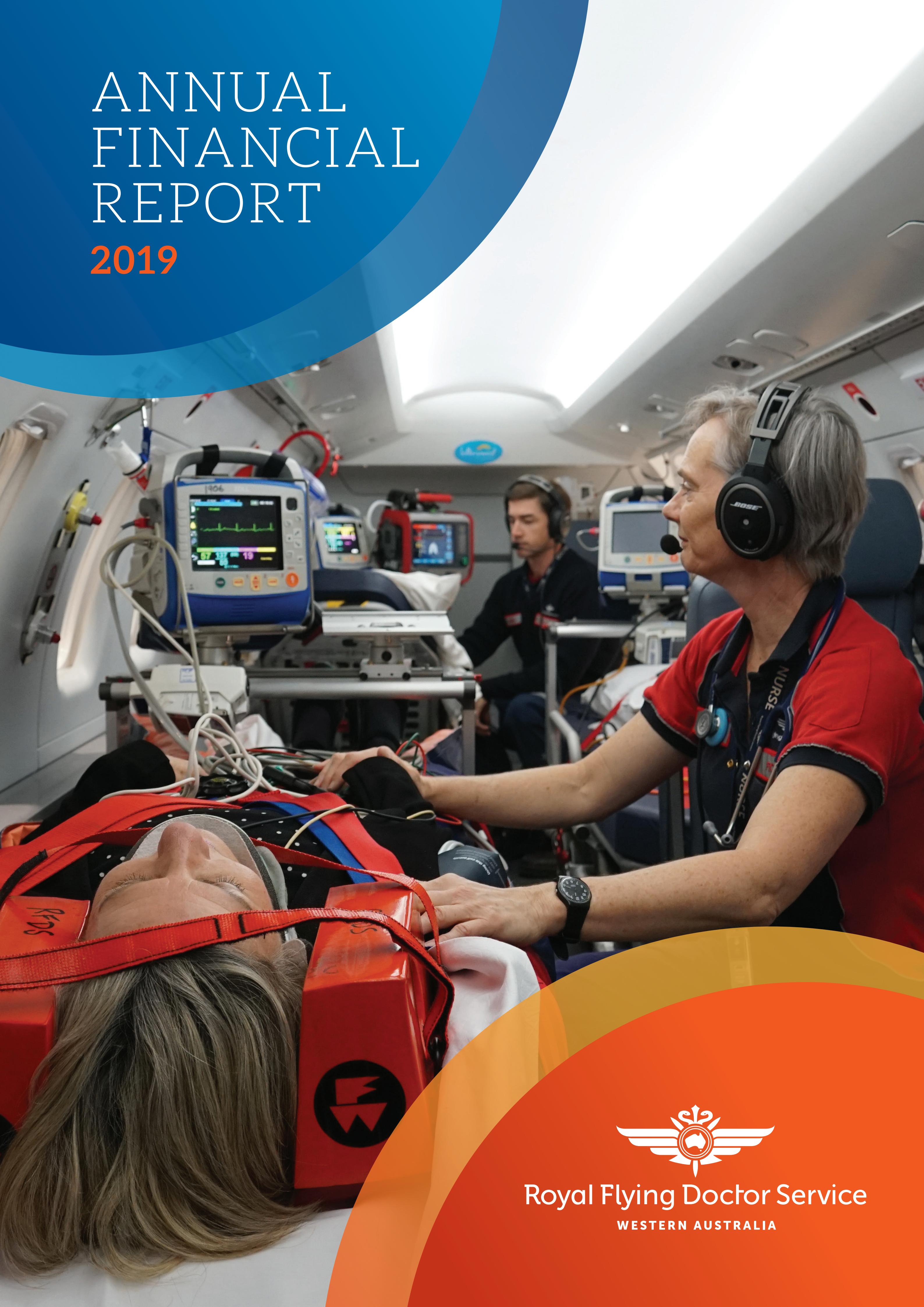
ANNUAL FINANCIAL REPORT 2019



Royal Flying Doctor Service
WESTERN AUSTRALIA

ABN 29 067 077 696

Royal Flying Doctor Service of Australia (Western Operations)

Financial Report for the Year Ended 30 June 2019

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CHAIRMAN'S MESSAGE

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 2019.

It has been a momentous year for the Royal Flying Doctor Service in Western Australia.

An important milestone for Western Operations was achieved with the delivery of two PC-24 jet aircraft in December 2018 and March 2019 respectively. Their arrival was the culmination of years of detailed planning, including the initial design process; aviation regulation clearance for Australian skies; international training for our pilots and engineers; extensive preparation and familiarisation for our clinicians and flight nurses; and involvement of our coordination and planning centre to enable effective integration into our network configuration. The arrival of these aircraft have impact on every area of the organisation and their successful commissioning is a credit to all involved.

