

The Furthest
Corner. The
Finest Care.

Annual Report 2013/14



Royal Flying Doctor Service
WESTERN OPERATIONS

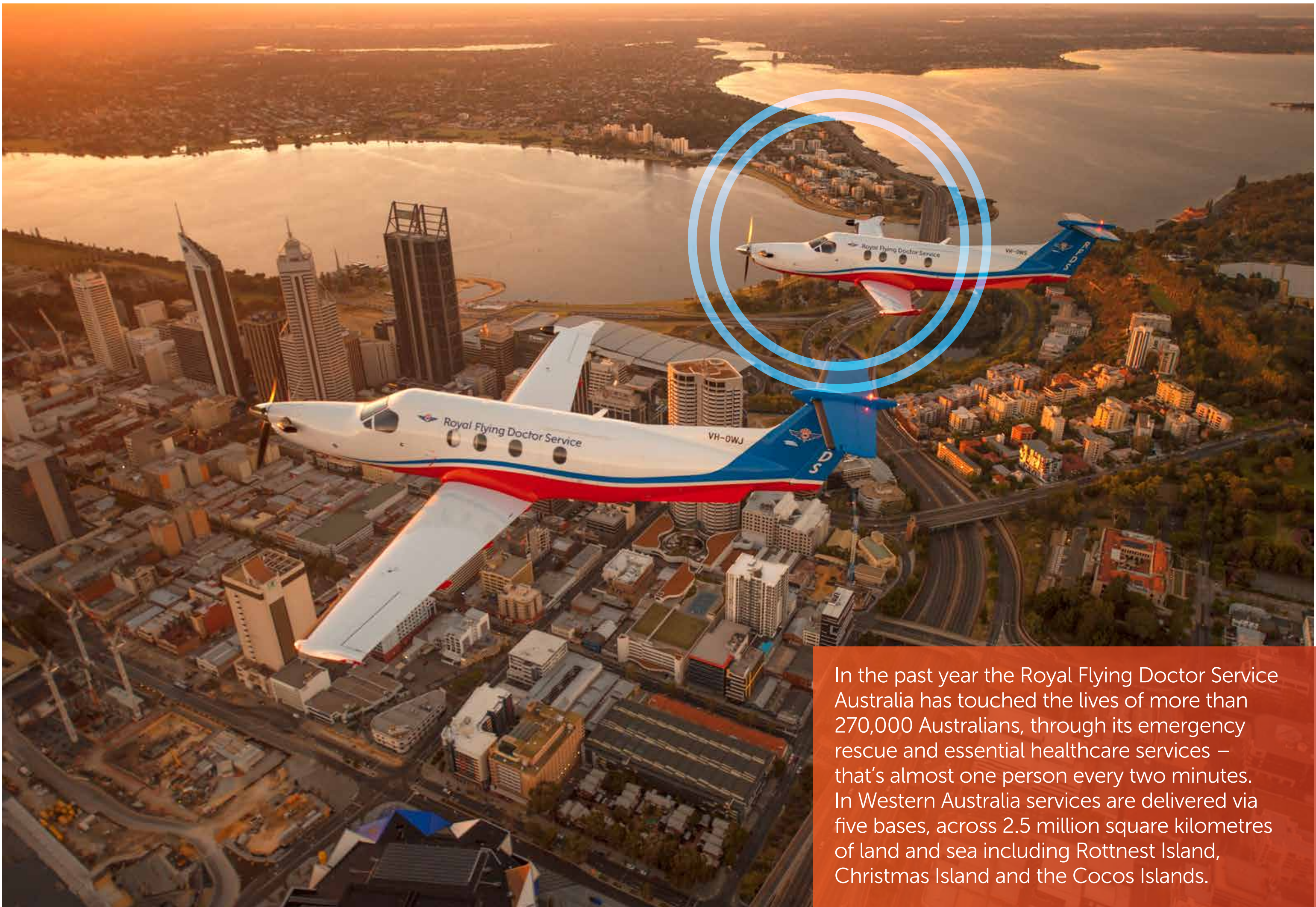
CONTENTS >

Chairman’s Message	6
Directors’ Report	8
Independent Auditor’s Report	12
Directors’ Declaration	14
Auditor’s Independence Declaration	14
Statement of Comprehensive Income	15
Statement of Financial Position	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19-33

OUR MISSION >

To provide excellence in
aeromedical and primary
health care across Australia





In the past year the Royal Flying Doctor Service Australia has touched the lives of more than 270,000 Australians, through its emergency rescue and essential healthcare services – that’s almost one person every two minutes. In Western Australia services are delivered via five bases, across 2.5 million square kilometres of land and sea including Rottnest Island, Christmas Island and the Cocos Islands.

Chairman's message >

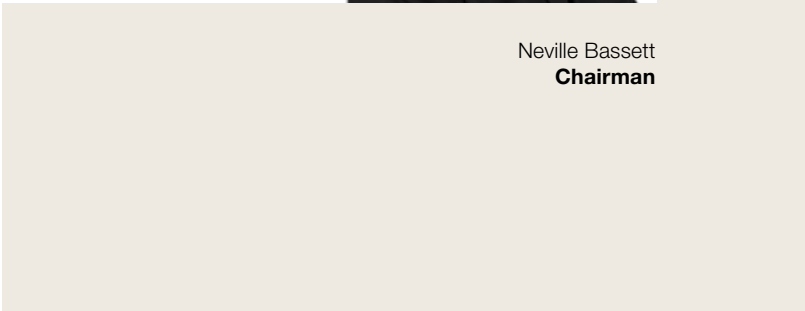
On behalf of the Board, I am pleased to present the Annual Report of the Royal Flying Doctor Service of Australia (Western Operations) for the financial year ended 30 June 2014.

