

Annual Financial Report 2020



Royal Flying Doctor Service
WESTERN OPERATIONS



**ROYAL FLYING DOCTOR SERVICE OF AUSTRALIA
(WESTERN OPERATIONS)**

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Royal Flying Doctor Service of Australia (Western Operations)

Financial Report for the Year Ended 30 June 2020

	Page
Chairman's Message	3
Directors' Report	5
Independent Auditor's Report.....	9
Directors' Declaration.....	12
Auditor's Independence Declaration.....	13
Statement of Comprehensive Income	14
Statement of Financial Position.....	15
Statement of Changes in Equity	16
Statement of Cash Flows	17
Notes to the Financial Statements	18 - 41

CHAIRMAN'S MESSAGE ANNUAL REPORT 2019/20

On behalf of the Board of the Royal Flying Doctor Service (Western Operations), I am pleased to present the Annual Report for the financial year ended 30 June 2020.

It has been an extraordinary year of unprecedented activity for the Royal Flying Doctor Service in Western Australia.

The Next Century Strategic Direction: 2020 and Beyond was launched in February following extensive engagement and consultation with our people across our regional bases and with our health and emergency services collaborators.

Our Strategic Direction reaffirms our promise to regional Western Australia to provide excellence in aeromedical and primary health care and to advocate for health equity for the most vulnerable and remote communities. The strategic priorities and enablers also unlock opportunity for RFDS WO to innovate, adapt and partner in new and meaningful ways to ensure our organisational sustainability, investment in our people and our responsive solutions in addressing the evolving complexity of health service delivery.

We are committed to continuous improvement and during the past year our teams have been highly focussed on achieving **accreditation to the National Safety and Quality Health Standards**. The advent of COVID-19 meant that our date for accreditation assessment has been postponed. However the work of the teams in fortifying our clinical governance policies, procedures and our heightened infection control protocols saw us evermore prepared for the unprecedented challenge brought by the pandemic.

The RFDS WO response to COVID-19 was swift and collaborative. As a frontline responder we have a seat at the table on the State Health Incident Coordination Centre (SHICC) and we remain a key ally in the State's health response. We worked closely with our key partners the WA Country Health Service (WACHS) and the Commonwealth Government.

The health and safety of our people and patients has been paramount in all our decision making. Internally we stood up our Emergency Management Team on 13 March and activated our Business Continuity Plan. We boosted our frontline teams and aeromedical capacity and stood response ready on behalf of the State. Our clinicians developed an infection control standard and aircraft decontamination protocols to respond to evolving health advice. Our frontline crews undertook intense training and preparedness for COVID-19 retrievals. We secured our supply chain for personal protective equipment and we established specific decontamination zones at each of our five regional bases – among many, many other critical activities during this intense period.

During 2019/2020 we experienced a 4% increase in demand. We provided the following:

- 9,033 aeromedical retrievals.
- 1,102 patients were treated by RFDS WO dental clinics (Our dental clinics temporarily stopped due to COVID-19).
- 5,153 patients treated by RFDS WO at 556 clinics (Our clinics temporarily stopped/continued during COVID-19).
- A further 9,763 patients were treated at RFDS WO facilitated clinics.

We flew 7,957,000 kilometres over 22,284 hours across our vast state.

The 2019/20 financial year has resulted in a surplus of \$479k, compared to a surplus of \$1.8m in the prior year. However, the prior year included \$11.7m in capital contributions (\$nil in 2019/20) which if excluded, resulted in an underlying operating deficit of \$9.9m. While further improvement is required to deliver sustainable surpluses into the future, the proactive actions taken by the Board and Management to actively address these deficits through increased funding and cost reduction strategies have shown a significant improvement in the underlying result.

The 2019/20 result includes \$11.0m (\$9.3m in 2018/19) from fundraising and bequests from the Western Australian community in addition to ongoing sponsorship from Rio Tinto of \$2.5m. As our Principal Corporate Partner, Rio Tinto has extended their sponsorship by a further six years at a value of \$15 million, which will see a third Rio Tinto LifeFlight PC-24 jet delivered into our fleet within the next 18 months.

The generosity of our resource sector partners through the Chamber of Minerals and Energy was further highlighted during our Response Ready for WA Appeal as we sought support for boosting our frontline staff, investment in critical capital and operational essentials for COVID-19 and beyond.

I acknowledge the tremendous work of all of our people who constantly strive to achieve excellence and ensure positive patient outcomes. There is an unwavering commitment to ensuring every person living, working or travelling in Western Australia's vast and remote regions has equal access to quality health care no matter where they are. This year, this promise has been delivered through unparalleled circumstances.

I extend my sincere thanks to all who have served in the RFDS WO this year, including my fellow Directors, our Chief Executive Officer Rebecca Tomkinson and the Executive Leadership Team for their support, energy and commitment to the future of our vital service.

Sam Walsh AO
Chairman

Directors' Report

Your Directors present their report on the Royal Flying Doctor Service of Australia (Western Operations) (RFDS WO), referred to as "Western Operations" or "the Company", for the financial year ended 30 June 2020. The names and particulars of the Directors of Western Operations in office during and since the end of the financial year ended 30 June 2020 are:

Mr Sam Walsh AO
Prof Fiona Wood AM
A/Prof Angus Turner
Mr John Walker*
Mr Saul Harben*
Mr Robert Slocombe* (appointed 25 October 2019)
Ms Joanne Farrell* (appointed 25 October 2019)
Mr Tim Shackleton* (appointed 25 October 2019)
Mr John van Der Wielen* (appointed 25 October 2019)
Dr Ann Ward* (retired 25 October 2019)

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

Information on Directors

Mr Sam Walsh AO

Qualifications and Experience: Company Director and retired Chief Executive Officer Rio Tinto, BCom, Overseas Fellowship (Kettering).