I also acknowledge the very significant financial contributions received from Rio Tinto, Lotterywest and the Commonwealth Government towards the capital and operating costs of these aircraft. Without their ongoing support, the people of regional and remote Western Australia would not have access to the world class aeromedical services that are provided by these aircraft.

With the arrival of the Rio Tinto LifeFlight PC-24 jets, we retired the Rio Tinto LifeFlight Hawker jet based at Perth Airport. The aircraft retired after serving nearly 2500 patients during its decade-long tenure. The decommissioning of the Hawker jet, coupled with the arrival of the two PC-24 jets marks the completion of our integrated fleet and signals a generational shift in our capabilities.

This past year has been one of consolidation for our Chief Executive Officer, Rebecca Tomkinson, who has embraced the many and diverse challenges and opportunities afforded by our complex operation. Leading an organisation in the core business of running an airline, a hospital and a coordination centre is a demanding and unique role in the not-for-profit sector. Rebecca is successfully transforming the organisation along a journey of rigour and innovation. So much so that the Royal Flying Doctor Service was named the 2018-2019 Dr Mal Bryce WA Tech Company of the Year and became an inductee into the WA Tech Hall of Fame at the WA Technology and Telecommunications Alliance INCITE Awards. The transformation of a 90 year old Australian icon is a remarkable achievement.

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.

During 2018/2019 we provided the following:

- 8,632 aeromedical retrievals, including 1,650 primary evacuations, 6,913 IHTs and 119 repatriations
- 508 patients were transferred by jet from 1st January this year
- 50,052 recorded telehealth calls
- 6,876 patients treated by RFDS WO at 822 clinics
- A further 8,993 patients treated at RFDS WO facilitated clinics, including 268 patients seen since January in our new Commonwealth Mental Health Programme

Aeromedical clinical milestones include:

- the first transfer of a patient from the Kimberley to Perth for mechanical thrombectomy,
- several transfers of critically unwell infants using the Hamilton T1 ventilators,
- the integration of fibrinogen concentrate into the RFDS management of patients with life-threatening haemorrhage and
- our active participation in national research projects and aeromedical conferences.

Primary Health Care highlights include:

- the introduction of the new Commonwealth mental health programme in the Kimberley and Meekatharra regions,
- telehealth clinics to Eucla in the Eastern Goldfields,
- new PHC nurses in Broome and Kalgoorlie, and
- new RFDS Dental service contracts.

The 2018/19 financial year has resulted in an improved net surplus of $1.8m, compared to a deficit of $4.5m in the prior year. This result includes $9.3m from fundraising and bequests from the Western Australian community, capital grants of $5.2m from the Commonwealth Government and from $6.5m Lotterywest and ongoing sponsorship from Rio Tinto of $2.5m, as part of their $10m support program over four years. This generous community and corporate social investment are essential to our ongoing service delivery and future growth.

Underlying this result however, is an operating deficit of $9.89m. The Board and Management are actively addressing this deficit through increased funding and cost reduction strategies. In particular, it is crucial for the ongoing development of Western Operations to secure the necessary financial support from the Commonwealth and State Governments to meet the increasing demand and complexity of our services, and to develop long term strategies to meet these demands.

To this end, the valuable leadership provided by my fellow Directors, our Chief Executive Officer Rebecca Tomkinson and the Executive Leadership Team is appreciated greatly. I extend my sincere thanks to each one and I acknowledge also, the commitment and significant contributions of our outgoing Board members Erica Smyth AC, Robyn Sermon and Colin Heath. Erica retires after nine years' service to the Board. While she moves on from a governance capacity, we know her advocacy and admiration for the Royal Flying Doctor Service in Western Australia will continue.

Sam Walsh AO
Chairman

Directors' Report

Your Directors present their report on the Royal Flying Doctor Service of Australia (Western Operations), referred to as "Western Operations" or "the Company", for the financial year ended 30 June 2019. The names and particulars of the Directors of Western Operations in office during and since the end of the financial year ended 30 June 2019 are:

Mr Sam Walsh AO
Ms Erica Smyth AC (retired 26 February 2019)
Dr Ann Ward*
Mr Colin Heath* (retired 4 February 2019)
Mrs Robyn Sermon* (resigned 29 April 2019)
Mr John Walker*
Mr Saul Harben*
Prof Fiona Wood (appointed 12 March 2019)
A/Pro Angus Turner (appointed 12 March 2019)
Mr Robert Slocombe (co-opted 23 February 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 CEO Rio Tinto, B.Com, Overseas Fellowship (Kettering). Appointed as Director on 28 April 2017. Special Responsibilities: Member of the Remuneration Committee.