The demand for our services from people living, working and travelling in country areas remains high and it is a credit to our dedicated staff that we are able to respond. Their willingness and determination to succeed, working around the clock, in all weather conditions, in rural and remote areas of our State, makes them truly remarkable.

We maintain strong positive relationships with the Western Australian and Commonwealth Governments. Our service agreement with the WA Government has been extended another year to 30 June 2015 and we remain committed to the development of our next agreement, which we are optimistic will provide a significant increase in aircraft and staff to accommodate the growth in patient demand that we've managed over the past few years, and to meet the demand for patient care and transport for the years ahead. Central to our future is the establishment of a new base in Broome, which will significantly boost our ability to respond to the level of demand from the Kimberley. Our grant application for \$2.7m to Regional Development Australia has already been approved for this project, the WA Minister for Health has publicly expressed his support for a Broome base, and we are seeking further capital funds from the Royalties for Regions program to be able to initiate this project. We will shortly commence construction of our Derby Base Redevelopment with the assistance of funds from the Gibb River Challenge and Lotterywest. This project will enable the relocation of our base office to the Derby Airport and will bring all our Derby staff together.



Neville Bassett
Chairman



Western Operations enjoys considerable support from the corporate sector in WA. Rio Tinto, BHP Billiton, Chevron, Byrnecut and Woodside Petroleum have all made significant contributions to the operation of the RFDS in WA.

Western Operations recorded an operating deficit of \$13.7m. This is due to the fact that our service agreements with both the WA Government and the Commonwealth Government do not cover the full cost of operation. Consequently, now more than ever before we are reliant on the generosity of our donors and supporters to subsidise 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, resulting in an increase in expenditure of only 1% since the previous year.

Non-Operating income of \$31.8m was received comprised of fundraising revenue, bequests and capital grants. This year we received capital grants from the WA Government Royalties for Regions Program of \$8m, the Commonwealth Government of \$8m and a donation from BHP Billiton Iron Ore of \$4.5m, all of which went towards the cost of replacing four aircraft. We have purchased four new aircraft, with the new national livery, all of which have been safely delivered to Jandakot, where we install the specialised aero medical fitout. Three aircraft are completed and in service, and one is still in progress. We also received \$0.75m from the WA Government and the Royalties for Regions Program towards the development of a bariatric stretcher and loading system, which has now been completed and is in trials.



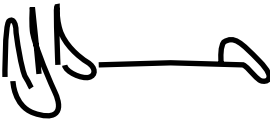
16,445 landings.
7,676,000 kilometres flown.



Revenue from operations increased by 1.5% this year with an additional grant from the Commonwealth Government of \$3.85m towards the operating deficit on primary health care services.

Each year we are the beneficiary of the generosity of many Western Australians. This year we received a total of \$8.0 million from donors, corporate sponsors, members and contributors to our various fundraising events and activities. A further \$2.1m has been received from bequests, a touching and historic boost to our resources and ongoing capability. Worth a special note are the efforts of our Marketing and Communications Team, the Flying 1000 fundraising group, the Friends of the RFDS, the Eastern Goldfields Auxiliary and an army of volunteers and supporters. The Country Women's Association of WA made us their charity of choice for their 90th anniversary year and raised \$75,000, which will be put to good use in improving our aircraft engineering tool control systems.

I would like to extend my sincere thanks to my fellow directors, our Chief Executive Officer Grahame Marshall and the Executive Management Team, all of whom have provided an enormous amount of support and assistance throughout the year.



Neville Bassett
Chairman

34,706
patient contacts.

8,846
patient transports.



Left to right: Mr Neville Bassett, Mr Michael Hutson, Dr Robert Liddell, Mr Richard Alder, Dr John Croser, Mr Brian Pontifex, Dr Ann Ward, Mr Colin Heath, Mrs Robyn Sermon, Mr John Hancock, Ms Erica Smyth.

Information on Directors >

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 2014. The names and particulars of the Directors of Western Operations in office during and since the end of the financial year ended 30 June 2014 are:

- Mr Neville Bassett
- Mr Michael Hutson
- Dr Robert Liddell (retired July 2013)
- Mr Richard Alder
- Dr John Croser (retired February 2014)
- Mr Brian Pontifex
- Ms Erica Smyth
- Dr Ann Ward
- Mr Colin Heath
- Mrs Robyn Sermon (elected October 2013)
- Mr John Hancock (appointed June 2014 to fill a casual vacancy)

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

Mr Neville Bassett

CHAIRMAN
Director since 6 January 1997.

QUALIFICATIONS AND EXPERIENCE: Corporate Consultant, B.Bus, FCA.
SPECIAL RESPONSIBILITIES: Chairman, Member of the Remuneration Committee, Member of the Nominations Committee.

Mr Michael Hutson

Director since 23 October 2004.

QUALIFICATIONS AND EXPERIENCE: Accountant, B. Com, FCPA.

Dr Robert Liddell

Director since 20 October 2005, retired July 2013.

QUALIFICATIONS AND EXPERIENCE: Medical Practitioner, Aviation Medicine Consultant. MBBS, Dip RCOG, Dip Avn Med, ATPL.