Special Responsibilities: Chairman and Member (Chairman) of the Remuneration and Nominations Committees.

Prof Fiona Wood AM

Qualifications and Experience: Leading burns surgeon and researcher for over 20 years and is Director of the Burns Service of Western Australia. Medical Practitioner MBBS, RACS.

Special responsibilities: Member (Chair) of the Clinical Governance Committee.

A/Prof Angus Turner

Qualifications and Experience: Director of Lions Outback Vision, Medical Practitioner MBBS, RANZCO, MSc (Oxford University).

Special responsibilities: Member of the Clinical Governance Committee.

Mr John Walker*

Qualifications and Experience: Chief Executive Officer, City of Kalgoorlie Boulder and has extensive experience across a range of industries as a Board Director and CEO.

Special responsibilities: Member of the Nominations Committee.

Mr Saul Harben*

Qualifications and Experience: Admitted Solicitor and Partner of Clayton Utz; B-Comm, LLB..

Special responsibilities: Member of the Risk and Audit Committee.

Mr Robert Slocombe* (appointed 25 October 2019)

Qualifications and Experience: Group Chief Executive Officer of The Royal Automobile Club (RAC) and has extensive experience in financial services and banking. BBus (Banking & Finance), MBus (Finance & Funds Management), MSTech (Aviation), FAIM.

Special responsibilities: Member (Chairman) of the Risk and Audit Committee.

Ms Joanne Farrell* (appointed 25 October 2019)

Qualifications and Experience: Recently retired after 32 years with Rio Tinto. Executive roles held in Human Resources, Health, Safety and Environment and Government and Stakeholder Relations. BSc (Psychology and Economics) and Grad Dip Mgmt.

Special responsibilities: Member of the Remuneration Committee.

Mr Tim Shackleton* (appointed 25 October 2019)

Qualifications and Experience: The current Chief Executive Officer of Rural Health West and has extensive experience in the rural and regional health sector in Western Australia. BSc (Human Movement) and Post Grad Dip in Health Services Administration.

Mr John van Der Wielen* (appointed 25 October 2019)

Qualifications and Experience: Chief Executive Officer and Managing Director of HBF since May 2017 with over 30 years' experience in insurance, wealth management, private banking and investments including executive positions within several global financial services groups in London. MBA, FAICD
Special responsibilities: Member of the Remuneration Committee.

Dr Ann Ward* (retired from the Board 25 October 2019)

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

Company Secretary

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

Mr Jeffrey Simper

Qualifications and Experience: BCom, CPA. Appointed 1 April 2019 as Interim General Manager, Commercial and Risk and Company Secretary and resigned both positions as at 30 August 2019.

Ms Ruth Slodkowski

Qualifications and Experience: MBA, Appointed 30 August 2019 as Company Secretary and appointed as the Executive Officer in October 2018.

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. Elected members are denoted with an asterisk (*)

COMMITTEES OF THE BOARD

Audit and Risk Committee

The Audit and Risk Committee membership is comprised of up to three Directors with regular attendance required from the Chief Executive Officer, General Manager Commercial and Risk and Company Secretary. The purpose of the Audit and Risk Committee is to assist the Board in its oversight of the integrity of the RFDS WO's financial reporting, monitor the effectiveness and objectivity of internal and external auditors, provide input to the Board in its assessment of organisational risks and determination of risk appetite as part of the overall setting of strategy for RFDS WO and to assist the Board in its oversight of the RFDS WO's risk management framework, monitoring its effectiveness through functional implementation in the 'second line of defence' and its performance to protect against and mitigate risks in the 'first line of defence'.

Clinical Governance Committee

The Clinical Governance Committee meets at least three times a year and consists of two Directors, the Chief Executive Officer, the Executive Manager Clinical and Heads of Clinical Governance and Clinical Services. The committee assists the Board by reviewing clinical activity, clinical governance and consumer engagement, assuring that patient care is delivered in a safe, culturally sensitive, effective and efficient manner in accordance with best practice and in keeping with national standards.

Remuneration Committee

The Remuneration Committee consists of three Directors and aims to meet 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.

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.

Directors' report continues...

Directors' attendance at meetings July 2019 to June 2020

Directors	Board Meeting		Audit & Risk Committee		Clinical Governance Committee		Nominations Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr Sam Walsh AO	6	6	N/A	N/A	N/A	N/A	2	2	1	1
Prof Fiona Wood AM	6	5	N/A	N/A	2	2	N/A	N/A	N/A	N/A
A/Prof Angus Turner	6	5	N/A	N/A	2	1	N/A	N/A	N/A	N/A
Mr John Walker*	6	5	N/A	N/A	N/A	N/A	2	2	N/A	N/A
Mr Saul Harben*	6	5	5	5	N/A	N/A	N/A	N/A	N/A	N/A
Mr Robert Slocombe* (appointed 25 October 2019)	6	6	5	5	N/A	N/A	N/A	N/A	N/A	N/A
Ms Joanne Farrell* (appointed 25 October 2019)	4	4	N/A	N/A	N/A	N/A	N/A	N/A	1	1
Mr Tim Shackleton* (appointed 25 October 2019)	4	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr John van Der Wielen* (appointed 25 October 2019)	4	4	N/A	N/A	N/A	N/A	N/A	N/A	1	1
Dr Ann Ward* (retired 25 October 2019)	2	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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:

	2019-20	2018-19
Patients Transported & Treated		
Primary Evacuations	1,734	1,650
Early Evacuations – for COVID-19 testing	20	-
Inter-hospital Transfers	7,121	6,913
Repatriations on emergency aircraft	158	119
Total Patients Transported	9,033	8,682
Total Clinics Held	2,306	2,154

Directors' report continues...