Ms Erica Smyth AC

Qualifications and Experience: Geologist BSc (Hons),Hon.DLitt *W.Aust.*,MSc (App)*McG.*, and Company Director, FAICD. Appointed by the Board on 26 February 2010 as an independent director. Special responsibilities: Chair of the Risk and Audit Committee. Retired 26 February 2019.

Dr Ann Ward

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

Mr Colin Heath

Qualifications and Experience: Licensed Real Estate Agent, Property Developer and Company Director. Elected to the Board on 26 October 2012. Member of the Risk and Audit Committee. Retired 4 February 2019.

Mrs Robyn Sermon

Qualifications and Experience: Acting Director, Innovation and Industry Engagement, UWA. GAICD, Bachelor of Arts in Industrial Relations & English and post-graduate degrees in Journalism and Cross Sector Partnerships. Elected to the Board on 25 October 2013. Resigned 29 April 2019.

Mr John Walker

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

Mr Saul Harben

Qualifications and Experience: Admitted Solicitor and Partner of Clayton Utz; B-Comm, LLB. Member of the Risk and Audit Committee.

Prof Fiona Wood

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. Appointed to the Board on 12 March 2019.

A/Prof Angus Turner

Qualifications and Experience: Director of Lions Outback Vision at the Lions Eye Institute, Medical Practitioner MBBS, RANZCO, MSc (Oxon). Appointed to the Board on 12 March 2019.

Mr Robert Slocombe

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), MScTech (Aviation), FAIM. Co-opted to the board on 23 February 2019 until 2019 AGM. Special responsibilities: Chairman, Member of the Risk and Audit Committee commencing March 2019.

Directors' report continues...

Company Secretary
The following person 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.

CORPORATE GOVERNANCE

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

COMMITTEES OF THE BOARD

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

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

Remuneration Committee
The Remuneration Committee consists of three Directors, and 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.

Directors' attendance at meetings July 2018 to June 2019

	Board Meeting		Risk & Audit Committee	
Directors	Eligible to attend	Attended	Eligible to attend	Attended
Mr S Walsh AO	6	6	N/A	N/A
Ms E Smyth AC *(retired Feb 2019)*	4	4	2	2
Dr A Ward	6	6	N/A	N/A
Mr C Heath *(resigned Feb 2019)*	4	4	2	2
Ms R Sermon *(resigned Apr 2019)*	5	4	3	2
Mr J Walker	6	4	N/A	N/A
Mr S Harben	6	6	2	2
Prof F Wood *(appointed March 2019)*	2	2	N/A	N/A
A/Prof A Turner *(appointed March 2019)*	2	2	N/A	N/A
Mr R Slocombe *(co-opted Feb 2019)*	2	1	2	2

There were no Nominations or Remuneration Committee Meetings held in the year ended 30 June 2019.

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:

	2018-19	2017-18
Patients Transported & Treated		
Primary Evacuations	1,650	1,415
Inter-hospital Transfers	6,913	7,014
Repatriations on emergency aircraft	119	106
Total Patients Transported	**8,682**	**8,535**
Total Clinics Held	2,154	1,896

Further information about activity and performance is provided in our published '2018-19 Year in Review' document.

Directors' report continues...

Operating Results

Western Operations made an operating deficit of $9,890,621 which was subsidised by non-operating revenue from capital grants, resulting in an overall surplus of $1,838,968. Capital grants from Government totalling $11,729,589 were applied to the purchase of a replacement PC12 and 2 new PC24 jets. This expenditure is not recorded as operating expenditure but forms part of the increase of aircraft assets reported in the Statement of Financial Position.

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 2019, the total amount that members of the Company are liable to contribute if the Company is wound up is $1,220, (2018: $1,230).

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 12 and forms part of this report.

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

Sam Walsh AO
Chairman

Date: 30 August 2019
Perth, Western Australia

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001* and Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance and cash flows for the year then ended; and

b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013.*

Basis for opinion

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

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

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

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 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of management and directors for the financial report

The 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
30 August 2019

Giallonardo.

L Di Giallonardo
Partner

DIRECTORS' DECLARATION

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

1. In the Directors' opinion, the financial statements and notes, are in accordance with the *Corporations Act 2001* and *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 2019 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

30 August 2019
Perth, Western Australia

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2019, 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.

Giallonardo.

