





**2.5m**  
square  
kilometres  
proudly  
serviced by our  
committed staff

**81**  
years of  
dedicated  
service

**18,013**  
patients  
attended remote  
health clinics  
in 2015/16

**9,017**  
patients  
retrieved  
across WA  
in 2015/16

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

The Royal Flying Doctor Service (RFDS) is dedicated to providing vital health care to anyone travelling, working or living in Australia. The iconic RFDS's emergency retrieval service operates 24 hours a day, seven days a week and has expanded to provide regular transfers of patients for life-saving surgery and to allow access to a higher level of health care, delivering critical support to those who live in rural and remote areas. A broad range of essential health care services to rural and remote communities are also delivered by the RFDS. This comprehensive health care service includes general practice, indigenous health, child and family health, social and emotional wellbeing, women's health, health promotion and dental services. Today, the RFDS provides the finest care to more than 270,000 Australians each year – that's one person every two minutes.

In the past year, the Royal Flying Doctor Service in Western Australia has touched the lives of nearly 65,000 West Australians, through its emergency Aero Medical retrieval and primary health care services. The 2.5 million-square-kilometre-state is serviced by six Aero Medical operating facilities and a fleet of 15 aircraft.

Last year, the RFDS Aero Medically retrieved over 9,000 patients across Western Australia, and pilots flew nearly 8 million kilometres.

The sixth Aero Medical operating facility was opened in Broome, the first in 50 years in Western Australia. This new facility is bolstering the RFDS' capability and strengthening services in the north of the state, enabling faster response times to those in need.



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# CHAIRMAN'S MESSAGE >

ON BEHALF OF THE BOARD, I AM PLEASED TO PRESENT THE ANNUAL REPORT OF THE ROYAL FLYING DOCTOR SERVICE OF AUSTRALIA (WESTERN OPERATIONS) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016.





The demand for our services from people living, working and travelling in regional and remote Western Australia continues at record levels and it is a credit to our dedicated staff that we are able to respond. Their willingness and determination to succeed, and to be there for our patients, in all weather conditions, and across all areas of our State makes them truly remarkable. I would like to acknowledge and thank our staff for another tremendous effort in delivering the essential service that is the RFDS to people living, working and travelling in regional and remote Western Australia.

We maintain strong positive relationships with the Western Australian and Commonwealth Governments. Our service agreement with the Western Australian Government has been extended for a further 2 years to 30 June 2018, with continued support from the Royalties for Regions program.

2016 saw the opening of the new Aero Medical operating base in Broome which will significantly boost our ability to respond to the high and changing level of demand in the Kimberley Region. The new Jandakot Hangar and Engineering Facilities, comprising a second hangar, workshops and warehouse for aircraft maintenance is integral to the introduction of the PC24 fleet in 2018. Funding of \$3.9m for this project has been committed by Lotterywest, \$1.1m from the RFDS Aero Medical Fund and the balance is sought from fundraising activity.

Western Operations also enjoys and appreciates considerable support from the corporate sector in WA.

For the 2015/16 financial year Western Operations recorded an operating deficit of \$11.9m as outlined in the Directors' Report on page 6. This is due to the fact that our service agreements with both the Western Australian

Government and the Commonwealth Government do not cover the full cost of operation. Consequently, now more than ever before we are reliant on the generosity of our donors and supporters to subsidise the costs of our operations. At the same time we continue to seek new and innovative ways of working and we have made considerable efforts to increase efficiency, resulting in no increase in expenditure since the previous year, whilst carrying a total of 9,017 patients.


Non-Operating income of \$26.6m was received comprising of fundraising revenue, bequests and capital grants. This year we received capital grants from Lotterywest, the WA Government via Royalties for Regions, and the Commonwealth Government. Revenue from operations decreased by 0.5% this year.

Each year we are the beneficiary of the generosity of many Western Australians. This year we received a total of \$7.9 million from donors, corporate sponsors, members and contributors to our various fundraising events and activities. A further \$2.5m has been received from bequests, a touching and historic boost to our resources and ongoing capability. Worth a special note are the efforts of the Flying 1000 fundraising group, the Friends of the RFDS, the Eastern Goldfields Auxiliary, Esperance Auxiliary and an army of volunteers and supporters.

