



**Royal Australian Air Force
Veterans' Residences Trust Fund**

**Annual Report
2013 - 2014**

ABN: 40 594 141 285

TRUSTEES

ROYAL AUSTRALIAN AIR FORCE VETERANS' RESIDENCES TRUST FUND

Air Commodore D.E. Tindal AM RAAF (Ret'd)

Mr P.L. Finkelstein RFD LLB

Squadron Leader M.S. Oakden RAAF

Air Commodore T. Saunder RAAF

**ROYAL AUSTRALIAN AIR FORCE
VETERANS' RESIDENCES TRUST**

OUR PURPOSE

'...provision of accommodation and support...'

to Royal Australian Air Force Veterans



Trust's Units at 511 Oxley Road, Sherwood, Qld



Australian Government

**Royal Australian Air Force
Veterans' Residences Trust**

**Ground Floor, Building L474
RAAF Williams
LAVERTON VIC 3028**

Tel: 03 9256 0002

Fax: 03 9256 0004

The Hon Stuart Robert MP
Assistant Minister for Defence
Parliament House
CANBERRA ACT 2600

Dear Minister,

TRUSTEES' REPORT

1. As Trustees, we have pleasure in furnishing our Annual Report of the Royal Australian Air Force Veterans' Residences Trust. This report describes the administration of the Trust for the year ending 30 June 2014, in accordance with Section 9 of the *Commonwealth Authorities and Companies Act 1997*, as amended. Of special significance during the past year was the recognition of 60 years of Trust residential services for the benefit of veterans and their families.

2. The current policy of the Trust is directed towards the preservation and growth of Trust funds, increasing the Fund's Equity, modernising accommodation, and sustaining a high level of preventative maintenance. These actions preserve Trust assets while enhancing tenant quality of life, safety and peace of mind. This policy is consistent with the purposes of the *Royal Australian Air Force Veterans' Residences Act 1953*, and is appreciated by the tenants. Therefore, the Trustees vision in the near term will be to continue to conserve funds for future development or other purposes to meet the needs of prospective necessitous tenants.

3. In May 2013, the Trust engaged architects to design and project manage the redevelopment of the Trust's Sherwood properties. The project, which is currently awaiting planning approval from Brisbane City Council and is expected to be completed by mid-2016, at a cost of \$3.85m. The current Sherwood units are no longer servicing the accommodation needs of our tenants. Further, their structural condition continues to deteriorate. This new development will substantially reduce maintenance and refurbishment costs, and increase capacity in Brisbane from fourteen two-bedroom and six one bedroom units to twenty four two-bedroom units. Financing of the project is provided through current cash reserves and the sale of Trust assets, and will not affect the Trust's financial viability.

4. The Trustees are also aware of the need to hold sufficient funds for asset maintenance and refurbishment. In recent years the Trust has undertaken major maintenance projects to raise the standard of Trust buildings and grounds. The benefits of this approach are now becoming evident as no major maintenance activities were necessary during 2013-14.

5. During 2013-14, internal refurbishments of Trust units were completed at Sandringham and Elizabeth Park, with a part refurbishment at Chermside. The Trust has a long-standing policy to undertake, where practicable, major repairs and/or renovations to units when long-term tenancies conclude. Refurbishments can be costly, but upgrade accommodation to more modern standards, thus enhancing the safety and quality of life for incoming (usually senior) tenants. These refurbishments also add value to the Trust's property portfolio.

6. In 1999, the Trustees became concerned that some units were remaining vacant for extended periods, because eligible applicants could not be found even after extensive advertising. The Trust proposed to the then Minister that the guidelines for tenancy be broadened so that Trust assets could be better used while not disadvantaging any eligible applicant. After legal advice was provided to the then Minister, Ministerial endorsement of this approach was granted in 1999. Since then, the Trust has been providing residential support to selected ex-Service personnel who do not meet the exact eligibility criteria specified in the Trust's Act. Also, when there are no waiting lists of eligible or other ex-Service persons, short-term leases to commercial tenants have been managed by our letting Agents. This has resulted in better use of Trust assets while no eligible person has been disadvantaged. In May 2012 the Trustees wrote to the Secretary, Department of Defence, proposing an amendment to the Trust Act that would clarify who is eligible for Trust accommodation and other forms of support.

7. In 2013-14, the Trust's 75 units and one house had a collective occupancy rate of 99%. From a potential rental availability of 912 months, units were only vacant for 9 months. This occupancy rate was an improvement on the 2012-13 rate of 19 vacant months.