Perth, Western Australia	**L Di Giallonardo**
30 August 2019	**Partner**

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Continuing Operations			
Revenue from operations	2	77,907,201	72,583,709
Revenue from fundraising and bequest income	2	9,316,781	12,364,173
		87,223,982	84,947,882
Expenses			
Employee expenses		51,936,256	48,614,139
Aircraft expenses		20,681,706	19,814,937
Depreciation expenses		10,626,125	8,897,967
Administration expenses		5,977,094	6,242,494
Property expenses		4,274,878	4,345,636
Fundraising expenses		1,279,657	1,911,183
Medical expenses		844,355	840,793
Loss on sale of assets		803,964	2,084,284
Cost of borrowing		276,960	156,905
Loss on foreign exchange		79,608	409,824
Other expenses		334,000	-
		97,114,603	93,318,162
Deficit for the year from continuing operations		**(9,890,621)**	**(8,370,280)**
Non-Operating Revenue	2	11,729,589	3,828,530
Surplus / (Deficit) for the year		**1,838,968**	**(4,541,750)**
Other Comprehensive Income			
Items that may be reclassified to profit or loss:			
Fair value gain on equity investments designated at FVOCI		-	(6,904)
		-	(6,904)
Total Comprehensive Income / (Deficit) for the year		1,838,968	(4,548,654)

The accompanying notes form part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019	2018
Assets			
Current Assets			
Cash & cash equivalents	6	27,107,446	27,372,154
Trade & other receivables	7	8,848,191	9,435,613
Inventories	8	2,451,636	2,103,185
Assets classified as held for sale	10	-	262,222
Total Current Assets		38,407,273	39,173,174
Non-Current Assets			
Financial assets	9	274,920	302,138
Aircraft, property, plant and equipment	11	108,263,998	89,358,450
Total Non-Current Assets		108,538,918	89,660,588
Total Assets		**146,946,191**	**128,833,762**
Current Liabilities			
Trade and other payables	12	10,348,992	11,049,787
Financial liabilities	13	1,748,696	296,144
Provisions	14	3,362,521	3,719,474
Total Current Liabilities		15,460,209	15,065,405
Non-Current Liabilities			
Financial liabilities	13	18,344,895	2,945,358
Provisions	14	932,119	452,999
Total Non-Current Liabilities		19,277,014	3,398,357
Total Liabilities		**34,737,223**	**18,463,762**
Net Assets		**112,208,968**	**110,370,000**
Equity			
Retained earnings		92,750,537	90,911,569
Reserves		19,458,431	19,458,431
Total Equity		**112,208,968**	**110,370,000**

The accompanying notes form part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Retained Earnings	Asset Revaluation Reserve	Pharmaceutical Reserve	Total
	$	$	$	$
Balance at 30 June 2017	95,453,319	19,445,335	20,000	114,918,654
(Deficit) for the year	(4,541,750)	-	-	(4,541,750)
Other comprehensive income	-	(6,904)	-	(6,904)
Total comprehensive loss for the year	(4,541,750)	(6,904)	-	(4,548,654)
Closing 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 income for the year	1,838,968	-	-	1,838,968
Closing balance 30 June 2019	**92,750,537**	**19,438,431**	**20,000**	**112,208,968**

The accompanying notes form part of the Financial Statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from services provided		14,887,703	15,257,655
Payments to suppliers and employees		(93,233,636)	(86,527,171)
Commonwealth operational grants		24,098,266	17,562,244
State operational grants		41,922,857	41,562,479
Other Grants - Projects		4,397,220	4,402,087
Dividends received		5,721	6,506
Interest received		344,080	596,566
Finance costs		(276,960)	(156,905)
Net cash used in operating activities	15	(7,854,749)	(7,296,539)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of aircraft, property, plant and equipment		(20,142,321)	(17,231,734)
Proceeds from sale of property, plant and equipment		584,145	434,233
Repayment of bonds		27,217	(41,687)
Government capital grants received		11,729,589	3,828,530
Bequests		2,982,878	5,634,757
Proceeds from fundraising activities		6,333,903	6,729,416
Net cash provided by / (used) in investing activities		1,515,411	(646,485)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(659,324)	(296,140)
Proceeds from borrowings		6,733,954	-
Net cash provided by / (used) in financing activities		6,074,630	(296,140)
Net (decrease) in Cash Held		(264,708)	(8,239,164)
Cash at beginning of year		27,372,154	35,611,318
Cash at end of year	15	27,107,446	27,372,154

The accompanying notes form part of the Financial Statements.

Notes to the Financial Statements for the Financial Year ended 30 June 2019

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 2019

In the year ended 30 June 2019, 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 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurements, impairment of financial assets and hedge accounting model.

The Company has adopted AASB 9 from 1 July 2018.

The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

A debt instrument shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Impact of AASB 9 adoption

The investment classifications available-for-sale assets and held to maturity investment are no longer used and financial assets at fair value through other comprehensive income (FVOCI) was introduced.