Operating Results

Western Operations made an operating Surplus of \$478,724 with no non-operating revenue from capital grants received in the financial year.

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 2020, the total amount that members of the Company are liable to contribute if the Company is wound up is \$1,180, (2019: \$1,220).

Review of Operations

Please refer to the Chairman's Message.

Auditor's Independence Declaration

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

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

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

Sam Walsh AO

Chairman

Date: 28 August 2020
Perth, Western Australia

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Report*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 2020, 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 has been prepared in accordance with 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 2020 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for opinion

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

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

Information other than the financial report and auditor's report thereon

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 2020, 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.

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Responsibilities of management and directors for the financial report

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

In preparing the financial report, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 August 2020



L Di Giallonardo
Partner

DIRECTORS' DECLARATION

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

1. In the Directors' opinion, the financial statements and notes, are in accordance with the *Corporations Act 2001* and *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 2020 and of the performance of the Company for the year ended on that date.

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

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

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



.....
Sam Walsh AO

Chairman

28 August 2020

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 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
28 August 2020



L Di Giallonardo
Partner

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
Continuing Operations			
Revenue from operations	2	89,931,217	77,907,201
Revenue from fundraising and bequest income	2	11,015,597	9,316,781
		100,946,814	87,223,982
Expenses			
Employee expenses		53,184,763	51,936,256
Aircraft expenses		20,304,562	20,681,706
Depreciation expenses		13,495,059	10,626,125
Administration expenses		6,794,332	5,977,094
Property expenses		3,298,469	4,274,878
Fundraising expenses		827,040	1,279,657
Medical expenses		1,040,824	844,355
Loss on sale of assets		446,442	803,964
Interest on leases		311,555	-
Cost of borrowing		424,250	276,960
Loss on foreign exchange		274,861	79,608
Other expenses		65,933	334,000
		100,468,090	97,114,603
Surplus / (Deficit) for the year from continuing operations		478,724	(9,890,621)
Non-Operating Revenue	2	-	11,729,589
Surplus for the year		478,724	1,838,968
Other Comprehensive Income			
<i>Items will not be reclassified to profit or loss:</i>			
Reversal of increments on transferred assets		(895,842)	-
		(895,842)	-
Total Comprehensive Income / (Deficit) for the year		(417,118)	1,838,968

The accompanying notes form part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
Assets			
Current Assets			
Cash & cash equivalents	6	36,361,232	27,107,446
Trade & other receivables	7	20,514,708	8,848,191
Inventories	8	2,609,052	2,451,636
Total Current Assets		<u>59,484,992</u>	<u>38,407,273</u>
Non-Current Assets			
Financial assets	9	233,473	274,920
Right-of-use assets	10	7,385,620	-
Aircraft, property, plant and equipment	11	95,042,321	108,263,998
Total Non-Current Assets		<u>102,661,414</u>	<u>108,538,918</u>
Total Assets		<u>162,146,406</u>	<u>146,946,191</u>
Current Liabilities			
Trade and other payables	12	21,955,559	10,348,992
Financial liabilities	13	1,494,981	1,748,696
Provisions	14	3,955,693	3,362,521
Lease liability	10	751,066	-
Total Current Liabilities		<u>28,157,299</u>	<u>15,460,209</u>
Non-Current Liabilities			
Financial liabilities	13	14,202,963	18,344,895
Provisions	14	1,056,588	932,119
Lease liability	10	6,766,828	-
Derivative Financial Instrument	16	170,878	-
Total Non-Current Liabilities		<u>22,197,257</u>	<u>19,277,014</u>
Total Liabilities		<u>50,354,556</u>	<u>34,737,223</u>
Net Assets		<u>111,791,850</u>	<u>112,208,968</u>
Equity			
Retained earnings		93,229,261	92,750,537
Reserves		18,562,589	19,458,431
Total Equity		<u>111,791,850</u>	<u>112,208,968</u>

The accompanying notes form part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Retained Earnings	Asset Revaluation Reserve	Pharmaceutical Reserve	Total
	\$	\$	\$	\$
Balance at 30 June 2018	90,911,569	19,438,431	20,000	110,370,000
Surplus for the year	1,838,968	-	-	1,838,968
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	1,838,968	-	-	1,838,968
Closing balance at 30 June 2019	92,750,537	19,438,431	20,000	112,208,968
Surplus for the year	478,724	-	-	478,724
<i>Other Comprehensive income:</i>				
Reversal of increments on transferred assets	-	(895,842)	-	(895,842)
Total comprehensive income for the year	478,724	(895,842)	-	(417,118)
Closing balance 30 June 2020	93,229,261	18,542,589	20,000	111,791,850

The accompanying notes form part of the Financial Statements.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from services provided		16,632,233	14,887,703
Payments to suppliers and employees		(92,458,929)	(93,233,636)
Commonwealth operational grants		27,442,681	24,098,266
State operational grants		46,305,162	41,922,857
Other Grants - Projects		6,606,987	4,397,220
Dividends received		6,210	5,721
Interest received		233,091	344,080
Finance costs		(424,250)	(276,960)
Net cash used in operating activities	15	4,343,185	(7,854,749)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of aircraft, property, plant and equipment		(710,937)	(20,142,321)
Proceeds from sale of property, plant and equipment		-	584,145
Repayment of bonds		-	27,217
Government capital grants received		-	11,729,589
Bequests		3,363,431	2,982,878
Proceeds from fundraising activities		7,652,166	6,333,903
Net cash provided by / (used) in investing activities		10,304,660	1,515,411
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(4,442,785)	(659,324)
Proceeds from borrowings		38,250	6,733,954
Lease payments		(989,524)	-
Net cash provided by / (used) in financing activities		(5,394,059)	6,074,630
Net (decrease) in Cash Held		9,253,786	(264,708)
Cash at beginning of year		27,107,446	27,372,154
Cash at end of year	15	36,361,232	27,107,446

The accompanying notes form part of the Financial Statements.