8. The audited financial statements of the Trust during the 2013-14 reporting year revealed a decrease in revenue due to lower interest from the Trust's cash investments, an Income Statement surplus, and increased cash holdings. The audited financial statements are attached to the Trust's Annual Report. Noteworthy financial results are indicated in the Report of Operations.

9. In May 2014, the Trust was successful in its application to be classified as a Public Benevolent Institution through the Australian Charities and Not-for-profits Commission. This development enabled the Trust to gain Deductible Gift Recipient (DGR) status from the Australian Taxation Office and other tax concessions. The Trust is investigating how to use its new DGR classification to attract an additional revenue stream from donors who are sympathetic to the welfare of veterans.

10. As Trustees, we advise that during 2013-14 the financial records were subjected to an Australian National Audit Office facilitated audit conducted by their approved contractor – Crowe Horwath. During 2013-14, Defence Audit and Fraud Control Division were unable to provide internal audit services to the Trust.

11. The Trust receives no Australian Government funding and therefore is not obliged to comply with the provisions of the Commonwealth Fraud Control Policy and Guidelines under Regulation 19 of the *Financial Management and Accountability Regulations 1997*. Nevertheless, we observe the spirit and apply the principles contained in the Guidelines.

12. In this Annual Report we have included the Defence Minister's Statement of Expectations, and the Trust's Statement of Intent in response.

13. During 2013-14 there have been no changes to Trustees or staff of the Trust.

14. The Trustees express our thanks and appreciation to our staff, each State Advisory Panel, managing agents, representatives of Crowe Horwath, Defence personnel, ex-service organisations, our tenants and all others directly and indirectly for their valuable contributions and participation that has contributed to the successful operation of the Trust during the year.

Yours sincerely,



D.E. Tindal AM
AIRCDRE (Ret'd)
Chair of Trustees

26 September 2014

REPORT OF OPERATIONS (Note 1)**Certification**

This Report of Operations is submitted in accordance with a resolution of the Trustees made on 26 September 2014, and who acknowledge that they are responsible under Section 9 of the *Commonwealth Authorities of Companies Act 1997*, as amended, for the preparation and content of this report.

Enabling Legislation

Royal Australian Air Force Veterans' Residences Act 1953, as amended.

Responsible Minister

Assistant Minister for Defence - The Honourable Stuart Robert MP.

Incorporation Purposes and PowersIncorporation - Section 7(1)

The Trust is a body corporate with perpetual succession and a common seal and is capable of acquiring, holding and disposing of real and personal property and of suing and being sued in its corporate name.

Purpose - Section 4

The purpose of the fund is to provide residential services in which eligible persons who are in necessitous circumstances, and, if the Trust so approves, the dependants of such eligible persons, may be accommodated or supported.

Powers - Section 8(1)

The Trust may, at such time and in such manner as, in its discretion, it determines, apply moneys or property forming part of the Fund for the purpose of the Fund, and do all other things necessary or convenient for, or incidental to, the carrying out of the purpose.

Review of Operations**Location of Major Activities and Facilities**

The Trust owns 75 units, and one dwelling. These are located at:

<u>Addresses</u>	<u>No of Units</u>
10 Greenbank Street, CHERMSIDE, QLD	8
511 Oxley Road, SHERWOOD, QLD	12
32 Primrose Street, SHERWOOD, QLD *	1
23 Cecil Street, ASHFIELD, NSW	11

<u>Addresses</u>	<u>No of Units</u>
94 Ninth Avenue, CAMPSIE, NSW	12
29-31 Brighton Street, SANDRINGHAM, VIC	20
126 Yorktown Road, ELIZABETH PARK, SA	9
4 McRobies Road, HOBART, TAS	3
Total	76

- * The property at 32 Primrose Street was purchased with vacant possession on 21 June 2004. The dwelling is a three-bedroom house over 70 years old and the property abuts to the Trust's 511 Oxley Road property. The property is currently leased and it is anticipated this arrangement will cease in early 2015. It is planned that construction will commence on the Brisbane Redevelopment Project during the first half of 2015.

With the exception of the Chermside units, which are all two bedroom, accommodation at all other locations generally comprise a combination of one and two bedroom self-contained units. The Trust also has two three-bedroom units at Sandringham.