The Company had $94,971 of available-for-sale assets at 30 June 2018. These have been reclassified to fair value through other comprehensive income. When adopting AASB 9, the Company has applied transitional relief and opted not the restate prior period differences arising from the adoption of AASB 9 in relation to classification measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

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.

Notes to the Financial Statements for the Financial Year ended 30 June 2019

Standards and Interpretations in issue not yet adopted
The Directors have reviewed all standards and interpretations in issue not yet adopted for the years ended 30 June 2019. Those which may have a material impact on the Company are:

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and related interpretations.

AASB 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Most leases will be capitalised on the statement of financial position by recognising a lease liability for the present value obligation and a 'right of use' asset. The right of use asset is calculated based on the lease liability plus initial direct costs, prepaid lease payments and estimated restoration costs less lease incentives received. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in the expense recognition with interest and depreciation replacing operating lease expense. There are exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar in current practice, i.e. lessors continue to classify leases as finance and operating leases.

This Standard will primarily affect the accounting for the Company's operating lease commitments predominately relating to lease on property and motor vehicle leases. The Company is considering available options to account for this transition which may result in an increase in reported earnings before interest, tax and depreciation and amortisation (EBITDA) and increase in lease assets and liabilities recognition. This will however be dependent on the lease arrangements in place when the new Standard is effective,

The Company has commenced the process of evaluating the impact of the new Standard.

AASB 16 is effective for annual reporting periods beginning on or after 1 July 2019. A lessee can choose to apply the Standard using a full retrospective or modified retrospective approach.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue and AASB 111 Construction Contracts and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.
The Group has adopted AASB 9 from 1 July 2018.
AASB 15 establishes a single comprehensive income for entities to use in accounting for revenue arising from contracts with customers.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. The core principle of AASB 15 is that it requires identification of distinct performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.
The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- 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.

The Company has commenced the process of evaluation the impact of the new standard on existing revenue streams.

AASB 15 is effective for annual reporting periods beginning on or after 1 July 2019. A company can choose to apply the modified retrospective method of adoption or full retrospective method.

Notes to the Financial Statements for the Financial Year ended 30 June 2019

AASB 1058 Revenue Income for Not-for-Profit Entities

AASB 1058 is an additional revenue standard to be considered by not-for-profit entities. If a contract with a customer does not meet the criteria for AASB 15 accounting described above, the AASB 1058 will apply. If there is no related amount in the balance sheet (ie. Liability, contribution from owner, lease liability or provision) then the fair value of the asset received is recognised as income on receipt.

AASB 1058 also requires not-for-profit entities to measure right-of-use "ROU" assets arising under leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives ("concessionary leases") at initial recognition at fair value when AASB 1058 and AASB 16 *Leases* become effective. The fair value of the ROU asset is recorded on the balance sheet and an income amount recorded to recognise the benefit received on entering the lease (or upon transition).

An amending standard was issued in December 2018 by the AASB to allow a temporary option for not-for-profit lessees to elect to measure a class (or classes) of ROU assets arising under concessionary leases at initial recognition, either:

- at cost, which incorporates the amount of the initial measurement of the lease liability; or
- at fair value.

While this relief is currently only temporary, the AASB has undertaken to consider a permanent option at a later time.

The Company has commenced the process of evaluating the new standard on existing revenue streams.

AASB 1058 is effective for annual reporting periods beginning on or after 1 July 2019.

Other than the above, the Directors have determined that there is no material impact of the new Standards and Interpretations in issue not yet adopted on the Company, therefore, no change is necessary to accounting policies.

Statement of Compliance

The financial report was authorised for issue on 30 August 2019. 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.

Notes to the Financial Statements for the Financial Year ended 30 June 2019

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

Property

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

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

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

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

Plant and Equipment

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

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

Depreciation

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

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

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

Notes to the Financial Statements for the Financial Year ended 30 June 2019

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

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

Leases

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

Impairment of Assets

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

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

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

d) *Employee Benefits*

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

e) *Comparative Figures*

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

f) *Cash and Cash Equivalents*

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

g) *Foreign Currency*

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

Notes to the Financial Statements for the Financial Year ended 30 June 2019

h) *Financial Instruments*

Applicable to 30 June 2019

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.

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.

Notes to the Financial Statements for the Financial Year ended 30 June 2019

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.

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.

Notes to the Financial Statements for the Financial Year ended 30 June 2019

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
- 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.

Applicable to 30 June 2018

Recognition and Initial Measurement

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

Derecognition

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

Notes to the Financial Statements for the Financial Year ended 30 June 2019

Classification and subsequent measurement

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

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

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

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

Financial liabilities

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

Derivative instruments

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

Fair value

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

Impairment

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

i) *Revenue Recognition*

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

Revenue from insurance recoveries:
Revenue from insurance recoveries is recognised when invoices are raised.