Notes to the Financial Statements for the Financial Year ended 30 June 2020

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is for Royal Flying Doctor Service of Australia (Western Operations), referred to as “Western Operations” or “the Company”, as an individual entity, incorporated and domiciled in Australia, and is a public company limited by guarantee. The principal activities of the Company 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 Charities and Not-for-profits Commissions Act 2012 and Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. For the purposes of preparing the Financial Statements, Western Operations is a not-for-profit entity.

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

Standards and Interpretations applicable to 30 June 2020

In the year ended 30 June 2020, the Directors have reviewed all of the new and revised standards and interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. Those which have a material impact on the Company are:

AASB 16 Leases

The Company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 ‘Leases’ and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The impact on the financial performance and position of the Company from the adoption of AASB 16 is reflected in notes 10a and 10b.

AASB 15 Revenue from Contracts with Customers

The Company has adopted AASB 15 from 1 July 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity’s statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity’s performance and the customer’s payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over a contract period.

AASB 1058 Income of Not-for-Profit Entities

The Company has adopted AASB 1058 from 1 July 2019. The standard replaces AASB 1004 ‘Contributions’ in respect to income recognition requirements for not-for-profit entities. The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where: an asset is received in a transaction, such as by way of grant, bequest or donation; there has either been no consideration transferred, or the consideration paid is significantly less than the assets fair value; and where the intention is to principally enable the entity to further its objectives. For transfers of financial assets to the entity which enable it to acquire or construct a recognisable non-financial asset, the entity must recognise a liability amounting to the excess of the fair value of the transfer received over any related amounts recognised.

Notes to the Financial Statements for the Financial Year ended 30 June 2020

Related amounts recognised may relate to contributions by owners, AASB 15 revenue or contract liability recognised, lease liabilities in accordance with AASB 16, financial instruments in accordance with AASB9, or provisions in accordance with AASB 137. The liability is brought to account as income over the period in which the entity satisfies its performance obligation. If the transaction does not enable the entity to acquire or construct a recognisable non-financial asset to be controlled by the entity, then any excess of the initial carrying amount of the recognise asset over the related amounts is recognised as income immediately. Where the fair value of volunteer services received can be measured, a private sector not-for-profit entity can elect to recognise the value of those services as an asset where asset recognition criteria are met or otherwise recognised the value as an expense.

Standards and Interpretations not yet adopted.

Any new, revised or impending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Other than the above, the Directors have determined there is no material impact of the new and revised standards and interpretations on the Company and therefore, no material change is necessary in accounting policies.

Statement of Compliance

The financial report was authorised for issue on 28 August 2020. The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Accounting Policies

a) Income Tax

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

b) Inventories

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

c) Aircraft, property, plant & equipment

Aircraft

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

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

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

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.

Notes to the Financial Statements for the Financial Year ended 30 June 2020

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.

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

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

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

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

Depreciation

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

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

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

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.

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.

Notes to the Financial Statements for the Financial Year ended 30 June 2020

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

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

d) Employee Benefits

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

e) Comparative Figures

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

f) Cash and Cash Equivalents

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

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 assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

Notes to the Financial Statements for the Financial Year ended 30 June 2020

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivable which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also contains an equity investment. The Company accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI.

Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss.

Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

This category includes unlisted equity securities that were previously classified as 'available-for-sale' under AASB 139.

Any gains or losses recognised in other comprehensive income (OCI) are not recycled upon derecognition of the asset.

Debt instruments at fair value through other comprehensive income (Debt FVOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at debt FVOCI.

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is to "hold to collect" the associated cash flows and sell financial assets; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Notes to the Financial Statements for the Financial Year ended 30 June 2020

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2')
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting

The Company applies the new hedge accounting requirements in IFRS 9 prospectively. On adoption of AASB 9, all hedging relationships that were hedging relationships under AASB 139 at the 30 June 2018 reporting date met the AASB 9's criteria for hedge accounting at 1 July 2019 and were therefore regarded as continuing hedging relationships.

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship

Notes to the Financial Statements for the Financial Year ended 30 June 2020

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

For the reporting periods under review, the Company has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate foreign currency exchange risk arising from certain highly probable sales transactions denominated in foreign currency.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

i) Revenue Recognition

Revenue from contracts with customers:

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company; identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sales revenue:

Events, fundraising and raffles are recognised when received or receivable.

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 deferred revenue in the statement of financial position.

Revenue from Grants:

Grant revenue is recognised in profit or loss when the Company satisfies the performance obligations stated within the funding agreements.

If conditions are attached to the grant which must be satisfied before the Company is eligible to retain the contribution, the grant will be recognised as in the statement of financial position as a liability until those conditions are satisfied.

Notes to the Financial Statements for the Financial Year ended 30 June 2020

Interest:

Interest revenue is recognised as interest accrues using the effective interest method. This is a methods of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other Revenue:

Other revenue is recognised when it is received or when the right to receive payment is established.

Volunteer services:

The Company has elected not to recognise volunteer services as either revenue or other form of contribution received. As such, any related consumption or capitalization of such resources received is also not recognised.