Mr Richard Alder

Appointed by the Board on 20 December 2007 as an independent director.

QUALIFICATIONS AND EXPERIENCE: Retired Financial Advisor.
SPECIAL RESPONSIBILITIES: Member of the Risk and Audit Committee, Representative on Australian Council and National Board.

Dr John Croser

Director since 22 November 2007, retired February 2014.

QUALIFICATIONS AND EXPERIENCE: Retired Orthopaedic Surgeon.

Mr Brian Pontifex

Appointed by the Board on 11 December 2009 as an independent director.

QUALIFICATIONS AND EXPERIENCE: Solicitor, BA (Hons) W. Aust., LLB (Hons) ANU, LLM Edin. Chief of Staff to Premier of Western Australia.
SPECIAL RESPONSIBILITIES: Member of the Nominations Committee.

Dr Ann Ward

Director since 24 October 2010.

QUALIFICATIONS AND EXPERIENCE: Medical Practitioner MBBS, FRACGP; DRANZCOG; DipTropMed; DACSCM.
SPECIAL RESPONSIBILITIES: Member of the Remuneration Committee.

Mr Colin Heath

Elected to the Board on 26 October 2012.

QUALIFICATIONS AND EXPERIENCE: Licensed Real Estate Agent, Property Developer and Company Director.
SPECIAL RESPONSIBILITIES: Member of the Risk and Audit Committee.

Mrs Robyn Sermon

Elected to the Board on 25 October 2013.

QUALIFICATIONS AND EXPERIENCE: Bachelor of Arts in Industrial Relations & English and post-graduate degrees in Journalism and Cross Sector Partnerships. General Manager Communities Rio Tinto Iron Ore.

Mr John Hancock

Appointed to the Board to fill a casual vacancy on 14 June 2014.

QUALIFICATIONS AND EXPERIENCE: Mining Consultant and Company Director.Partnerships. General Manager Communities Rio Tinto Iron Ore.

Ms Erica Smyth

Appointed by the Board on February 26, 2010 as an independent director.

QUALIFICATIONS AND EXPERIENCE: Geologist BSc (Hons),Hon.DLitt W.Aust.,MSc (App)McG., and Company Director, FAICD.
SPECIAL RESPONSIBILITIES: Chair of the Risk and Audit Committee

Company Secretary

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

Mrs Liane Papaelias

Appointed 23 February 2004 as Chief Financial Officer and Company Secretary.

QUALIFICATIONS AND EXPERIENCE: Accountant, B.Bus, FCPA.
SPECIAL RESPONSIBILITIES: 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 nine Directors. Six Directors are elected by the members and the Board may appoint up to three independent Directors.

Committees of the Board
Nominations Committee

The Nominations Committee consists of three 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

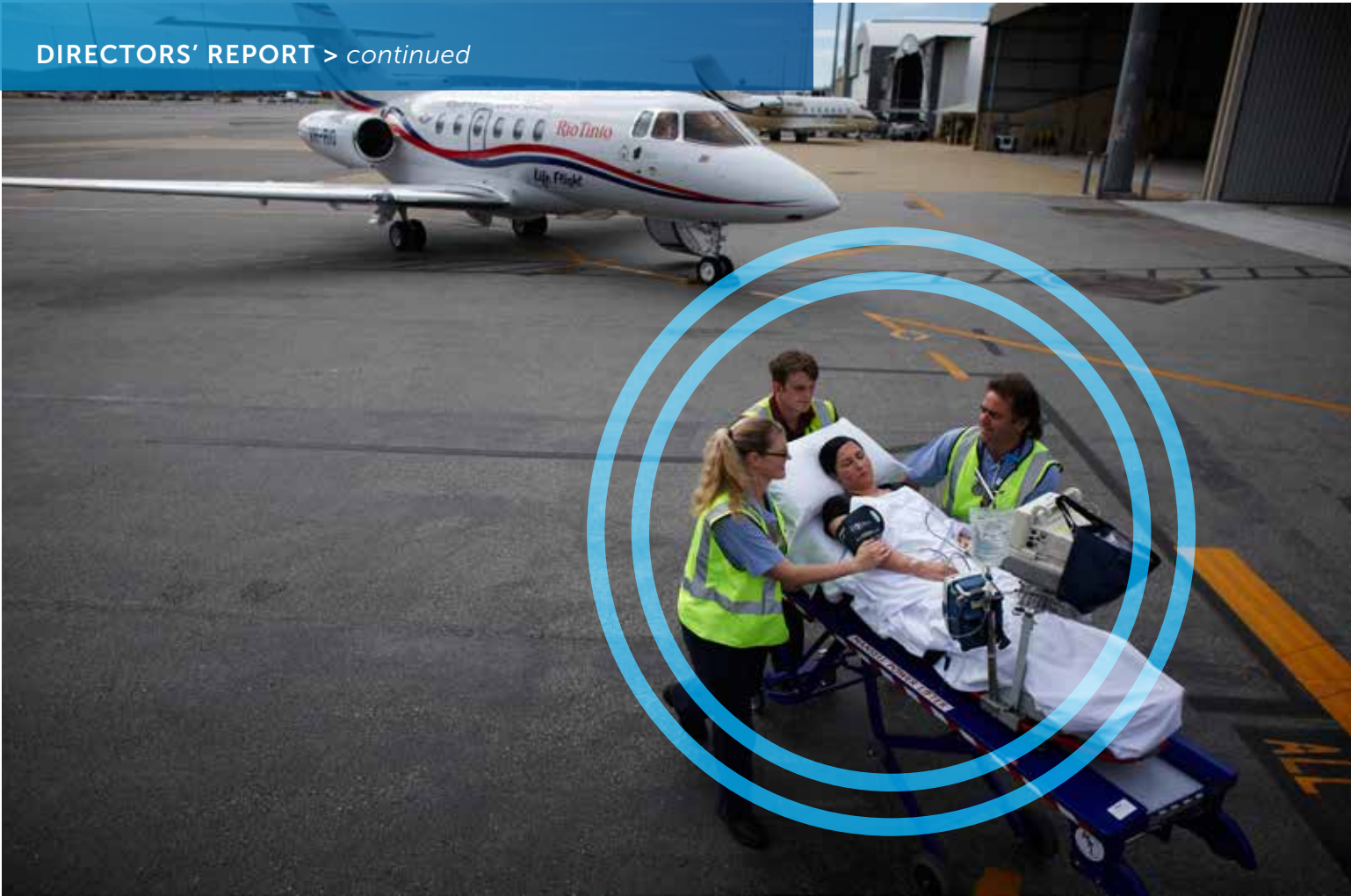
The Risk and Audit Committee consists of three Directors and three Executive Managers, and meets at least twice a year. The committee assists the Board in fulfilling its responsibilities for Company accounts and external financial reporting and also reviews the risk management profile and reporting for 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 2013 to June 2014