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

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

Notes to the Financial Statements for the Financial Year ended 30 June 2019

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.

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.

Notes to the Financial Statements for the Financial Year ended 30 June 2019

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.

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 2019

2 REVENUE

	2019 $	2018 $
Revenue from Operations		
Commonwealth Government Service Agreement	24,098,266	17,562,244
State Government WA Health Department	41,922,857	41,562,479
Interest received	344,080	596,566
Dividends received	5,721	6,506
Insurance recoveries	5,090,869	6,323,557
Gain on foreign exchange	168,990	162,434
Other income	1,879,198	1,967,836
Project grants	4,397,220	4,402,087
	77,907,201	72,583,709
Fundraising revenue	6,333,903	6,729,416
Bequest Income	2,982,878	5,634,757
	9,316,781	12,364,173
Total Revenue from Operations	87,223,982	84,947,882
Non-Operating Revenue		
Capital grants	11,729,589	3,828,530
	11,729,589	3,828,530
TOTAL REVENUE	**98,953,571**	**88,776,412**

3 SURPLUS

	2019 $	2018 $
Expenses		
Operating lease expenses	(1,371,891)	(1,425,805)

4 KEY MANAGEMENT PERSONNEL COMPENSATION

	2019 $	2018 $
Short-term benefits	3,050,481	2,248,380
Post employment benefits	157,673	199,013
Total compensation	3,208,154	2,447,393

5 REMUNERATION OF AUDITORS

	2019 $	2018 $
Remuneration of the auditor of the company for:		
(a) Auditing the financial report	48,500	48,500
(b) Other assurance services - program acquittals	-	750
	48,500	49,250

Notes to the Financial Statements for the Financial Year ended 30 June 2019

6 CASH AND CASH EQUIVALENTS

Current		
Cash at bank and on hand	25,267,073	9,601,464
Short-term bank deposits	1,840,373	17,770,690
	27,107,446	27,372,154

The weighted average interest rate on cash and cash equivalents was 1.70% (2018: 2.10%).
These deposits are held at call or with a maturity of only 90 days.

7 TRADE AND OTHER RECEIVABLES

Trade receivables and accrued revenue	7,907,788	8,242,859
Provision for impairment of receivables (i)	(388,981)	(388,981)
	7,518,807	7,853,878
Other - Employees	9,224	9,224
Other - Prepayments	1,320,160	1,572,511
	1,329,384	1,581,735
	8,848,191	9,435,613

(i) Expected Credit Losses

No adjustment has been recognised on transition from AASB 139 to AASB 9 at date of initial application in respect of trade receivables and other debtors.

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 2019, 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.

(ii) Ageing of past due but not impaired receivables

	Total	31-60 Days	61-90 Days	91-120 Days	120+ Days
Aged Analysis Trade Receivables					
Balance as at 30 June 2018	907,154	170,881	123,717	612,556	-
Balance as at 30 June 2019	836,792	64,689	103,852	668,251	-

(iii) 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.

Notes to the Financial Statements for the Financial Year ended 30 June 2019

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

	2019	2018
	$	$
At cost		
Aircraft spare parts	2,169,991	1,888,357
Merchandise and Uniforms	261,946	193,893
Aviation Fuel	19,699	20,935
	2,451,636	2,103,185

9 FINANCIAL ASSETS

Non-Current

Bonds	179,947	207,167
Equity investments designated at FVOCI in listed corporations	94,973	94,971
	274,920	302,138

10 ASSETS CLASSIFIED AS HELD FOR SALE

	$	$
Land and buildings	-	262,222
	-	262,222

Assets classified as held for sale at 30 June 2018 were transferred back to Property, Plant and Equipment as they no longer met the definition of assets classified as held for sale.

Notes to the Financial Statements for the Financial Year ended 30 June 2019

11 AIRCRAFT, PROPERTY, PLANT AND EQUIPMENT

	2019 $	2018 $
Land and Building - at fair value (i) (iv)	35,481,184	35,481,184
Land and Building - at cost	1,757,252	1,694,979
Accumulated depreciation	(4,969,632)	(1,897,538)
Impairment	-	-
	32,268,804	35,278,625
Aircraft - at fair value (ii) (v)	41,757,624	41,757,624
Aircraft - at cost	36,807,356	11,478,810
Accumulated depreciation	(6,078,261)	(2,123,285)
	72,486,719	51,113,150
Rotable Assets - at fair value (iii)	542,686	528,526
Accumulated depreciation	-	-
	542,686	528,526
Plant, equipment, furniture - at deemed cost	11,469,322	10,435,003
Accumulated depreciation	(8,518,648)	(8,028,434)
	2,950,674	2,406,569
Software - at cost	454,410	454,410
Accumulated depreciation	(439,295)	(422,830)
	15,115	31,580
	108,263,998	89,358,451

(i) The Directors assessed the fair value of all property as at 30 June 2017 in accordance with the accounting policy disclosed in Note 1(c).