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

Neville Bassett  
**Chairman**

# DIRECTORS' REPORT >



**YOUR DIRECTORS PRESENT THEIR REPORT ON THE ROYAL FLYING DOCTOR SERVICE OF AUSTRALIA (WESTERN OPERATIONS), REFERRED TO AS "WESTERN OPERATIONS", FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016. THE NAMES AND PARTICULARS OF THE DIRECTORS OF WESTERN OPERATIONS IN OFFICE DURING AND SINCE THE END OF THE FINANCIAL YEAR ENDED 30 JUNE 2016 ARE:**



**LEFT TO RIGHT:** Mr Neville Bassett\* | Mr Michael Hutson\* | Mr Richard Alder | Ms Erica Smyth  
| Dr Ann Ward\* | Mr Colin Heath\* | Mrs Robyn Sermon \* | Mr John Hancock\*

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



## Information on Directors

### Mr Neville Bassett

**Qualifications and Experience:** Corporate Consultant, B.Bus, FCA. Director since 6 January 1997.

**Special Responsibilities:** Chairman, Member of the Remuneration Committee, Member of the Nominations Committee.

### Mr Michael Hutson

**Qualifications and Experience:** Accountant, B.Com, FCPA. Director since 23 October 2004.

**Special Responsibilities:** Member of the Remuneration Committee.

### Mr Richard Alder

**Qualifications and Experience:** Retired Financial Advisor. Appointed by the Board on 20 December 2007 as an independent director.

**Special Responsibilities:** Member of the Risk and Audit Committee, Representative on Australian Council and National Board.

### Ms Erica Smyth

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

**Special Responsibilities:** Chair of the Risk and Audit Committee.

### Dr Ann Ward

**Qualifications and Experience:** Medical Practitioner MBBS, FRACGP; DipRANZCOG (adv); DipTropMed; 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.

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

### Mrs Robyn Sermon

**Qualifications and Experience:** Bachelor of Arts in Industrial Relations & English and post-graduate degrees in Journalism and Cross Sector Partnerships. General Manager Communities Rio Tinto Iron Ore. Elected to the Board on 25 October 2013.

### Mr John Hancock

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



**COMPANY SECRETARY**

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

**Mrs Liane Papaelias**

Qualifications and Experience: Accountant, B.Bus, FCPA. Appointed 23 February 2004 as Chief Financial Officer and Company Secretary. Has responsibility for finance, asset management, information management, corporate governance, risk management and administrative areas of the Company.

**CORPORATE GOVERNANCE**

**The Board**

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

**COMMITTEES OF THE BOARD**

**Nominations Committee**

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

**Risk and Audit Committee**

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

**Remuneration Committee**

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

## Directors' attendance at meetings July 2015 to June 2016

Directors	Board Meeting		Risk & Audit Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr N Bassett	7	7			1	1
Mr R Alder	7	6	3	2		
Mr M Hutson	7	5			1	1
Ms E Smyth	7	7	3	3	1	1
Dr A Ward	7	6				
Mr C Heath	7	5	3	3		
Mrs R Sermon	7	7				
Mr J Hancock	7	3				

There were no Nominations Committee Meetings held in the year ended 30 June 2016.





## > 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:

	2015-16	2014-15
<b>Patients Transported &amp; Treated</b>		
Primary Evacuations	1,465	1,450
Inter-hospital Transfers	6,994	7,168
Repatriations on emergency aircraft	139	166
Clinic Transports	419	348
<b>Total Patients Transported</b>	<b>9,017</b>	<b>9,132</b>
Total Clinics Held	1,897	1,958

Further information about activity and performance is provided in our published '2015-16 Year in Review' document.

# > Operating Results

Western Operations made an operating deficit of \$11,989,092 which was subsidised by non-operating revenue from fundraising, bequests and capital grants, resulting in an overall surplus of \$14,612,043. Capital grants from Government totalling \$14.95m were applied to the purchase of aircraft and construction costs. This expenditure is not recorded as operating expenditure but forms part of the increase of aircraft and property assets reported in the Statement of Financial Position.

The following table provides a summary reconciliation:

	2016	2015
Operating Revenue	\$71,179,518	\$71,529,890
Operating Expenditure	\$83,168,610	\$82,952,842
<b>Deficit on Operations</b>	<b>(\$11,989,092)</b>	<b>(\$11,422,952)</b>
Non Operating Revenue		
Capital Grants	\$14,953,200	\$3,948,448
<b>Total Capital Revenue Applied to Assets</b>	<b>\$14,953,200</b>	<b>\$3,948,448</b>
Fundraising, bequests and interest	\$11,647,935	\$10,352,319
Total Non Operating Revenue	\$26,601,135	\$14,300,767
<b>Net result</b>	<b>\$14,612,043</b>	<b>\$2,877,815</b>

Operating expenditure includes fundraising expenses of \$1,569,430 or 15.03% of fundraising revenue earned in the year ended 30 June 2016 (2015 \$1,975,052 or 19.1% of fundraising revenue).

### After Balance Date Events

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

### 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 2016, the total amount that members of the company are liable to contribute if the company is wound up is \$0, (2015: \$0).

### Review of Operations

Please refer to the Chairman's Message.

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14 and forms part of this report.