	Board Meeting		Nominations Committee		Risk & Audit Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr N Bassett	7	7	1	1			2	2
Mr R Alder	7	5			5	3		
Mr M Hutson	7	6			2	1		
Dr J Croser	3	3						
Mr B Pontifex	7	5	1	1				
Ms E Smyth	7	7			5	5	1	1
Dr A Ward	7	5					2	1
Mr C Heath	7	7			3	3		
Ms R Sermon	5	4						
Mr J Hancock	1	1						
Mr R Liddell	-	-						



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. 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:

	2013-14	2012-13
Patients Transported & Treated		
Primary Evacuations	1,529	1,569
Inter-hospital Transfers	6,864	7,051
Repatriations on emergency aircraft	144	135
Transported from a clinic	224	259
Repatriations on clinic flights	85	78
Total patients transported	8,846	9,092
Total clinics held	2,155	2199

Further information about activity and performance is provided in our published '2013-14 Year in Review' document.

Operating Results

Western Operations made an operating deficit of \$13,747,488 which was subsidised by non-operating revenue from fundraising, bequests and capital grants for the purchase of aircraft, resulting in an overall profit of \$18,142,904. Capital grants from Government totalling \$16.4m and a donation from BHP Billiton of \$4.5m were applied to the purchase of aircraft.

This expenditure is not recorded as operating expenditure but forms part of the increase of aircraft assets reported in the Statement of Financial Position.

The following table provides a summary reconciliation:

	2014	2013
Operating Revenue	\$69,246,265	\$68,165,018
Operating Expenditure	\$82,993,753	\$82,144,838
Deficit on Operations	(\$13,747,488)	(\$13,979,820)
Non Operating Revenue		
Capital Grants	\$16,464,551	\$1,443,864
Capital Contributions from RFDS Victorian Section	-	\$30,000
Capital Donations	\$4,572,057	\$9,654
Total Capital Revenue Applied to Assets	\$21,036,608	\$1,483,518
Fundraising, bequests and interest	\$10,853,784	\$13,905,463
Total Non Operating Revenue	\$31,890,392	\$15,388,981
Net result	\$18,142,904	\$1,409,161

Operating expenditure includes fundraising expenses of \$1,609,380 or 14.8% of fundraising revenue earned in the year ended 30 June 2014 (2013 \$1,670,511 or 12% of fundraising revenue).

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.

obligations of the entity. At 30 June 2014, the total amount that members of the company are liable to contribute if the company is wound up is \$0, (2013: \$0).

Review of Operations

Please refer to the Chairman's Message.

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

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 11 and forms part of this report.

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

Neville Bassett, Chairman

Date: 12 September 2014
Perth, Western Australia



To the members of
ROYAL FLYING DOCTOR
SERVICE OF AUSTRALIA
(WESTERN OPERATIONS)

Report on the Financial Report

We have audited the accompanying financial report of Royal Flying Doctor Service of Australia (Western Operations) ("the company"), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Royal Flying Doctor Service of Australia (Western Operations).

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- (a) the financial report of Royal Flying Doctor Service of Australia (Western Operations) is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Australian Charities and Not-for-profits Commission Regulations 2013; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
12 September 2014

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849. Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: <http://www.hlb.com.au>

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. The financial statements and notes, as set out on pages 12-31, are in accordance with the Corporations Act 2001 and:

- a. comply with Accounting Standards and 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 2014 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
12 September 2014
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 2014, 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
Perth, Western Australia
12 September 2014

Statement of Comprehensive Income

AS AT 30 JUNE 2014

	Note	2014 \$	2013 \$
Continuing Operations			
Revenue from Operations		69,246,265	68,165,018
Non-Operating Revenue			
		31,890,392	15,388,981
	2	101,136,657	83,553,999
Expenses			
Aviation Expenses		31,604,452	29,748,928
Health Services Expenses		26,680,079	27,386,769
Depreciation Expense		6,741,207	7,314,099
Loss on Sale of Assets		135,401	112,130
Loss on Foreign Exchange		716,866	447,360
Facility Expenses		5,098,848	5,598,815
Administrative Expenses		5,163,145	5,363,150
Fundraising Expenses		1,609,380	1,670,511
Borrowing Costs		692,114	647,672
Project Expenses		4,238,333	3,604,545
Other Expenses		313,928	250,859
		82,993,753	82,144,838
Profit for the year from continuing operations	3	18,142,904	1,409,161
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss:</i>			
Net revaluation increment on investments and assets			
		594,615	73,042
		594,615	73,042
Total comprehensive profit for the period		18,737,519	1,482,203

Notes to the financial statements are included on pages 19 to 33 .

