balance as at 30 June 2016	12,371,383	11,666,977	36,113	668,294	-
Balance as at 30 June 2017	9,674,736	8,663,950	218,897	791,890	-

8. INVENTORIES

	2017 \$	2016 \$
At cost		
Aircraft spare parts	1,327,438	1,248,452
Merchandise and Uniforms	170,414	211,528
Aviation Fuel	20,904	22,707
	<u>1,518,756</u>	<u>1,482,687</u>

9a. FINANCIAL ASSETS CURRENT

	2017 \$	2016 \$
Term Deposit - Aeromedical Fund (i)	-	2,095,802
	<u>-</u>	<u>2,095,802</u>

(i) The term deposit matured on 29 November 2016.

9b. FINANCIAL ASSETS NON-CURRENT

	2017 \$	2016 \$
Bonds	165,480	163,940
Available-for-sale financial assets (Listed investments - shares in listed corporations at fair value)	101,875	101,875
	<u>267,355</u>	<u>265,815</u>

10. ASSETS CLASSIFIED AS HELD FOR SALE

	2017 \$	2016 \$
Land and buildings	3,536,280	-
	<u>3,536,280</u>	<u>-</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.

In accordance with the Company's accounting policy, the Company has obtained independent valuations of its properties as at 30 June 2017. An impairment charge of \$652,847 has been recorded against the asset revaluation reserve at balance date.

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

11. AIRCRAFT, PROPERTY, PLANT AND EQUIPMENT

	2017 \$	2016 \$
Land and Building - at fair value (i)	35,481,184	41,816,691
Land and Building - at cost	-	7,436,905
Accumulated depreciation	-	(3,756,261)
Impairment	-	(7,809,547)
	<u>35,481,184</u>	<u>37,687,788</u>
Aircraft - at fair value (ii)	41,757,624	40,883,578
Aircraft - at cost	-	9,493,577
Accumulated depreciation	-	(8,625,758)
	<u>41,757,624</u>	<u>41,751,397</u>
Rotable Assets - at fair value (iii)	506,451	487,341
Accumulated depreciation	-	-
	<u>506,451</u>	<u>487,341</u>
Plant, equipment, furniture - at deemed cost	10,437,792	9,530,556
Accumulated depreciation	(7,552,129)	(7,088,637)
	<u>2,885,663</u>	<u>2,441,919</u>
Software - at cost	454,410	454,410
Accumulated depreciation	(406,364)	(389,900)
	<u>48,045</u>	<u>64,510</u>
	<u>80,678,968</u>	<u>82,432,955</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). Refer to Note 19 for details of the Board's assessment of impairment in the current year.
- (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).

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

11a. MOVEMENTS IN CARRYING AMOUNTS

Fair Value or Deemed Cost	Land & Buildings	Aircraft	Rotable Assets	Plant, Equipment & Furniture	Software	Total
Opening Balance 1 July 2016	41,444,049	50,377,155	487,341	9,530,556	454,410	102,293,511
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)
Transfers	(4,189,127)	-	-	-	-	(4,189,127)
Closing Balance 30 June 2017	41,188,246	50,279,494	506,451	10,437,792	454,410	102,866,394

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)
Closing Balance 30 June 2017	5,707,062	8,521,870	-	7,552,128	406,365	22,187,426

Opening Balance 1 July 2015	44,240,304	49,424,489	486,818	8,762,244	388,550	103,302,405
Additions	5,433,292	952,666	523	768,312	65,860	7,220,653
Disposals	(420,000)	-	-	-	-	(420,000)
Impairment (i)	(7,809,547)	-	-	-	-	(7,809,547)
Closing Balance 30 June 2016	41,444,049	50,377,155	487,341	9,530,556	454,410	102,293,511

Depreciation

Opening Balance 1 July 2015	1,852,154	2,668,021	-	6,647,066	388,550	11,555,791
Depreciation Charge	1,936,604	5,957,738	-	441,571	1,350	8,337,263
Disposals	(32,497)	-	-	-	-	(32,497)
Closing Balance 30 June 2016	3,756,261	8,625,759	-	7,088,637	389,900	19,860,556

- (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

	2017 \$	2016 \$
Current:		
Trade Payables	1,347,481	1,884,831
Tax Liability - GST	690,865	987,471
Deferred income and grants in advance	190,388	7,054,855
Annual leave	4,540,694	4,296,331
Short term leave	741,704	653,809
Other liabilities	279,311	422,792
	<u>7,790,443</u>	<u>15,300,089</u>

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

13. FINANCIAL LIABILITIES

	2017 \$	2016 \$
Current:		
Bank loan secured	280,915	3,810,351
Non-Current:		
Bank loan secured	3,241,502	3,798,853
	3,522,417	7,609,204

- a) Loans for aircraft represent 0% (2016: 46%) of total financial liabilities.
- b) Loans for the purchase of housing are secured by mortgage over the property subject to the loan. Housing loans represent 100% (2016: 54%) 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).