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



Neville Bassett, **Chairman**

Date: 26 August 2016  
Perth, Western Australia



PILOT

Royal Flying Doctor Service  
DAMIEN

Royal Flying  
Doctor Service

Welch Allyn  
Resuscitator  
Ambu-Bag  
Adult



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ROYAL FLYING DOCTOR SERVICE  
OF AUSTRALIA (WESTERN OPERATIONS)



## Report on the Financial Report

We have audited the accompanying financial report of Royal Flying Doctor Service of Australia (Western Operations) ("the company"), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

## Directors' responsibility for the financial report

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

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

## Auditor's responsibility

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

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



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

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

### Independence

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

### Auditor's opinion

In our opinion:

- (a) the financial report of Royal Flying Doctor Service of Australia (Western Operations) is in accordance with the Corporations Act 2001 and the Australian Charities and Not-for-profits Commission Act 2012, including:
- (i) giving a true and fair view of the company's financial position as at 30 June 2016 and its performance for the year ended on that date; and

- (ii) complying with Australian Accounting Standards and the Australian Charities and Not-for-profits Commission Regulations 2013;

- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

- (c) the Company has kept records as required by Part 3.2 of the Australian Charities and Not-for-profits Commission Act 2012.

*HLB Mann Judd*

HLB Mann Judd  
Chartered Accountants

*L Di Giallonardo*

L Di Giallonardo  
Partner

Perth, Western Australia  
26 August 2016



## DIRECTORS' DECLARATION

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

1. The financial statements and notes, as set out on pages 15-36, are in accordance with the Corporations Act 2001 and:
  - a. comply with Accounting Standards and the Australian Charities and Not-for-profits Commission Regulations 2013; and
  - b. give a true and fair view of the financial position as at 30 June 2016 and of the performance of the Company for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. In the directors' opinion, the financial statements and notes are prepared in compliance with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board, as described in Note 1.

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

Neville Bassett, **Chairman**

26 August 2016  
Perth, Western Australia



## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Royal Flying Doctor Service of Australia (Western Operations) for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

L Di Giallonardo, **Partner**

Perth, Western Australia  
26 August 2016

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
<b>Continuing Operations</b>			
Revenue from Operations	2	71,179,518	71,529,890
<b>Expenses</b>			
Aviation Expenses		31,320,192	31,799,904
Health Services Expenses		28,699,858	27,234,285
Depreciation Expense		8,337,264	8,284,333
Loss on Sale of Assets		75,084	390,284
Loss on Foreign Exchange		174,006	214,254
Facility Expenses		5,040,569	4,562,739
Administrative Expenses		6,002,077	5,672,457
Fundraising Expenses		1,569,430	1,975,052
Borrowing Costs		470,105	392,560
Project Expenses		1,169,525	2,181,441
Other Expenses		310,500	245,533
		83,168,610	82,952,842
<b>Deficit for the year from continuing operations</b>		<b>(11,989,091)</b>	<b>(11,422,952)</b>
<b>Non-Operating Revenue</b>	2	26,601,135	14,300,767
<b>Surplus for the year</b>		<b>14,612,043</b>	<b>2,877,815</b>
<b>Other Comprehensive Income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Reversal of previous revaluation increments		(7,809,547)	(32,668)
		(7,809,547)	(32,668)
<b>Total comprehensive income for the year</b>		<b>6,802,497</b>	<b>2,845,147</b>

Notes to the financial statements are included on pages 19-36.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash & cash equivalents	6	38,633,196	19,342,410
Trade & other receivables	7	12,444,874	15,730,889
Inventories	8	1,482,687	1,414,175
Financial assets	9 (a)	2,095,802	–
<b>Total Current Assets</b>		<b>54,656,559</b>	<b>36,487,474</b>
<b>Non-Current Assets</b>			
Financial assets	9 (b)	265,815	251,989
Aircraft, property, plant and equipment	10	82,432,955	91,746,614
<b>Total Non-Current Assets</b>		<b>82,698,770</b>	<b>91,998,603</b>
<b>Total Assets</b>		<b>137,355,329</b>	<b>128,486,077</b>
<b>Current Liabilities</b>			
Trade and other payables	11	15,300,089	8,678,813
Financial liabilities	12	3,810,351	7,949,829
Short-term provisions	13	2,306,181	2,461,911
<b>Total Current Liabilities</b>		<b>21,416,621</b>	<b>19,090,553</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	12	3,798,853	4,155,423
Long-term provisions	13	1,874,613	1,777,353
<b>Total Non-Current Liabilities</b>		<b>5,673,466</b>	<b>5,932,776</b>
<b>Total Liabilities</b>		<b>27,090,087</b>	<b>25,023,329</b>
<b>Net Assets</b>		<b>110,265,243</b>	<b>103,462,748</b>
<b>Equity</b>			
Retained earnings		90,147,061	75,535,017
Asset revaluation reserve		20,098,182	27,907,731
Pharmaceutical reserve		20,000	20,000
<b>Total Equity</b>		<b>110,265,243</b>	<b>103,462,748</b>

Notes to the financial statements are included on pages 19-36.



# STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Retained Earnings	Asset Revaluation Reserve	Pharmaceutical Reserve	Total
	\$	\$	\$	\$
<b>Balance at 30 June 2014</b>	72,657,202	27,940,399	20,000	100,617,601
<b>Surplus attributable to the entity</b>	2,877,815	–	–	2,877,815
Revaluation adjustment	–	(32,668)	–	(32,668)
<b>Closing balance at 30 June 2015</b>	<b>75,535,017</b>	<b>27,907,731</b>	<b>20,000</b>	<b>103,462,748</b>
<b>Surplus attributable to the entity</b>	14,612,043	–	–	14,612,043
Revaluation adjustment	–	(7,809,549)	–	(7,809,549)
<b>Closing balance at 30 June 2016</b>	<b>90,147,061</b>	<b>20,098,182</b>	<b>20,000</b>	<b>110,265,243</b>

Notes to the financial statements are included on pages 19-36.

# STATEMENT OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from services provided		9,049,595	14,330,481
Payments to suppliers and employees		(73,023,294)	(81,657,569)
Commonwealth operational grants		25,553,375	22,194,985
State operational grants		40,865,918	33,148,458
Other Grants - Projects		2,236,183	1,930,190
Dividends received		18,836	45,160
Interest received		358,281	233,373
Finance costs		(470,105)	(422,264)
Net cash provided by/(used in) operating activities	14	4,588,789	(10,197,186)
<b>Cash Flows from Investing Activities</b>			
Purchase of aircraft, property, plant and equipment		(7,154,794)	(11,064,872)
Proceeds from sale of property, plant and equipment		327,191	2,156,093
Movement in investments		(13,826)	525,457
Government capital grants received		14,953,200	46,627
Bequests		2,498,579	1,659,045
Australian Council		2,807,560	394,971
Proceeds from fundraising activities		7,941,796	8,060,266
Capital interest		-	92,555
Term deposit - Aero Medical Fund		(2,095,802)	-
Net cash provided by investing activities		19,263,904	1,870,142
<b>Cash Flows from Financing Activities</b>			
Repayment of borrowings		(4,496,047)	(5,536,262)
Proceeds from borrowings		-	9,196,175
Reduction in finance lease and hire purchase liabilities		(65,860)	-
Net cash provided by/(used in) financing activities		(4,561,907)	3,659,913
Net increase/(decrease) in Cash Held		19,290,786	(4,667,131)
Cash at beginning of year		19,342,410	24,009,541
Cash at end of year	14	38,633,196	19,342,410

Notes to the financial statements are included on pages 19-36.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **Basis of Preparation**

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

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

#### **Adoption of New and Revised Standards**

In the year ended 30 June 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to existing policies.

#### **Statement of Compliance**

The financial report was authorised for issue on 26 August 2016. The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

#### **Accounting Policies**

##### ***a) Income Tax***

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

##### ***b) Inventories***

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

##### ***c) Aircraft, Property, Plant & Equipment***

###### **Aircraft**

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

# NOTES TO THE FINANCIAL STATEMENTS > *cont.*

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

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

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

### **Rotable Assets**

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

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

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

### **Property**

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

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

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

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

### **Plant and Equipment**

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

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

# NOTES TO THE FINANCIAL STATEMENTS > *cont.*

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### Depreciation

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

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

Buildings & Leasehold Improvements	10–15 years
Aircraft – turbo prop	15,000 hours
Aircraft – jet	10 years
Plant and equipment	5–10 years
Office equipment	3 years
Furniture	3 years
Motor Vehicles	7 years
Software	1–2 years

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

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

### Leases

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

### Impairment of Assets

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

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

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

### *d) Employee Benefits*

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

### *e) Comparative Figures*

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

# NOTES TO THE FINANCIAL STATEMENTS > *cont.*

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### **f) Cash and Cash Equivalents**

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

The Company is the sole beneficiary of two trusts, which are not included in the assets and liabilities reported in the Statement of Financial Position. The accounts are held on term deposit with Bankwest. Balances held as at 30 June 2016 are as follows:

R & H Dicks Memorial Foundation	\$287,774
Eileen Lillian Cross RFDS Education Trust	\$313,430

### **g) Foreign Currency**

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

### **h) Financial Instruments**

#### **Recognition and Initial Measurement**

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

#### **Derecognition**

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

#### **Classification and Subsequent Measurement**

##### **Financial Assets at Fair Value through Profit and Loss**

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

# NOTES TO THE FINANCIAL STATEMENTS > *cont.*

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### **Available-for-sale Financial Assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Changes in fair value are recognised through equity unless significant or prolonged where they are recognised in statement of comprehensive income.

### **Financial Liabilities**

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

### **Derivative Instruments**

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

### **Fair Value**

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

### **Impairment**

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

### ***i) Revenue Recognition***

#### **Revenue from grants:**

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

#### **Revenue from insurance recoveries:**

Revenue from insurance recoveries is recognised when invoices are raised.