Statement of Financial Position

AS AT 30 JUNE 2014

	Note	2014 \$	2013 \$
Assets			
Current assets			
Cash & cash equivalents	6	24,009,541	25,252,493
Trade and other receivables	7	5,585,244	7,857,273
Inventory	8	946,680	833,360
Total current assets		30,541,465	33,943,126
Non-current assets			
Financial assets	9	689,998	644,948
Aircraft, property, plant and equipment	10	91,012,049	70,595,774
Total non-current assets		91,702,047	71,240,722
Total assets		122,243,512	105,183,848
Liabilities			
Current liabilities			
Trade and other payables	11	9,525,454	10,745,579
Financial liabilities	12	3,978,319	5,076,874
Short-term provisions	13	2,236,741	1,489,437
Total current liabilities		15,740,514	17,311,890
Non-current liabilities			
Financial liabilities	12	4,467,020	4,788,899
Long-term provisions	13	1,418,377	1,202,977
Total non-current liabilities		5,885,397	5,991,876
Total liabilities		21,625,911	23,303,766
Net assets		100,617,601	81,880,082
Equity			
Retained earnings		72,657,202	54,514,298
Reserves		27,960,399	27,365,784
Total equity		100,617,601	81,880,082

Notes to the financial statements are included on pages 19 to 33.

Statement of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Retained Earnings \$	Asset Revaluation Reserve \$	Pharmaceutical Reserve \$	Total \$
Balance at 30 June 2012	53,105,137	27,272,742	20,000	80,397,879
Profit attributable to the entity	1,409,161	-	-	1,409,161
Revaluation Increment	-	73,042	-	73,042
Balance at 30 June 2013	54,514,298	27,345,784	20,000	81,880,082
Profit attributable to the entity	18,142,904	-	-	18,142,904
Revaluation Increment	-	594,615	-	594,615
Balance at 30 June 2014	72,657,202	27,940,399	20,000	100,617,601

Notes to the financial statements are included on pages 19 to 33.

Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from services provided		19,822,764	20,673,643
Payments to suppliers and employees		(82,853,099)	(79,309,719)
Commonwealth operational grants		20,099,484	18,032,848
State operational grants		34,813,791	34,056,339
Other grants – projects		3,231,390	3,225,208
Dividends received		30,208	27,079
Interest received		319,164	493,651
Finance costs		(435,021)	(434,808)
Net cash used in operating activities	14(a)	(4,971,319)	(3,235,759)
Cash flows from investing activities			
Payment for aircraft, property, plant and equipment		(27,004,201)	(4,967,864)
Proceeds from sale of property, plant and equipment		391,076	240,584
Proceeds from sale of investments		5,206	1,853
Government capital grants received		16,464,551	1,443,864
Bequests		2,160,388	3,386,312
Capital contributions by victorian section		-	30,000
Australian council distribution		589,942	922,562
Proceeds from fundraising activities		12,579,933	9,477,137
Capital interest		95,578	129,107
Net cash provided by investing activities		5,282,473	10,663,555
Cash flows from financing activities			
Repayment of borrowings		(12,077,528)	(1,861,312)
Proceeds from borrowings		10,400,000	1,485,000
Net cash used in financing activities		(1,677,528)	(376,312)
Net increase/(decrease) in cash held		(1,366,374)	7,051,483
Exchange rate adjustment		123,422	87,910
Cash at beginning of year		25,252,493	18,113,100
Cash at end of year	14(b)	24,009,541	25,252,493

Notes to the financial statements are included on pages 19 to 33.

Notes to the Financial Statements

FOR THE YEAR ENDING 30 JUNE 2014

1. Statement of Significant Accounting Policies

This financial report is for Royal Flying Doctor Service of Australia (Western Operations) as an individual entity, incorporated and domiciled in Australia. Royal Flying Doctor Service of Australia (Western Operations), referred to as “Western Operations”, 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 2014, 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 2014. As a result of this review the Directors have determined 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 existing policies.

Statement of Compliance

The financial report was authorised for issue on 12 September 2014. 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. 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 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 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.

Property

Freehold land and buildings are stated at their fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

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 rotable 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 & 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	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 may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value-in-use, is compared to the asset’s carrying value. Any excess of the asset’s carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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

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 the Bank of Western Australia. Balances held as at 30 June 2014 are as follows:

R & H Dicks Memorial Foundation	\$276,338
Eileen Lillian Cross RFDS Education Trust	\$299,175

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 to profit or loss 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 profit or loss.

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 profit or loss.

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. 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 profit or loss.

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.