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

(iii) The Directors assessed the fair value of rotable assets as at 30 June 2017 in accordance with the accounting policy disclosed in Note 1 (c).

(iv) Land and buildings with carrying value of $4,864,782 (2018: $6,102,445) are secured by mortgage over property, refer Note 13.

(v) Aircraft with a carrying value of $26,220,761 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.

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.

Notes to the Financial Statements for the Financial Year ended 30 June 2019

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

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

12 TRADE AND OTHER PAYABLES

	2019 $	2018 $
Current:		
Trade Payables	2,983,894	3,127,464
Tax Liability - GST & PAYG	1,493,491	760,707
Deferred income and grants in advance	243,957	902,603
Annual leave	4,390,735	4,932,864
Short term leave	1,015,110	831,828
Other liabilities	221,805	494,321
	10,348,992	11,049,787

13 FINANCIAL LIABILITIES

	2019 $	2018 $
Current:		
Bank loan secured - housing	300,852	296,144
Bank loan secured - aircraft	1,447,844	-
Non-Current:		
Bank loan secured - housing	2,646,951	2,945,358
Bank loan secured - aircraft	15,697,944	-
	20,093,591	3,241,502

Notes to the Financial Statements for the Financial Year ended 30 June 2019

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

	$	$
Land and buildings	4,864,782	6,102,445
Aircraft	26,220,761	-

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

- Loans for the purchase of housing bear an average interest rate of 4.80% p.a (2018: 4.80%) and have maturity dates between July 2020 and Jun 2033
- Loans for the purchase of aircraft bear interest at a nominal interest rate of 2.50% p.a (2018: 0%) 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.

	2019	2018
Employee Benefits	$	$
Current	3,362,521	3,719,474
Non-Current	932,119	452,999
	4,294,640	4,172,473
Opening balance	4,172,473	4,067,499
Additional provisions raised during the year	1,124,864	948,326
Amounts used	(1,002,697)	(843,352)
Closing balance	4,294,640	4,172,473

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:

	2019	2018
	$	$
Surplus / (Deficit) for the year	1,838,968	(4,541,750)
Depreciation	10,626,125	8,897,967
Loss in foreign exchange	79,608	409,824
Loss on disposal of property, plant and equipment	803,964	2,084,284
Reclassification of capital grants, bequests and fundraising revenue to investing activities	(21,046,370)	(16,192,703)
(Increase)/Decrease in Assets:		
Current receivables	587,422	(749,278)
Inventory	(348,451)	(584,430)
Increase/(Decrease) in Liabilities:		
Current accounts payable	(658,647)	3,331,643
Employee Benefits	122,167	104,974
Tax Liabilities - GST	140,465	(57,070)
Net cash used in operating activities	(7,854,749)	(7,296,539)

Notes to the Financial Statements for the Financial Year ended 30 June 2019

(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:

	2019	2018
Cash:	$	$
- Operational	25,247,073	9,581,464
- Capital/Project cash holdings	1,840,373	17,770,690
- Restricted Cash (Medical chest float)	20,000	20,000
	27,107,446	27,372,154

(c) Changes in liabilities arising from Financing Activities

Opening balance	3,241,502	3,522,417
Net cash used in financing activities	6,074,630	(296,140)
Acquisition of aircraft through borrowings	-	-
Non-cash movements	10,777,459	15,225
Closing balance	20,093,591	3,241,502

(d) Non-cash financing activities
Proceeds from borrowings excludes $10,766,046 as amounts paid directly to 3rd party supplier.

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.

(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 2019 approximately 21% of debt is fixed.

Foreign Currency Risk

The Company is exposed to foreign currency risk on purchases that are denominated in a currency other than Australian dollars. The currencies giving rise to this risk are primarily U.S. Dollars. The Company uses forward exchange contracts to hedge its foreign currency risk. No forward exchange contracts are held as at 30 June 2019.

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

Notes to the Financial Statements for the Financial Year ended 30 June 2019

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.