#### **Donations, fundraising revenue and bequests:**

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

#### **Other revenue:**

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

### ***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.

# NOTES TO THE FINANCIAL STATEMENTS > *cont.*

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

### ***k) Unexpended Grants***

Western Operations receives grant monies to fund projects either for contracted periods of time or for specific projects irrespective of the period of time required to complete those projects. It is the policy of Western Operations to treat grant monies as unexpended grants in the statement of financial position where the entity is contractually obliged to provide the services in a subsequent financial period to when the grant is received or in the case of specific project grants where the project has not been completed.

### ***l) Contributions***

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

### ***m) Provisions***

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

### ***n) Borrowing Costs***

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

### ***o) Economic Dependence***

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

## **Critical Accounting Estimates and Judgements**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within Western Operations.

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

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



# NOTES TO THE FINANCIAL STATEMENTS > *cont.*

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 2. REVENUE

	2016 \$	2015 \$
<b>Revenue from Operations</b>		
Commonwealth Government Service Agreement	21,543,215	22,194,985
State Government WA Health Department	38,837,933	37,920,977
Interest received	358,281	233,273
Dividends received	18,836	45,160
Insurance recoveries	6,564,065	6,794,469
Gain on foreign exchange	178,023	254,844
Other income	1,442,981	2,155,991
Project grants	2,236,184	1,930,190
	71,179,518	71,529,890
<b>Non-Operating Revenue</b>		
Capital grants	14,953,200	3,948,448
Australian Council distribution	1,207,560	394,971
Fundraising revenue	7,941,796	8,205,748
Interest	–	92,555
Bequest Income	2,498,579	1,659,045
	26,601,135	14,300,767
<b>Total Revenue</b>	<b>97,780,653</b>	<b>85,830,657</b>

### 3. SURPLUS

	2016 \$	2015 \$
<b>Expenses</b>		
Depreciation	(8,337,264)	(8,284,333)
Operating lease expenses	(346,623)	(365,632)
Interest expense	(470,105)	(392,560)
Loss on foreign exchange*	(174,006)	(214,254)
Gain/(Loss) on sale of assets	(75,084)	(390,284)

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

### 4. KEY MANAGEMENT PERSONNEL COMPENSATION

	2016 \$	2015 \$
Short-term benefits	2,207,495	2,189,107
Post employment benefits	212,097	204,080
Total compensation	2,419,592	2,393,187

# NOTES TO THE FINANCIAL STATEMENTS > cont.

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 5. REMUNERATION OF AUDITORS

	2016 \$	2015 \$
Remuneration of the auditor of the company for:		
(a) Auditing the financial report	46,000	46,000
(b) Other assurance services - program acquittals	5,000	9,200
	51,000	55,200

### 6. CASH AND CASH EQUIVALENTS

#### Current

Cash at bank and on hand	34,137,641	14,894,077
Short-term bank deposits	4,495,556	4,448,333
	38,633,196	19,342,410

The effective interest rate on short-term bank deposits was 1.84% (2015: 2.14%).

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

### 7. TRADE AND OTHER RECEIVABLES

Trade receivables	12,720,386	14,826,628
Provision for impairment of receivables (i)	(349,003)	(349,003)
	12,371,383	14,477,625
Accrued Income		
Other - Employees	9,541	13,942
Other - Prepayments/Bonds	63,949	1,239,322
Other Receivables	73,491	1,253,264
	12,444,874	15,730,889

#### (i) Allowance for Impairment of Receivables

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

	Opening Balance	Charge for the year	Amounts Written Off	Closing Balance
Current trade receivables				
Balance as at 30 June 2015	378,469	(29,466)	-	349,003
Balance as at 30 June 2016	349,003	-	-	349,003

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

No write-offs are anticipated.

# NOTES TO THE FINANCIAL STATEMENTS > *cont.*

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### (ii) Ageing of Past Due but not Impaired Receivables

	Total	0–60 Days	61–90 Days	91–120 Days	120+ Days
Aged Analysis Trade Receivables					
Balance as at 30 June 2015	14,477,625	12,908,900	62,811	1,199,917	305,997
Balance as at 30 June 2016	12,371,383	11,666,977	36,113	668,294	–

## 8. INVENTORIES

	2016 \$	2015 \$
<b>At Cost</b>		
Aircraft spare parts	1,248,452	1,205,490
Merchandise and Uniforms	211,528	198,467
Aviation Fuel	22,707	10,218
	<u>1,482,687</u>	<u>1,414,175</u>

## 9a. FINANCIAL ASSETS CURRENT

Term Deposit - Aero Medical Fund	2,095,802	–
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The term deposit matures on the 29th of November 2016.