In each State, except Victoria, the Trust has appointed an Advisory Panel or liaison contact, who advise the Trustees on details of prospective tenants, tenant problems and maintenance needs. In addition, managing real estate agents have been appointed in each State to collect the Trust's rentals and to provide management services and building maintenance advice.

The States that have an Advisory Panel are closely associated with ex-Service Organisations in their State, and it is from this relationship that the majority of applications for tenancy are generated.

Persons to be accommodated are determined by the Trustees on their eligibility and degree of need. Initially, tenants are charged rental based on a sliding scale that is related to their eligibility criteria, and all rentals are reassessed annually, on 1 January, in line with increases in the amounts payable by Centrelink/Veterans Affairs, for the Single rate of the Age Pension.

The Trust does not provide welfare or medical services, but the Trustees are examining other forms of residential support that will assist former RAAF veterans in necessitous circumstances, as well as being affordable for the Trust in terms of resources required.

Subsidiaries

The Trust has no subsidiaries.

Review of Performance

The financial viability of the Trust and the substance of the Trust's ability to fulfil its responsibilities under the *Royal Australian Air Force Veterans' Residences Act 1953*, as amended, depend on a small number of essential factors. These are:

- An effective liaison with Department of Veterans' Affairs and leading ex-Service Organisations to inform ex-Service veterans of the existence and purpose of the Trust;
- A regular flow of applications from eligible persons seeking accommodation provided by the Trust;
- A stable occupancy rate of accommodation to ensure consistency of rental receipts from year to year;
- A controlled level of expenditure on repairs and maintenance; and
- A rational approach regarding the acquisition and development of properties commensurate with financial resources and the demands of those who are eligible and in need.

Rental Receipts

During 2013-14, rental revenue totalled \$498,578. This is \$6,393 greater than the 2012-13 result of \$492,185. The result was due to a majority of rentals increasing during the annual rental review, and a continued high occupancy rate during the 2013-14 year.

Repairs and Maintenance/Other Operating Costs

Repairs and Maintenance

Expenditure on repairs and maintenance was \$99,282 in 2013-14, this was \$84,515 less than the 2012-13 result of \$183,797, and was primarily due to no major expenditure on building repairs and maintenance being required. When vacancies occur, the opportunity was taken to modernise the units wherever practicable. During 2013-14, \$23,371 was expended on Plant and Equipment. When renovations are required, items such as carpets, stoves, washing machines, refrigerators, heaters and the like are reviewed for replacement. Items that cost individually less than \$2,000 are expensed at cost rather than being capitalised and subsequently depreciated.

Depreciation

The depreciation expense on buildings for 2013-14 was \$117,451. Trust properties were revalued by the Australian Valuation Office in June 2013, and are revalued every three years. As of 30 June 2014, Trusts properties are valued at \$17,842,549.

Other Expenses

The Other Expenses of the Trust was \$145,713 during the 2013-14 financial year. This compares to \$150,736 for the 2012-13 year, a decrease of \$5,023. The decrease in 2013-14 was primarily due to no requirement for a revaluation of Trust properties.

Interest from Term Investment

The Trust has adopted an investment strategy that is based on term deposit contracts with the Trust's banker - Defence Bank Ltd. An investment of \$2.1m was invested for varying short term periods throughout 2013-14 in order to maximise return and minimise risk. Interest received was competitive with other finance institutions.

The Trust established a secondary investment portfolio in 2011 containing three term deposits. These secondary investments were rationalised during 2013-14 into the Trust's operational account in order to have 'on call' cash reserves for expected financial commitments relating to the Brisbane Redevelopment Project. Interest received was marginally less than the Term Deposit rate, but with added flexibility. During 2013-14, after making allowances for accruals, interest totalled \$91,765. By comparison, the interest accrued in 2012-13 was \$109,470, a decrease of \$17,705. The Trust maintained the same working capital available for investing but a reduction in the Reserve Bank cash rate resulted in lower financial market interest rates, therefore decreasing Trust investment returns.

Acquisition of Properties

The Trust did not purchase any properties during 2013-14.

Judicial/Ministerial Decisions

There have been no judicial decisions from any court, reports by the Auditor-General, Commonwealth Ombudsman, Parliamentary Committees, responsible Minister, other Ministers or general policies of the Australian Government by the responsible Minister under Section 28 of the *Commonwealth Authorities and Companies Act (CAC Act) 1997*, as amended, which impact on the operations of the Trust.