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 > continued

FOR THE YEAR ENDING 30 JUNE 2014

2. Revenue

	2014	2013
	\$	\$
Revenue from Operations		
Commonwealth Government Service Agreement	20,099,484	18,032,848
State Government WA Health Department	34,813,791	34,056,339
Interest received	319,165	493,651
Dividends received	30,208	27,079
Insurance recoveries	7,898,035	9,563,444
Gain on foreign exchange	840,288	154,474
Other income	2,013,904	2,611,975
Project grants	3,231,390	3,225, 208
	69,246,265	68,165,018
Non-Operating Revenue		
Capital grants	16,464,551	1,443,864
Capital contributions from RFDS Victorian Section	-	30,000
Capital Donations	4,572,057	9,654
Australian Council distribution	589,942	922,562
Fundraising revenue	8,007,876	9,467,483
Interest	95,578	129,106
Bequest income	2,160,388	3,386,312
	31,890,392	15,388,981
Total revenue	101,136,657	83,553,999

3. Profit for the year from continuing operations

Expenses		
Provision for employee entitlements	(1,138,748)	(1,229,018)
Depreciation	(6,741,207)	(7,314,099)
Operating lease expenses	(419,873)	(456,455)
Interest expense	(692,114)	(647,672)
Loss on foreign exchange*	(716,866)	(447,360)
Loss on sale of assets	(135,401)	(112,130)

*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. In the year ended 30 June 2014, four new aircraft were purchased. In 2013, no aircraft were purchased and the loss on foreign exchange relates to the purchase of parts and services on engine overhaul.

Notes to the Financial Statements > continued

FOR THE YEAR ENDING 30 JUNE 2014

4. Key Management Personnel Compensation

	2014	2013
	\$	\$
Short-term benefits	2,214,956	2,018,914
Post employment benefits	200,035	177,848
Total compensation	2,414,991	2,196,762

5. Auditors' Remuneration

Amounts received or due and receivable by the auditors of the Company for:		
(a) Auditing the financial report	48,300	44,500
(b) Other services	-	-
	48,300	44,500

6. Cash and Cash Equivalents

Current		
Cash at bank and on hand	12,517,666	1,732,574
Short-term deposits	11,491,875	23,519,919
	24,009,541	25,252,493

The effective interest rate on short-term bank deposits was 2.14% (2013: 2.92%). These deposits are held at call or with a maturity of only 90 days.

7. Trade and Other Receivables

Trade receivables	5,569,870	7,712,198
Allowance for impairment of receivables (i)	(378,469)	(339,542)
	5,191,401	7,372,656
Other receivables	393,843	484,617
	393,843	484,617
	5,585,244	7,857,273

(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 2013	363,684	(24,142)	-	339,542
Balance as at 30 June 2014	339,542	38,927	-	378,469

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

Aged Analysis Trade Receivables	Total	0-60 Days	61-90 Days	91-120 days	120+ Days
Balance as at 30 June 2013	7,372,656	7,218,882	86,416	22,795	44,563
Balance as at 30 June 2014	5,191,401	4,903,617	59,880	20,909	206,995

Notes to the Financial Statements > continued

FOR THE YEAR ENDING 30 JUNE 2014

8. Inventories

	2014 \$	2013 \$
At cost		
Aircraft spare parts	894,422	759,558
Merchandise	21,932	40,077
Aviation Fuel	30,326	33,725
	946,680	833,360

9. Financial Assets

Bonds	183,105	185,105
Available-for-sale financial assets (Listed investments - shares in listed corporations at fair value)	506,893	459,843
	689,998	644,948

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

10. Aircraft, Property, Plant and Equipment

Land and Buildings - at fair value (i)	41,816,691	38,800,125
Land and Buildings – at cost	-	7,450,289
Accumulated depreciation	-	(3,605,537)
	41,816,691	42,644,877
Aircraft - at fair value (ii)	46,553,578	33,700,000
Aircraft – at cost	-	1,519,754
Accumulated depreciation	-	(9,810,906)
	46,553,578	25,408,848
Rotable Assets – at fair value (iii)	486,818	523,631
Accumulated depreciation	-	-
	486,818	523,631
Plant, equipment, furniture - at deemed cost	8,499,457	7,772,879
Accumulated depreciation	(6,377,277)	(5,874,809)
	2,122,180	1,898,070
Software – at cost	388,550	388,550
Accumulated depreciation	(355,768)	(268,202)
	32,782	120,348
	91,012,049	70,595,774

- (i) The Directors revalued all property as at 30 June 2014 to ensure that this asset class is reflected in the accounts at fair value. Fair values are based on independent valuations performed by a variety of valuers, local or proximate to each regional location. The valuers have determined fair values of the properties to be their market values, which are estimated amounts for which the properties should exchange between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
- (ii) The Directors assessed the fair value of aircraft as at 30 June 2014 with consideration of current market conditions, previous valuation reports and current valuation reports in accordance with the Company's accounting policy. The Directors determined that the fair value of the aircraft at 30 June 2014 approximated the carrying value of the aircraft at that date, and as a result, have resolved that the carrying value of aircraft at balance date represented the aircraft's fair value.
- (iii) The Directors revalued all rotatable assets as at 30 June 2014 to ensure that this asset class is reflected in the accounts at fair value, being the values at which the directors believe the items comprising this class can be sold.