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.

p) 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.

Notes to the Financial Statements for the Financial Year ended 30 June 2020

Impairment

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.

Useful life of depreciable assets

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.

The engine and airframe components of aircraft-turbo prop have materially different useful lives and are effectively accounted for as separate assets, and are separately depreciated using an activity based method of calculated hours flown.

The engine and airframe components of aircraft-jet have been assessed as having a 10 year useful life based on industry averages.

Change in estimates

PC-12 engines have a useful life of 5,000 flying hours and have previously been capitalised with a residual value of \$180k. The Company has changed this residual value to be nil, as each engine is traditionally overhauled three times before being sold with an airframe and this will reduce the one off \$180k loss on disposal of the asset, whilst increasing the depreciation charge.

The depreciation charge for the year under the old method would have resulted in \$1.14m depreciation compared to \$2.34m of depreciation under the new method.

Fair value of financial instruments

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.

Revenue

Revenue that is recognised under AASB 15 *Revenue from Contracts with Customers* arises mainly from the provision of Government contracts. To determine whether to recognise revenue, a 5-step approach is applied:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue recognised is based on the delivery of performance obligations and on assessment of when control is transferred. The Company must determine the amount of revenue and related balance sheet items to recognise based on a number of assumptions.

Revenue is recognised either when the performance obligation has been performed ('point in time' recognition) or as control of the performance obligations is transferred to the Company ('over time' recognition).

The transaction price is the amount to which the Company expects to be entitled and has rights to under the contract, net of any discounts, subsidies and concessions. Once a transaction price is determined, it is allocated to the identified performance obligation and revenue is recognised when (or as) those performance obligations are satisfied.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as deferred revenue in the statement of financial position.

Revenue with no performance obligations is recognised in accordance with AASB 1058 *Income of Not-for-Profit Entities*, and arises mainly from grants, donations and bequests. Grant revenue is recognised when the Company obtains control of the grant. If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue is deferred until those conditions are met.

Notes to the Financial Statements for the Financial Year ended 30 June 2020

Donations and bequests are recognised as and when received.

Interest revenue is recognised on a proportional basis taking into account interest rates applicable to financial assets.

Contract Assets

Contract assets are recognised when the Company has transferred goods or services to the customer but where the Company is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Contract Liabilities

Contract liabilities represent the Company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has transferred the goods or services to the customer.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payment made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expenses to profit or loss as incurred.

The Company has used one of the practical expedients contained in AASB 16 Leases in using a single discount rate for portfolios of assets with reasonably similar characteristics. This has been done for each of base properties, residential properties and motor vehicles.

Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

q) Comparative information

Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Notes to the Financial Statements for the Financial Year ended 30 June 2020**2 REVENUE**

	2020 \$	2019 \$
Revenue from Operations		
Commonwealth Government Funding (i)	27,442,681	24,098,266
State Government Funding (i)	46,305,162	41,922,857
Interest received	233,091	344,080
Dividends received	6,210	5,721
Insurance recoveries	5,784,149	5,090,869
Gain on foreign exchange	140,373	168,990
Other income	3,412,564	1,879,198
Project grants	6,606,987	4,397,220
	<u>89,931,217</u>	<u>77,907,201</u>
 Fundraising revenue	 7,652,166	 6,333,903
Bequest Income	3,363,431	2,982,878
	<u>11,015,597</u>	<u>9,316,781</u>
 Total Revenue from Operations	 <u>100,946,814</u>	 <u>87,223,982</u>
 Non-Operating Revenue		
Capital grants	-	11,729,589
	<u>-</u>	<u>11,729,589</u>
 TOTAL REVENUE	 <u>100,946,814</u>	 <u>98,953,571</u>

(i) Included in Commonwealth Government and State Government Funding is revenue for the COVID-19 set up and response costs.

3 SURPLUS

	2020 \$	2019 \$
Expenses		
Depreciation	(13,495,059)	(10,626,125)
Operating lease expenses	(76,126)	(1,371,891)
Borrowing costs	(424,250)	(276,960)
Loss on foreign exchange	(274,861)	(79,608)
Loss on sale of assets	(446,442)	(803,964)

4 KEY MANAGEMENT PERSONNEL COMPENSATION

	2020 \$	2019 \$
Short-term benefits	2,485,851	3,050,481
Post employment benefits	194,528	157,673
Total compensation	<u>2,680,379</u>	<u>3,208,154</u>

Notes to the Financial Statements for the Financial Year ended 30 June 2020**5 REMUNERATION OF AUDITORS**

	2020 \$	2019 \$
Remuneration of the auditor of the company for:		
(a) Auditing the financial report	48,500	48,500
(b) Other assurance services - program acquittals	-	-
	48,500	48,500

6 CASH AND CASH EQUIVALENTS

	2020 \$	2019 \$
Current		
Cash at bank and on hand	29,491,471	25,267,073
Short-term bank deposits	6,869,761	1,840,373
	36,361,232	27,107,446

The weighted average interest rate on cash and cash equivalents was 0.62% (2019: 1.70%).
These deposits are held at call or with a maturity of only 90 days.

7 TRADE AND OTHER RECEIVABLES

Trade receivables and accrued revenue (i)	19,612,310	7,907,788
Provision for impairment of receivables (ii)	(30,985)	(388,981)
	19,581,325	7,518,807
Other - Employees	-	9,224
Other - Prepayments	933,383	1,320,160
	933,383	1,329,384
	20,514,708	8,848,191

(i) Trade receivables and accrued revenue

The aggregate amount of balances accrued that are identified as owing at balance date was \$6,168,683.