Employee Benefits	2017 \$	2016 \$
Current	3,701,406	2,306,181
Non-Current	366,093	1,874,613
	4,067,499	4,180,794
Opening balance	4,180,794	4,239,264
Additional provisions raised during the year	273,928	316,150
Amounts used	(387,223)	(374,620)
Closing balance	4,067,499	4,180,794

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:

	2017 \$	2016 \$
Surplus for the year	5,306,259	14,612,043
Depreciation	8,496,228	8,337,264
(Gain)/Loss in foreign exchange	247,729	174,006
(Gain)/Loss on disposal of property, plant and equipment	2,453,818	75,084
Reclassification of capital contributions and grants to investing activities	(22,608,093)	(28,201,135)

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

(Increase)/Decrease in Assets:

Current receivables	(3,079,863)	3,286,015
Inventory	(36,069)	(68,512)
Provision for Doubtful Debts	39,978	-

Increase/(Decrease) in Liabilities:

Current accounts payable	(843,136)	6,108,576
Employee Benefits	(32,442)	(58,470)
Tax Liabilities - GST	(296,606)	323,920
Net cash provided by / (used in) operating activities	(10,352,198)	4,588,789

- (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:

	2017 \$	2016 \$
Cash - Operational	11,173,328	34,117,642
Capital/Project cash holdings	24,417,990	4,495,555
Restricted Cash (Medical chet float)	20,000	20,000
	35,611,318	38,633,196

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.

(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, foreign currency 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 2017 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 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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.

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 2017 and 30 June 2016 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.

Financial Assets

	2017			2016		
	Cash & Cash Equivalents	Receivables	Investments	Cash & Cash Equivalents	Receivables	Investments
Weighted Average Effective Interest Rate	2.07%	-	-	1.84%	-	-
Floating Interest Rate	33,127,062	-	-	37,783,527	-	-
Fixed Interest Rate (maturing within 1 year)	-	-	-	-	-	-
Non-Interest Bearing	2,484,255	8,851,815	101,875	849,669	14,704,617	101,875
Total	35,611,318	8,851,815	101,875	38,633,196	14,704,617	101,875

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Financial Liabilities

	2017		2016	
	Bank Loan Secured	Trade, Other Payables & Provisions	Bank Loan Secured	Trade, Other Payables & Provisions
Weighted Average Effective Interest Rate	4.83%	-	4.44%	-
Floating Interest Rate	-	-	-	-
Fixed Interest Rate (maturing within 1 year)	280,915	-	3,810,351	-
Fixed Interest Rate (maturing within 1 -5 years)	3,241,502	-	3,798,853	-
Non-Interest Bearing	-	11,857,942	-	19,480,883
Total	3,522,417	11,857,942	7,609,203	19,480,883

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

	2017 \$	2016 \$
Less than 6 months	1,311,289	1,749,435
6 months to 1 year	36,192	135,396
	<u>1,347,481</u>	<u>1,884,831</u>

Sundry payables

Less than 6 months	-	-
6 months to 1 year	10,144,368	15,721,437
Greater than 1 year	366,093	1,874,613
	<u>10,510,461</u>	<u>17,596,050</u>
	<u>11,857,942</u>	<u>19,480,881</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:

	2017		2016	
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Available-for-sale financial assets at fair value	101,875	101,875	101,875	101,875

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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:

	2017 \$	2016 \$
Change in profit / (loss)		
- Increase in interest rate by 2%	664,632	199,088
- Decrease in interest rate by 2%	(664,632)	(199,088)
Change in equity		
- Increase in interest rate by 2%	664,632	199,088
- Decrease in interest rate by 2%	(664,632)	(199,088)

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:

	2017 \$	2016 \$
Change in profit / (loss)		
- Increase in exchange rate by 2%	49,685	16,993
- Decrease in exchange rate by 2%	(49,685)	(16,993)
Change in equity		
- Increase in exchange rate by 2%	49,685	16,993
- Decrease in exchange rate by 2%	(49,685)	(16,993)

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

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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.