## 9b. FINANCIAL ASSETS NON-CURRENT

Bonds	163,940	150,030
Available-for-sale financial assets (Listed investments - shares in listed corporations at fair value)	101,875	101,959
	<u>265,815</u>	<u>251,989</u>

## 10. AIRCRAFT, PROPERTY, PLANT AND EQUIPMENT

	2016 \$	2015 \$
Land and Building - at fair value (i)	41,816,691	41,816,691
Land and Building - at cost	7,436,905	2,423,613
Accumulated depreciation	(3,756,261)	(1,852,154)
Impairment	(7,809,547)	–
	<u>37,687,788</u>	<u>42,388,150</u>
Aircraft - at fair value (ii)	40,883,578	40,883,578
Aircraft - at cost	9,493,577	8,540,911
Accumulated depreciation	(8,625,758)	(2,668,021)
	<u>41,751,397</u>	<u>46,756,468</u>
Rotable Assets - at fair value (iii)	487,341	486,818
Accumulated depreciation	–	–
	<u>487,341</u>	<u>486,818</u>

# NOTES TO THE FINANCIAL STATEMENTS > *cont.*

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Plant, equipment, furniture - at deemed cost	9,530,556	8,762,244
Accumulated depreciation	(7,088,637)	(6,647,066)
	<u>2,441,919</u>	<u>2,115,178</u>
Software - at cost	454,410	388,550
Accumulated depreciation	(389,900)	(388,550)
	<u>64,510</u>	<u>-</u>
	<u>82,432,955</u>	<u>91,746,614</u>

- (i) The Directors revalued all property as at 30 June 2014 in accordance with the accounting policy disclosed in Note 1(c). Refer to Note 10(a) for details of the Board's assessment of impairment in the current year.
- (ii) The Directors assessed the fair value of aircraft as at 30 June 2014 in accordance with the Company's accounting policy disclosed in Note 1(c).
- (iii) The Directors revalued all rotatable assets as at 30 June 2014 in accordance with the accounting policy disclosed in Note 1 (c).

### 10a. MOVEMENTS IN CARRYING AMOUNTS

Fair Value or Deemed Cost	Land & Buildings	Aircraft	Rotable Assets	Plant, Equipment & Furniture	Software	Total
<b>Opening Balance</b>	44,240,304	49,424,489	486,818	8,762,244	388,550	103,302,405
Additions	5,433,292	952,666	523	768,312	65,860	7,220,653
Disposals	(420,000)	-	-	-	-	(420,000)
Revaluations (i)	(7,809,547)	-	-	-	-	(7,809,547)
Closing Balance	<u>41,444,049</u>	<u>50,377,155</u>	<u>487,341</u>	<u>9,530,556</u>	<u>454,410</u>	<u>102,293,511</u>
<b>Depreciation</b>						
Opening Balance	1,852,154	2,668,021	-	6,647,066	388,550	11,555,791
Depreciation Charge	1,936,604	5,957,738	-	441,571	1,350	8,337,263
Disposals	(32,497)	-	-	-	-	(32,497)
Closing Balance	<u>3,756,261</u>	<u>8,625,759</u>	<u>-</u>	<u>7,088,637</u>	<u>389,900</u>	<u>19,860,556</u>

- (i) In accordance with the Company's accounting policy, the Company is due to obtain independent valuations of its properties as at 30 June 2017. However, during the current year the Board reviewed the carrying value of all properties and based on its own investigations, resolved to impair certain properties. An impairment charge of \$7,809,547 has been recorded against the asset revaluation reserve at balance date.

# NOTES TO THE FINANCIAL STATEMENTS > *cont.*

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 11. TRADE AND OTHER PAYABLES

	2016 \$	2015 \$
Current:		
Trade Payables	1,884,831	1,650,380
Tax Liability - GST	987,471	663,551
Deferred income and grants in advance	7,054,855	833,092
Annual leave	4,296,331	4,512,846
Short term leave	653,809	497,905
Other liabilities	422,792	521,040
	15,300,089	8,678,813

### 12. FINANCIAL LIABILITIES

	2016 \$	2015 \$
Current:		
Bank loan secured	3,810,351	7,949,829
Non-Current:		
Bank loan secured	3,798,853	4,155,423
	7,609,204	12,105,251

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

### 13. PROVISIONS

#### Provision for Long-term Employee Benefits

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

# NOTES TO THE FINANCIAL STATEMENTS > *cont.*

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	<b>Long-term Employee Benefits</b>
	<b>\$</b>
Balance as at 1 July 2014	3,655,119
Additional provisions raised during the year	916,975
Amounts used	(332,830)
Balance at 30 June 2015	<u>4,239,264</u>
Additional provisions raised during the year	316,150
Amounts used	(374,620)
Balance at 30 June 2016	<u>4,180,794</u>

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Current	2,306,181	2,461,911
Non-Current	1,874,613	1,777,353
	<u>4,180,794</u>	<u>4,239,264</u>

### 14. 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:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Surplus for the year	14,612,043	2,877,815
Depreciation	8,337,264	8,284,333
(Gain)/Loss in foreign exchange	174,006	40,590
(Gain)/Loss on disposal of investments	–	(11,445)
(Gain)/Loss on disposal of property, plant and equipment	75,084	390,284
Reclassification of capital contributions and grants to investing activities	(28,201,135)	(10,253,465)
<b>(Increase)/Decrease in Assets:</b>		
Current receivables	3,286,015	(10,116,178)
Inventory	(68,512)	(467,494)
Provision for Doubtful Debts	–	(29,466)
<b>Increase/(Decrease) in Liabilities:</b>		
Current accounts payable	6,108,576	(1,678,954)
Employee Benefits	(58,470)	584,145
Tax Liabilities	323,920	182,647
Net cash provided by / (used in) operating activities	<u>4,588,789</u>	<u>(10,197,188)</u>