(ii) Expected Credit Losses

The Company applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all accounts receivable. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due.

In determining the loss allowance provision as at 30 June 2020, an expected loss rate of 0% has been applied against the gross carrying amount and also incorporate forward-looking information.

No amounts written off during the year.

Notes to the Financial Statements for the Financial Year ended 30 June 2020**(iii) Ageing of past due but not impaired receivables**

	Total	31-60 Days	61-90 Days	91-120 Days	120+ Days
Aged Analysis Trade Receivables					
Balance as at 30 June 2019	836,792	64,689	103,852	668,251	-
Balance as at 30 June 2020	2,172,906	2,014,437	45,322	113,147	-

(iv) Credit risk

The Company has no significant concentration of credit risk with respect to any single counterparty or entity of counterparties. The main source of credit risk to the Company is considered to relate to the class of assets described as "trade receivables and accrued income".

The Company always measures the loss allowance for accounts receivables at an amount equal to lifetime expected credit loss. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques used or significant assumptions made during the current reporting period.

The Company writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery (eg when the debtor has been placed under liquidation or has entered into bankruptcy proceedings) or when the trade receivables are over two years past due, whichever occurs earlier. None of the accounts receivable that have been written off are subject to enforcement activities.

8 INVENTORIES

	2020	2019
	\$	\$
At cost		
Aircraft spare parts	2,258,958	2,169,991
Merchandise and Uniforms	330,707	261,946
Aviation Fuel	19,387	19,699
	<u>2,609,052</u>	<u>2,451,636</u>

9 FINANCIAL ASSETS**Non-Current**

Bonds	138,500	179,947
Equity investments designated at FVOCI in listed corporations	94,973	94,973
	<u>233,473</u>	<u>274,920</u>

Notes to the Financial Statements for the Financial Year ended 30 June 2020**10a NON-CURRENT ASSETS – RIGHT-OF-USE ASSETS**

	2020 \$	2019 \$
Land and buildings	8,026,975	-
Less: Accumulated depreciation	(726,216)	-
	7,300,759	-
Motor Vehicle	168,887	-
Less: Accumulated depreciation	(84,026)	-
	84,861	-
	7,385,620	

Additions to the right-of-use assets during the year were \$8,195,862

The Company leases land and buildings for its offices, hangar and residential accommodation under agreements of between one and twenty-five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Company also leases Motor Vehicles under agreements of two to five years.

The Company leases IT equipment under agreement of up to four years. These leases are either short-term or low-value, so have been expenses as incurred and not capitalised as right-of-use assets.

10b LEASE LIABILITY – RIGHT-OF-USE ASSETS

	2020 \$	2019 \$
Current:		
Land and buildings	698,911	-
Motor Vehicle	52,155	-
	751,066	-
Non-Current:		
Land and buildings	6,732,295	-
Motor Vehicle	34,533	-
	6,766,828	-

Notes to the Financial Statements for the Financial Year ended 30 June 2020**11 AIRCRAFT, PROPERTY, PLANT AND EQUIPMENT**

	2020 \$	2019 \$
Land and Building - at fair value (i) (iv)	28,443,913	35,481,184
Land and Building - at cost	-	1,757,252
Accumulated depreciation	-	(4,969,632)
	28,443,913	32,268,804
 Aircraft - at fair value (ii) (v)	 63,544,093	 41,757,624
Aircraft - at cost	-	36,807,356
Accumulated depreciation	-	(6,078,261)
	63,544,093	72,486,719
 Rotable Assets - at fair value (iii)	 573,686	 542,686
Accumulated depreciation	-	-
	573,686	542,686
 Plant, equipment, furniture - at deemed cost	 11,554,780	 11,469,322
Accumulated depreciation	(9,074,151)	(8,518,648)
	2,480,629	2,950,674
 Software - at cost	 454,410	 454,410
Accumulated depreciation	(454,410)	(439,295)
	-	15,115
	95,042,321	108,263,998

(i) The Directors assessed the fair value of all property as at 30 June 2020 in accordance with the accounting policy disclosed in Note 1(c) and have resolved that the carrying value at balance date equated to the fair value.

(ii) The Directors assessed the fair value of aircraft as at 30 June 2020 in accordance with the Company's accounting policy disclosed in Note 1(c) and have resolved that the carrying value at balance date equated to the fair value.

(iii) The Directors assessed the fair value of rotatable assets as at 30 June 2020 in accordance with the accounting policy disclosed in Note 1 (c) and have resolved that the carrying value at balance date equated to the fair value.

(iv) Aircraft with a carrying value of \$24,732,073 are secured by a Loan Facility agreement (Note 13).

In the current year, The Directors have reviewed whether any impairment indicators existed that would require any impairment loss to be recorded. No impairment loss was recognised in the current financial year as the Directors of the Company expect the fair value less costs to sell to be higher than the carrying value.

Notes to the Financial Statements for the Financial Year ended 30 June 2020**11a MOVEMENTS IN CARRYING AMOUNTS**

(i) In the current year, the Directors have reviewed whether any impairment indicators existed that would require any impairment loss to be recorded. 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 for each asset category.