Notes to the Financial Statements > continued

FOR THE YEAR ENDING 30 JUNE 2014

10a. Movements In Carrying Amounts

Fair Value or Deemed Cost	Land & Buildings	Aircraft	Rotable Assets	Plant, Equipment & furniture	Software	Total
Opening Balance	46,250,414	35,219,754	523,631	7,772,879	388,550	90,155,228
Additions	1,114,786	26,555,070	-	734,519	-	28,404,375
Disposals	(504,775)	(4,155,000)	-	(7,941)	-	(4,667,716)
Dep'n Transfer on revaluation	(5,624,906)	(11,066,246)	-	-	-	(16,691,152)
Revaluation	581,172	-	(36,813)	-	-	544,359
Closing Balance	41,816,691	46,553,578	486,818	8,499,457	388,550	97,745,094
Depreciation						
Opening Balance	3,605,537	9,810,906	-	5,874,809	268,202	19,559,454
Depreciation charge	2,052,087	4,091,145		510,409	87,566	6,741,208
Disposals	(32,718)	(2,835,805)	-	(7,941)	-	(2,876,464)
Dep'n Transfer on revaluation	(5,624,906)	(11,066,246)	-	-	-	(16,691,152)
Closing Balance	-	-	-	6,377,277	355,768	6,733,046

11. Trade and Other Payables

	2014 \$	2013 \$
Current		
Trade payables	2,375,569	2,607,094
Tax liability – GST	480,904	449,566
Sundry payables and accrued expenses	972,293	2,168,273
Annual leave	4,321,321	4,028,859
Short term leave	763,949	1,186,690
Other liabilities	611,418	305,097
	9,525,454	10,745,579

9. Financial Liabilities

Current		
Bank loan secured	3,978,319	5,076,874
Non-Current		
Bank loan secured	4,467,020	4,788,899
	8,445,339	9,865,773

- a) Bank loans for the purchase of aircraft are secured by a fixed and floating charge over the Company's assets. Finance for the jet is secured by a fixed charge over that aircraft. Loans for aircraft represent 43% 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 57% of total financial liabilities.

Notes to the Financial Statements > continued

FOR THE YEAR ENDING 30 JUNE 2014

13. 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).

	Long-term Employee Benefits
	\$
Balance as at 1July 2012	2,307,200
Additional provisions raised during the year	515,957
Amounts used	(130,743)
Balance at 30 June 2013	2,692,414
Additional provisions raised during the year	1,356,686
Amounts used	(393,981)
Balance at 30 June 2014	3,655,119

Analysis of Total Provisions

	2014	2013
	\$	\$
Current	2,236,742	1,489,437
Non-Current	1,418,377	1,202,977
	3,655,119	2,692,414

14. Notes to the Statement of Cash Flows

(a) The net cash provided by/ (used in) operating activities is reconciled to the profit/(loss) for the year as follows:

	2014	2013
	\$	\$
Profit for the year	18,142,904	1,409,161
Depreciation	6,741,207	7,314,099
(Gain)/Loss in foreign exchange	(123,422)	292,874
(Gain)/Loss on disposal of investments	5,205	980
(Gain)/Loss on disposal of property, plant and equipment	135,401	112,130
Interest payable, non cash	257,093	212,864
Reclassification of capital contributions and grants to investing activities	(32,030,997)	(15,630,545)
(Increase)/Decrease in Assets:		
Current receivables	2,233,101	891,894
Inventory	(113,318)	278,655
Provision for Doubtful Debts	38,928	(24,143)
Increase/(Decrease) in Liabilities:		
Current accounts payable	(1,251,464)	1,248,804
Employee Benefits	962,706	385,214
Tax Liabilities	31,337	272,254
Net cash used in operating activities	(4,971,319)	(3,235,759)

(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:

Notes to the Financial Statements > continued

FOR THE YEAR ENDING 30 JUNE 2014

14. Notes to the Statement of Cash Flows > continued

	2014	2013
	\$	\$
Cash	19,826,533	21,486,635
Operational	4,163,008	3,745,858
Capital/Project cash holdings	20,000	20,000
Restricted Cash (Medical chest float)	24,009,541	25,252,493

15. 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, 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 2014 approximately 89% 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 2014.

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 2014 and 30 June 2013 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

Notes to the Financial Statements > continued

FOR THE YEAR ENDING 30 JUNE 2014

15. Financial Instruments > continued

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	Cash & Cash Equivalents	2014		2013		Investments
		Receivables	Investments	Cash & Cash Equivalents	Receivables	
Weighted Average Effective Interest Rate	2.19%	-	-	2.92%	-	-
Floating Interest Rate	23,321,786	-	-	24,426,721	-	-
Fixed Interest Rate (maturing within 1 year)	-	-	-	-	-	-
Non-Interest Bearing	687,756	5,768,349	506,893	825,772	8,042,378	459,843
Total	24,009,542	5,768,349	506,893	25,252,493	8,042,378	459,843

Financial Liabilities	2014		2013	
	Bank Loan Secured	Trade & Other Payables	Bank Loan Secured	Trade & Other Payables
Weighted Average Effective Interest Rate	6.63%	-	6.59%	-
Floating Interest Rate	894,914	-	3,018,443	-
Fixed Interest Rate (maturing within 1 year)	3,690,006	-	3,891,351	-
Fixed Interest Rate (maturing within 1 to 5 years)	1,436,283	-	803,706	-
Fixed Interest Rate (maturing more than 5 years)	2,424,136	-	2,152,273	-
Non-Interest Bearing	-	13,180,573	-	13,437,993
Total	8,445,339	13,180,573	9,865,773	13,437,993

Trade and sundry payables are expected to be paid as follows:

	2014	2013
	\$	\$
Trade payables		
Less than 6 months	2,375,570	2,607,094
6 months to 1 year	-	-
	2,375,570	2,607,094
Sundry payables		
Less than 6 months	-	-
6 months to 1 year	9,386,626	9,627,922
Greater than 1 year	1,418,377	1,202,977
	10,805,003	10,830,899
Total trade and sundry payables	13,180,573	13,437,993

Notes to the Financial Statements > continued

FOR THE YEAR ENDING 30 JUNE 2014

15. Financial Instruments > continued

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:

Financial Assets	2014		2013	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$	\$	\$	\$
Available-for-sale financial assets at fair value	506,983	506,983	459,843	459,843

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 30 June 2014, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2014	2013
	\$	\$
Change in profit/(loss)		
- Increase in interest rate by 2%	175,206	428,166
- Decrease in interest rate by 2%	(175,206)	(428,166)
Change in equity		
- Increase in interest rate by 2%	175,206	428,166
- Decrease in interest rate by 2%	(175,206)	(428,166)

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

Foreign Exchange Risk

As at 30 June 2014, the effect on profit 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:

	2014	2013
	\$	\$
Change in profit/(loss)		
- Increase in interest rate by 2%	61,963	57,962
- Decrease in interest rate by 2%	(64,652)	(60,558)
Change in equity		
- Increase in interest rate by 2%	61,963	57,962

Notes to the Financial Statements > continued

FOR THE YEAR ENDING 30 JUNE 2014

16. 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 2014 and 30 June 2013 respectively:

		2014	2013
Liquidity Ratio	Total Current Assets/Total Current Liabilities	1.94	1.96
Debt to Equity Ratio	Total Debt/Total Equity (reserves + retained earnings)	21.5%	28.5%

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.

	2014	2013
	\$	\$
Total Current Assets	30,541,465	33,943,126
Total Current Liabilities	15,740,514	17,311,980
Net Working Capital	15,490,949	17,276,184

17. 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.

	2014	2013
	\$	\$
Property lease (minimum lease payments)		
Not later than 12 months	1,539,024	2,121,192
Between 12 months and five years	1,476,349	1,821,765
Greater than five years	3,530,807	3,827,454
	6,546,180	7,770,411
Motor vehicle lease (minimum lease payments)		
Not later than 12 months	307,732	366,592
Between 12 months and five years	278,960	348,682
Greater than five years	-	-
	586,692	715,274

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.

Notes to the Financial Statements > continued

FOR THE YEAR ENDING 30 JUNE 2014

18. Fair Value Measurement

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

Fair value measurement using:					
	Date of valuation	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)	30/6/14	506,893	506,893	-	-
Land and buildings (Note 10)	30/6/14	41,816,991	-	-	41,816,991
Aircraft (Note 10)	30/6/14	46,553,578	-	-	46,553,578
Rotable assets (Note 10)	30/6/14	486,818	-	-	486,818

19. Contingent Liabilities

There were no contingent liabilities as at reporting date.

20. Related Party Disclosures

Directors

The Directors of RFDS Western Operations during the year were:

Mr NJ Bassett
Mr MDF Hutson
Dr RW Liddell (retired July 2013)
Mr RP Alder
Dr JL Croser (retired February 2014)
Mr B Pontifex
Ms E Smyth
Dr A Ward
Mr CR Heath
Mrs R Sermon (elected October 2013)
Mr J Hancock (appointed June 2014 to fill a casual vacancy)

21. 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.

23. Company Details

Registered Office

3 Eagle Drive
Jandakot WA 6164
Telephone: (08) 9417 6300
Facsimile: (08) 9417 6308

**WE WOULD LIKE TO THANK
OUR CORPORATE SPONSORS,
DONORS, MEMBERS, FRIENDS,
VOLUNTEERS AND THE STATE AND
COMMONWEALTH GOVERNMENTS
FOR YOUR CONTRIBUTIONS AND
SUPPORT THAT MAKE OUR LIFE
SAVING WORK POSSIBLE.**



Contact Details >

Jandakot Corporate Office

3 Eagle Drive
Jandakot WA 6164
T (08) 9417 6300
F (08) 9417 6309
E westop@rfdswa.com.au

Derby

149 Loch Street
(PO Box 52)
Derby WA 6728
T (08) 9191 0200
F (08) 9191 0209

Kalgoorlie

Kalgoorlie Boulder Airport
(PO Box 444)
Kalgoorlie WA 6430
T (08) 9093 7500
F (08) 9093 7509

Meekatharra

Meekatharra Aiport
(PO Box 103)
Meekatharra WA 6642
T (08) 9980 0550
F (08) 9981 1601

Port Hedland

Waldron Road
(PO Box 2144)
Port Hedland WA 6721
T (08) 9172 0700
F (08) 9172 0709




Corporate Partners >



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 86 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,
Address 3 Eagle Drive Jandakot Airport Jandakot WA 6164
Postal Address Locked Bag 2 Canning Vale DC WA 6970
T (08) 9417 6400
F (08) 9417 6499
E fundraise@rfdswa.com.au
- > Phone us on 1300 669 569
- > Visit **flyingdoctor.org.au** to make an online donation

 flyingdoctor.org.au
 facebook.com/royalflyingdoctorservice
 [@RoyalFlyingDoc](https://twitter.com/RoyalFlyingDoc)



Royal Flying Doctor Service
The furthest corner. The finest care.

ABN 29 067 077 696