# NOTES TO THE FINANCIAL STATEMENTS > cont.

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

(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:

	2016 \$	2015 \$
Cash - Operational	34,117,641	14,871,882
- Capital/Project cash holdings	4,495,556	4,450,528
- Restricted Cash (Medical chest float)	20,000	20,000
	38,633,196	19,342,410

## 15. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management

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

#### (i) Treasury Risk Management

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

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

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

#### Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2016 approximately 43% 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 2016.

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

#### Liquidity Risk

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

#### Credit Risk

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS > *cont.*

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

The trade receivables balances at 30 June 2016 and 30 June 2015 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

### Price Risk

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

### (b) Financial Instruments Composition and Maturity Analysis

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

#### Financial Assets

	2016			2015		
	Cash & Cash Equivalents	Receivables	Investments	Cash & Cash Equivalents	Receivables	Investments
Weighted Average Effective Interest Rate	1.84%	–	–	1.98%	–	–
Floating Interest Rate	37,783,527	–	–	18,216,832	–	–
Fixed Interest Rate (maturing within 1 year)	–	–	–	–	–	–
Non-Interest Bearing	849,669	14,704,617	101,875	1,125,578	15,880,917	101,959
<b>Total</b>	<b>38,633,196</b>	<b>14,704,617</b>	<b>101,875</b>	<b>19,342,410</b>	<b>15,880,917</b>	<b>101,959</b>

#### Financial Liabilities

	2016		2015	
	Bank Loan Secured	Trade, Other Payables & Provisions	Bank Loan Secured	Trade, Other Payables & Provisions
Weighted Average Effective Interest Rate	4.44%	–	5.03%	–
Floating Interest Rate	–	–	6,864,468	–
Fixed Interest Rate (maturing within 1 year)	3,810,351	–	3,022,006	–
Fixed Interest Rate (maturing within 1 -5 years)	3,798,853	–	–	–
Fixed Interest Rate (maturing more than 5 years)	–	–	2,218,778	–
Non-Interest Bearing	–	19,480,882	–	12,918,077
<b>Total</b>	<b>7,609,203</b>	<b>19,480,882</b>	<b>12,105,252</b>	<b>12,918,077</b>



# NOTES TO THE FINANCIAL STATEMENTS > cont.

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

	2016 \$	2015 \$
<b>Trade Payables</b>		
Less than 6 months	1,749,435	1,413,681
6 months to 1 year	135,396	236,699
	1,884,831	1,650,380
 <b>Sundry Payables</b>		
Less than 6 months	–	–
6 months to 1 year	15,721,438	9,490,344
Greater than 1 year	1,874,613	1,777,353
	17,596,051	11,267,697
Total trade and sundry payables	19,480,882	12,918,077

### 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:

	2016		2015	
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Available-for-sale financial assets at fair value	101,875	101,875	101,959	101,959

### Sensitivity analysis:

#### Interest Rate Risk

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

# NOTES TO THE FINANCIAL STATEMENTS > *cont.*

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

As at 30 June 2016, 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:

	2016 \$	2015 \$
Change in profit/(loss)		
- Increase in interest rate by 2%	199,088	192,855
- Decrease in interest rate by 2%	(199,088)	(192,855)
Change in equity		
- Increase in interest rate by 2%	199,088	192,855
- Decrease in interest rate by 2%	(199,088)	(192,855)

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

### Foreign Exchange Risk

As at 30 June 2016, 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:

	2016 \$	2015 \$
Change in profit / (loss)		
- Increase in exchange rate by 2%	16,993	28,932
- Decrease in exchange rate by 2%	(16,993)	(30,445)
Change in equity		
- Increase in exchange rate by 2%	16,993	28,932
- Decrease in exchange rate by 2%	(16,993)	(30,445)

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

## 16. CAPITAL MANAGEMENT

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

The Company's capital consists of financial liabilities, supported by financial assets. Management effectively manages the Company's capital by assessing the financial risks and responding to changes in these risks and in the market. These responses may include the consideration of debt levels and liquidity. These indicators are reported for the years ended 30 June 2016 and 30 June 2015 respectively:

		2016	2015
Liquidity Ratio	Total Current Assets/Total Current Liabilities	2.55	1.91
Debt to Equity Ratio	Total Liabilities/Total Equity (reserves + retained earnings)	24.6%	24.2%

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

# NOTES TO THE FINANCIAL STATEMENTS > *cont.*

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

	2016 \$	2015 \$
Total Current Assets	54,656,559	36,487,472
Total Current Liabilities	21,416,621	19,090,553
Net Working Capital	33,239,938	17,396,919