Fair Value or Deemed Cost	Land & Buildings	Aircraft	Rotable Assets	Plant, Equipment &	Software	Total
Opening Balance 1 July 2019	37,238,436	78,564,980	542,686	11,469,322	454,410	128,269,834
Additions	118,521	523,098	31,000	85,458	-	758,077
Disposals	(2,142,031)	-	-	-	-	(2,142,031)
Reverse accumulated depreciation on fair value adjustment	(6,771,013)	(15,543,985)	-	-	-	(22,314,998)
Closing Balance 30 June 2020	28,443,913	63,544,093	573,686	11,554,780	454,410	104,570,882
Depreciation						
Opening Balance 1 July 2019	4,969,632	6,078,261	-	8,518,648	439,295	20,005,836
Depreciation Charge	2,648,476	9,465,724	-	555,503	15,115	12,684,818
Disposals	(847,095)	-	-	-	-	(847,095)
Reverse accumulated depreciation on fair value adjustment	(6,771,013)	(15,543,985)	-	-	-	(22,314,998)
Closing Balance 30 June 2020	-	-	-	9,074,151	454,410	9,528,561

Fair Value or Deemed Cost	Land & Buildings	Aircraft	Rotable Assets	Plant, Equipment &	Software	Total
Opening Balance 1 July 2018	37,176,163	53,236,434	528,526	10,435,003	454,410	101,830,536
Additions	162,545	29,686,965	14,160	1,056,109	-	30,919,779
Disposals	(362,494)	(4,358,419)	-	(21,790)	-	(4,742,703)
Transfer from assets classified as held for sale	262,222	-	-	-	-	262,222
Closing Balance 30 June 2019	37,238,436	78,564,980	542,686	11,469,322	454,410	128,269,834
Depreciation						
Opening Balance 1 July 2018	1,897,538	2,123,285	-	8,028,433	422,830	12,472,086
Depreciation Charge	3,118,818	6,978,837	-	512,005	16,465	10,626,125
Disposals	(46,724)	(3,023,861)	-	(21,790)	-	(3,092,375)
Closing Balance 30 June 2019	4,969,632	6,078,261	-	8,518,648	439,295	20,005,836

12 TRADE AND OTHER PAYABLES

	2020 \$	2019 \$
Current:		
Trade Payables	3,399,152	2,983,894
Tax Liability - GST & PAYG	1,105,282	1,493,491
Deferred income and grants in advance (i)	10,250,782	243,957
Annual leave	5,546,928	4,390,735
Short term leave	1,653,415	1,015,110
Other liabilities	-	221,805
	<u>21,955,559</u>	<u>10,348,992</u>

(i) Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are identified at balance date was \$10,250,782. This is expected to be recognised as revenue in the following accounting period.

Notes to the Financial Statements for the Financial Year ended 30 June 2020**13 FINANCIAL LIABILITIES**

	2020 \$	2019 \$
Current:		
Bank loan secured - housing	-	300,852
Bank loan secured - aircraft	1,494,981	1,447,844
Non-Current:		
Bank loan secured - housing	-	2,646,951
Bank loan secured - aircraft	14,202,963	15,697,944
	<u>15,697,944</u>	<u>20,093,591</u>

a) The carrying amount of non-current assets pledged as security are:

	2020 \$	2019 \$
Land and buildings	-	4,864,782
Aircraft	24,732,073	26,220,761

b) The terms and conditions of outstanding loans are as follows:

- Loans for the purchase of aircraft bear interest at a nominal interest rate of 1.39% p.a (2019: 2.50%) and have a maturity date of March 2022.

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.

	2020 \$	2019 \$
Employee Benefits		
Current	3,955,693	3,362,521
Non-Current	1,056,588	932,119
	<u>5,012,281</u>	<u>4,294,640</u>
Opening balance	4,294,640	4,172,473
Additional provisions raised during the year	1,542,069	1,124,864
Amounts used	(824,428)	(1,002,697)
Closing balance	<u>5,012,281</u>	<u>4,294,640</u>

Notes to the Financial Statements for the Financial Year ended 30 June 2020**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:

	2020	2019
	\$	\$
Surplus for the year	478,724	1,838,968
Depreciation	13,495,059	10,626,125
Loss in foreign exchange	274,861	79,608
Loss on disposal of property, plant and equipment	446,442	803,964
Reclassification of capital grants, bequests and fundraising revenue to investing activities	(11,015,597)	(21,046,370)
(Increase)/Decrease in Assets:		
Current receivables	(11,666,517)	587,422
Inventory	(157,416)	(348,451)
Increase/(Decrease) in Liabilities:		
Current accounts payable	11,569,844	(658,647)
Employee Benefits	717,642	122,167
Tax Liabilities - GST	200,143	140,465
Net cash used in operating activities	<u>4,343,185</u>	<u>(7,854,749)</u>

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

	2020	2019
	\$	\$
Cash:		
- Operational	29,471,471	25,247,073
- Capital/Project cash holdings	6,869,761	1,840,373
- Restricted Cash (Medical chest float)	20,000	20,000
	<u>36,361,232</u>	<u>27,107,446</u>

(c) Changes in liabilities arising from Financing Activities

Opening balance	20,093,591	3,241,502
Net cash used in financing activities	(5,394,059)	6,074,630
Non-cash movements	8,516,306	10,777,459
Closing balance	<u>23,215,838</u>	<u>20,093,591</u>

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

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

Notes to the Financial Statements for the Financial Year ended 30 June 2020**(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 2020 0% of debt is fixed (2019: 21%).

Foreign Currency Risk

The Company undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movement, the Company has entered into forward exchange contracts. These contracts are hedging highly probable forecasted cash flows for the acquisition aircraft. Management has a risk management policy to hedge future foreign currency transactions where significant outlay is expected.

The maturity, settlement amounts and the average contractual exchange rates of the Company's outstanding forward foreign exchange contracts at the reporting date were as follows:

	Sell Australian Dollars		Average exchange rates	
	2020	2019	2020	2019
	\$	\$	\$	\$
Buy US Dollars				
Maturity:				
12-24 months	3,752,889	-	0.657	-

At 30 June 2020, the fair value movement of the forward foreign exchange contracts entered into resulted in a loss of \$170,878.