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

	2019			2018		
	Cash & Cash Equivalents	Receivables	Investments	Cash & Cash Equivalents	Receivables	Investments
Weighted Average Effective Interest Rate	1.70%			2.10%		
Floating Interest Rate	26,470,518	-	-	27,352,474	-	-
Non-Interest Bearing	636,928	9,028,138	94,973	19,680	9,642,780	94,971
Total	**27,107,446**	**9,028,138**	**94,973**	**27,372,154**	**9,642,780**	**94,971**

Financial Liabilities

	2019		2018	
	Bank Loan Secured	Trade, Other Payables & Provisions	Bank Loan Secured	Trade, Other Payables & Provisions
Weighted Average Effective Interest Rate	1.66%		4.62%	
Fixed Interest Rate (maturing within 1 year)	1,748,696	-	296,144	-
Fixed Interest Rate (maturing within 1 -5 years)	18,344,895	-	2,945,358	-
Non-Interest Bearing	-	14,643,632	-	15,222,260
Total	**20,093,591**	**14,643,632**	**3,241,502**	**15,222,260**

Notes to the Financial Statements for the Financial Year ended 30 June 2019

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

	2019	2018
	$	$
Less than 6 months	2,983,894	3,127,464
6 months to 1 year	10,727,619	11,641,797
Greater than 1 year	932,119	452,999
	14,643,632	15,222,260

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:

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$	$	$	$
Equity instruments designated at FVOCI	94,973	94,973	94,971	94,971

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

		Fair value measurement using:			
	Date of valuation	Total $	Quoted prices in active markets (Level 1) $	Significant observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $
Equity investments designated FVOCI (Note 9)	30/06/2019	94,973	94,973	-	-
Land and buildings (Note 11)	30/06/2017	32,268,804	-	32,268,804	-
Aircraft (Note 11)	30/06/2017	72,486,719	-	72,486,719	-
Rotable assets (Note 11)	30/06/2017	542,686	-	542,686	-

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.

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:

Notes to the Financial Statements for the Financial Year ended 30 June 2019

	2019 $	2018 $
Change in profit / (loss)		
- Increase in interest rate by 2%	177,568	503,590
- Decrease in interest rate by 2%	(177,568)	(503,590)
Change in equity		
- Increase in interest rate by 2%	177,568	503,590
- Decrease in interest rate by 2%	(177,568)	(503,590)

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:

	2019 $	2018 $
Change in profit / (loss)		
- Increase in exchange rate by 2%	12,739	394
- Decrease in exchange rate by 2%	(12,739)	(394)
Change in equity		
- Increase in exchange rate by 2%	12,739	394
- Decrease in exchange rate by 2%	(12,739)	(394)

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 2019 and 30 June 2018 respectively:

	2019	2018
Total Current Assets/Total Current Liabilities	2.48	2.60
Total Liabilities/Total Equity (reserves + retained earnings)	31.0%	16.7%

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

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

	2019 $	2018 $
Total Current Assets	38,407,273	39,173,174
Total Current Liabilities	15,460,209	15,065,405
Net Working Captial	22,947,064	24,107,769

18 COMMITMENTS FOR EXPENDITURE

a) Operating Lease Commitments

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

	2019	2018
	$	$
Property lease		
(minimum lease payments)		
Not later than 12 months	1,203,414	1,168,887
Between 12 months and 5 years	1,138,370	1,351,330
Greater than 5 years	2,134,574	2,383,456
	4,476,358	4,903,673
Motor vehicle lease		
(minimum lease payments)		
Not later than 12 months	116,961	187,206
Between 12 months and 5 years	85,529	156,432
Greater than 5 years	-	-
	202,490	343,637
Aircraft lease		
(minimum lease payments)		
Not later than 12 months	-	521,675
Between 12 months and 5 years	-	-
Greater than 5 years	-	-
	-	521,675

Residential properties are leased for up to two years. Contingent rental payments and terms of renewal are determined by the terms of the lease agreement. There are no escalation clauses in the agreements.

Base properties are leased for up to five years, with additional five year extension options available. Contingent rental payments and terms of renewal are determined by the terms of the lease agreement. There are no escalation clauses in the agreements.

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

b) Capital Commitments

RFDS Western Operations currently has no capital commitments (2018: $nil).

19 CONTINGENT LIABILITIES

There were no contingent liabilities as at reporting date (2018: $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 2019

21 RELATED PARTY DISCLOSURES

Directors

The Directors of RFDS Western Operations during the year were:

Mr Sam Walsh AO
Ms Erica Smyth AC (retired 26 February 2019)
Dr Ann Ward
Mr Colin Heath (retired 4 February 2019)
Mrs Robyn Sermon (resigned 29 April 2019)
Mr John Walker
Mr Saul Harben
Prof Fiona Wood (appointed 12 March 2019)
A/Pro Angus Turner (appointed 12 March 2019)
Mr Robert Slocombe (co-opted 23 February 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 $42,468. 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

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