## 17. COMMITMENTS FOR EXPENDITURE

### a) Operating Lease Commitments

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

	2016 \$	2015 \$
<b>Property Lease</b>		
(minimum lease payments)		
Not later than 12 months	1,217,114	1,304,183
Between 12 months and 5 years	1,341,445	1,412,910
Greater than 5 years	3,413,686	3,275,053
	5,972,245	5,992,146
<b>Motor Vehicle Lease</b>		
(minimum lease payments)		
Not later than 12 months	256,152	239,230
Between 12 months and 5 years	332,299	209,867
Greater than 5 years	-	-
	588,451	449,097

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

### b) Capital Commitments

#### Construction Contract

The Company has engaged H&M Tracey in a contract for construction of the new Jandakot Hangar and Engineering Facilities, comprising a second hangar, workshops and warehouse for aircraft maintenance on land leased from Jandakot Airport. The contract was awarded following a competitive tender process and forms part of a total budget of \$5.6m, of which \$688,772 was expended prior to 30 June 2016 and is recorded at that date. Funding of \$3.9m for this project has been committed by Lotterywest, \$1.1m from the RFDS Aero Medical Fund and the balance is sought from fundraising activity.

#### Pilatus PC12 Aircraft

The company has contracted with Pilatus Limited for the delivery of a new aircraft in December 2016.

#### Pilatus PC24 Aircraft

The company has contracted with Pilatus Limited for the delivery of three new aircraft from 2018, contingent on achievement of CASA certification in Australia. Pricing of all elements of the contract is yet to be determined.

# NOTES TO THE FINANCIAL STATEMENTS > cont.

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

### 18. FAIR VALUE MEASUREMENT

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

	Date of valuation	Fair Value Measurement Using:			
		Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		\$	\$	\$	\$
Available-for-sale financial assets (Note 9)	30/06/2015	101,875	101,875	–	–
Land and buildings (Note 10)	30/06/2014	41,816,691	–	–	41,816,691
Aircraft (Note 10)	30/06/2014	40,883,578	–	–	40,883,578
Rotable assets (Note 10)	30/06/2014	487,341	–	–	487,341

### 19. CONTINGENT LIABILITIES

There were no contingent liabilities as at reporting date.

### 20. RELATED PARTY DISCLOSURES

#### Directors

The Directors of RFDS Western Operations during the year were:

Mr NJ Bassett

Mr MDF Hutson

Mr RP Alder

Ms E Smyth

Dr A Ward

Mr CR Heath

Mrs R Sermon

Mr J Hancock

### 21. REMUNERATION OF DIRECTORS

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

### 22. GUARANTEE OF MEMBERS

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

### 23. COMPANY DETAILS

#### Registered Office

3 Eagle Drive

Jandakot WA 6164

Telephone: (08) 9417 6300

Facsimile: (08) 9417 6308

# Our Supporters

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

## With special thanks to:

RFDS Ambassador  
– Melva Stone OAM

Friends of the  
Flying Doctor

Mount Barker RFDS  
Volunteer Committee

RFDS Eastern  
Goldfields Auxiliary

Busselton RFDS Volunteer  
Committee

Geraldton RFDS  
Volunteer Committee

Narrogin RFDS  
Volunteer Committee

RFDS Esperance Auxiliary

Dongara RFDS  
Volunteer Committee

Jurien RFDS Volunteer  
Committee

Pannawonica RFDS  
Volunteer Committee

Flying 1000

Katanning RFDS  
Volunteer Committee

Paraburdoo RFDS  
Volunteer Committee

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Founding partner – Aero Medical Fund

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Pilatus PC-12 Aircraft

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Australian Government



Australian Government  
Department of Infrastructure  
and Regional Development

## West Australian Government



GOVERNMENT OF  
WESTERN AUSTRALIA



Government of Western Australia  
Department of Health



Government of Western Australia  
WA Country Health Service



ROYALTIES  
FOR REGIONS

# How you can help

Thanks to the kind support of individuals, corporations, the government and the community, the Royal Flying Doctor Service has proudly served Australia for 88 years. Help us continue to be there in the future. To help us deliver the finest care to the furthest corners of Australia you can:

- > Send your donation to Royal Flying Doctor Service, Western Operations  
Address: 3 Eagle Drive, Jandakot Airport, Jandakot WA 6164  
Postal Address: Locked Bag 2, Canning Vale DC, WA 6970
- > Phone us on 08 9417 6400 or 1300 669 569
- > Fax us on 08 9417 6499
- > Email us at [fundraise@rfdswa.com.au](mailto:fundraise@rfdswa.com.au)
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Meekatharra Airport  
Meekatharra WA 6642  
T 08 9980 0550  
F 08 9981 1601

Broome  
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Broome International Airport  
Broome WA 6725  
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F 08 9138 7305

Kalgoorlie  
Hart Kerspian Drive  
Kalgoorlie-Boulder Airport  
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