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 2017 and 30 June 2016 respectively:

		2017	2016
Liquidity Ratio	Total Current Assets/Total Current Liabilities	4.19	2.55
Debt to Equity Ratio	Total Liabilities/Total Equity (reserves + retained earnings)	13.4%	24.6%

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.

	2017 \$	2016 \$
Total Current Assets	49,352,689	54,656,559
Total Current Liabilities	11,772,764	21,416,621
Net Working Capital	37,579,925	33,239,938

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.

	2017 \$	2016 \$
Property lease		
(minimum lease payments)		
Not later than 12 months	1,098,422	1,217,114
Between 12 months and 5 years	1,378,060	1,341,445
Greater than 5 years	2,632,338	3,413,686
	5,108,820	5,972,245
Motor vehicle lease		
(minimum lease payments)		
Not later than 12 months	238,731	256,152
Between 12 months and 5 years	241,369	332,299
Greater than 5 years	-	-
	480,100	588,451

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Aircraft lease

(minimum lease payments)

Not later than 12 months	894,300	-
Between 12 months and 5 years	298,100	-
Greater than 5 years	-	-
	<u>1,192,400</u>	<u>-</u>

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 2017.

Pilatus PC24 Aircraft

The company has contracted with Pilatus Limited for the delivery of three new aircraft from 2018, 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)	30/06/2017	101,875	101,875	-	-
Land and buildings (Note 10)	30/06/2017	35,481,184	-	-	35,481,184
Aircraft (Note 10)	30/06/2017	41,757,624	-	-	41,757,624
Rotable assets (Note 10)	30/06/2017	506,451	-	-	506,451

20. CONTINGENT LIABILITIES

There were no contingent liabilities as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS > *cont.*

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

21. RELATED PARTY DISCLOSURES

Directors

The Directors of RFDS Western Operations during the year were:

Mr NJ Bassett

Mr MDF Hutson

Mr RP Alder

Ms E Smyth

Dr A Ward

Mr CR Heath

Mrs R Sermon

Mr J Hancock

Mr S Walsh

22. 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.

22. 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.

24. COMPANY DETAILS

Registered Office

3 Eagle Drive

Jandakot WA 6164

Telephone: (08) 9417 6300

Facsimile: (08) 9417 6308

Our Supporters

The RFDS would like to thank all of our amazing volunteers, committees and community fundraisers who generously donate their time and effort to fundraising for the RFDS.

With special thanks to:

RFDS Ambassador – Melva Stone OAM	Friends of the Flying Doctor	Mount Barker RFDS Volunteer Committee	RFDS Eastern Goldfields Auxiliary
Busselton RFDS Volunteer Committee	Geraldton RFDS Volunteer Committee	Narrogin RFDS Volunteer Committee	RFDS Esperance Auxiliary
Dongara RFDS Volunteer Committee	Jurien RFDS Volunteer Committee	Pannawonica RFDS Volunteer Committee	
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How you can help >

Thanks to the kind support of individuals, corporations, the government and the community, the Royal Flying Doctor Service has proudly served Australia for 89 years. Help us continue to be there in the future. To help us deliver the finest care to the furthest corners of Australia you can:

- > Send your donation to Royal Flying Doctor Service, Western Operations
Address: 3 Eagle Drive, Jandakot Airport, Jandakot WA 6164
Postal Address: Locked Bag 2, Canning Vale DC, WA 6970
- > Phone us on 08 9417 6400 or 1300 669 569
- > Fax us on 08 9417 6499
- > Email us at fundraise@rfdswa.com.au
- > Visit **flyingdoctor.org.au** to make an online donation

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F 08 9191 0209

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F 08 9981 1601

Broome

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T 08 9138 7300
F 08 9138 7305

Kalgoorlie

Hart Kerspian Drive
Kalgoorlie-Boulder Airport
Kalgoorlie WA 6430
T 08 9093 7500
F 08 9093 7509

Port Hedland

Waldron Road
Port Hedland Airport
Port Hedland WA 6721
T 08 9172 0700
F 08 9172 0709



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