Liquidity Risk

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

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss for the Company.

The Company does not have any material credit risk exposures as its major source of revenue is the receipt of Commonwealth, State and Local Government grants in accordance with funding agreements which ensures regular funding.

Notes to the Financial Statements for the Financial Year ended 30 June 2020*Credit risk exposures*

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Accounts receivable and other debtors that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 7.

The Company has no significant concentrations of credit risk exposure to any single counterparty or entity of counterparties. Details with respect to credit risk of accounts receivable and other debtors are provided in Note 7.

Credit risk related to balances with banks and other financial institutions is managed in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-.

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

	2020			2019		
	Cash & Cash Equivalents	Receivables	Investments	Cash & Cash Equivalents	Receivables	Investments
Weighted Average Effective Interest Rate	0.62%			1.70%		
Floating Interest Rate	35,877,007	-	-	26,470,518	-	-
Non-Interest Bearing	484,225	20,653,208	94,973	636,928	9,028,138	94,973
Total	36,361,232	20,653,208	94,973	27,107,446	9,028,138	94,973

Financial Liabilities

	2020		2019	
	Bank Loan Secured	Trade, Other Payables & Provisions	Bank Loan Secured	Trade, Other Payables & Provisions
Weighted Average Effective Interest Rate	0.33%		1.66%	
Fixed Interest Rate (maturing within 1 year)	1,494,981	-	1,748,696	-
Fixed Interest Rate (maturing within 1 -5 years)	14,202,963	-	18,344,895	-
Non-Interest Bearing	-	26,967,840	-	14,643,632
Total	15,697,944	26,967,840	20,093,591	14,643,632

Notes to the Financial Statements for the Financial Year ended 30 June 2020

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

	2020	2019
	\$	\$
Less than 6 months	3,399,152	2,983,894
6 months to 1 year	22,512,100	10,727,619
Greater than 1 year	1,056,588	932,119
	<u>26,967,840</u>	<u>14,643,632</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:

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Equity instruments designated at FVOCI	94,973	94,973	94,973	94,973

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)
		\$	\$	\$	\$
Equity investments designated FVOCI (Note 9)	30/06/2020	94,973	94,973	-	-
Land and buildings (Note 11)	30/06/2020	28,443,913	-	28,443,913	-
Aircraft (Note 11)	30/06/2020	63,544,093	-	63,544,093	-
Rotable assets (Note 11)	30/06/2020	573,686	-	573,686	-

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.

Notes to the Financial Statements for the Financial Year ended 30 June 2020

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:

	2020 \$	2019 \$
Change in profit / (loss)		
- Increase in interest rate by 2%	248,806	177,568
- Decrease in interest rate by 2%	(248,806)	(177,568)
Change in equity		
- Increase in interest rate by 2%	248,806	177,568
- Decrease in interest rate by 2%	(248,806)	(177,568)

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:

	2020 \$	2019 \$
Change in profit / (loss)		
- Increase in exchange rate by 2%	9,684	12,739
- Decrease in exchange rate by 2%	(9,684)	(12,739)
Change in equity		
- Increase in exchange rate by 2%	9,684	12,739
- Decrease in exchange rate by 2%	(9,684)	(12,739)

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

17 CAPITAL MANAGEMENT

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

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 2020 and 30 June 2019 respectively:

	2020	2019
Total Current Assets/Total Current Liabilities	2.11	2.48
Total Liabilities/Total Equity (reserves + retained earnings)	45.0%	31.0%

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

Notes to the Financial Statements for the Financial Year ended 30 June 2020

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

	2020	2019
	\$	\$
Total Current Assets	59,484,992	38,407,273
Total Current Liabilities	28,157,299	15,460,209
Net Working Capital	31,327,693	22,947,064

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

	2020	2019
	\$	\$
Property lease		
(minimum lease payments)		
Not later than 12 months	-	1,203,414
Between 12 months and 5 years	-	1,138,370
Greater than 5 years	-	2,134,574
	-	4,476,358
Motor vehicle lease		
(minimum lease payments)		
Not later than 12 months	-	116,961
Between 12 months and 5 years	-	85,529
Greater than 5 years	-	-
	-	202,490

Prior to the adoption of AASB 16 in the current year, operating lease commitments were required to be disclosed.

b) Capital Commitments

Pilatus PC24 Aircraft

The Company has contracted Pilatus Limited for the delivery of one new aircraft in 2021/22.

Pricing of all elements of the contract is commercial in confidence.

19 CONTINGENT LIABILITIES

There were no contingent liabilities as at reporting date (2019: \$nil).

20 AFTER BALANCE DATE EVENTS

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

Notes to the Financial Statements for the Financial Year ended 30 June 2020

21 RELATED PARTY DISCLOSURES

Directors

The Directors of RFDS Western Operations during the year were:

Mr Sam Walsh AO
Prof Fiona Wood AM
A/Prof Angus Turner
Mr John Walker
Mr Saul Harben
Mr Robert Slocombe (appointed 25 October 2019)
Ms Joanne Farrell (appointed 25 October 2019)
Mr Tim Shackleton (appointed 25 October 2019)
Mr John van Der Wielen (appointed 25 October 2019)
Dr Ann Ward (retired 25 October 2019)

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.

During the year, the Company utilised the services of Clayton Utz for legal advice. Board member Saul Harben is a partner of Clayton Utz. Amounts payable to Clayton Utz during the year amounted to \$193,196.99. Clayton Utz also provided a level of probono advice during the year.

23 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