SPECIFIC INFORMATION

Trustees and Staff (Note 2)

Trustees

Air Commodore D.E. Tindal AM RAAF (Ret'd)

(Returned and Services League of Australia Nominee)

Qualifications:

BE(Hons), MEngSci, BA, MA, DipLaw, GradDipMgtSt, FIEAust, CPEng,
Australian Institute of Company Director's Course.

Responsibilities:

Executive Trustee and Chair of the Trust.

Mr P.L. Finkelstein RFD LLB

(Air Force Association Nominee)

Qualifications:

Bachelor of Laws (LLB)

Responsibilities:

Executive Trustee

SQNLDR M.S. Oakden RAAF

(Chief of Air Force Nominee)

Qualifications:

Bachelor of Engineering (Aeronautical), Master of Engineering Science, CPEng.

Responsibilities:

Executive Trustee and Member of Audit Committee

AIRCDRE T. Saunder RAAF

(Chief of Air Force Nominee)

Qualifications:

Bachelor of Engineering (Aeronautical), Master of Science in Astronautics and
Aeronautics, Master of Business Administration, Graduate Diploma in Business
Administration and Australian Institute of Company Director's Course.

Responsibilities:

Chairman of the Trust's Audit Committee, Non-Executive Deputy for SQNLDR
M.S. Oakden.

Meetings

During 2013-2014, the Trust held four Trustee meetings.

<u>Trustee</u>	<u>Participation</u>
AIRCDRE D.E. Tindal AM (Ret'd)	4
Mr P.L. Finkelstein RFD LLB	4
SQNLDR M.S. Oakden	4

(AIRCDRE Saunder was not called upon to act in his capacity as Deputy during 2013-14)

Staff

Manager	Mr W.R. Bingham
Assistant Manager	Mr J.L. Negus

Information Address

The Manager
Royal Australian Air Force Veterans' Residences Trust
Ground Floor - Building L474
RAAF Williams
LAVERTON VIC 3028

Telephone (03) 9256 0002 or (03) 9256 0003
Facsimile (03) 9256 0004

Web Page www.airforce.gov.au/rvrt
E-Mail raaf.vrt@defence.gov.au

Statement of Governance

The Trust is administered primarily by the Trustees and the Trust's staff. The Trust meets on a regular basis - normally at quarterly intervals. In addition to these more formal administrative arrangements, some items of business, that exceed the day-to-day delegations granted to the Manager, are processed 'out of session'.

The only other board or committee formed to assist with the Trust's administration is an Audit Committee.

Audit Committee

An Audit Committee was established by the Trustees during the 2009-10 fiscal year. During 2013-14 there were no meetings of the Audit Committee. The Audit Committee is comprised of the following appointees:

<u>Appointee</u>	<u>Role</u>
AIRCDRE T. Saunder	Chairman
SQNLDR M. Oakden	Member/Secretary

Indemnities and Insurance Premiums for Officers

No indemnities have been given to either current or former officers against a liability. The Trust has arranged for Directors' and Officers' insurance coverage with Comcover, with the related insurance premiums are met by the Trust. The premium cost for this insurance in 2013-14 was \$734.84 (excl. GST).

Commonwealth Disability Strategy

The Trustees are cognisant of the provisions of the *Commonwealth Discrimination Act 1982*, as amended. All accommodation provided to persons having disabilities are modified, when requested, to allow them to better enjoy their tenancy. The Trust evaluates proposals from tenants and/or their representatives to ascertain whether the proposed changes are an acceptable, practical and affordable level of modifications to Trust property.

Summary of Operations

The Trust is an income tax exempt charity (as classified by the Australian Taxation Office) and has operated in this capacity since its establishment in 1953. During 2013-14, the Trust was granted Public Benevolent Institution status by the Australian Charities and Not-for-profits Commission and endorsed as a Deductible Gift Recipient by the Australian Tax Office. Both of these advances will assist the Trust in developing additional financial resources for the benefit of veterans and their families. No major changes were made to the Trust's operational policies in 2013-14. Finances have been carefully managed with the intention of meeting demand for major building maintenance foreseen in future years.

The Statement of Comprehensive Income revealed a surplus of \$51,029 from the Trust's operations during 2013-14. Revenue from all sources decreased by \$11,312 to \$590,343, a decrease of 1.9% in 2013-14. The decreased revenue can be attributed to a reduction in interest returns of \$17,705, offset by an increase in Rental Income of \$6,393. The occupancy rate for Trust properties increased 1.08% in 2013-14 to 99%. Apart from a rent review increase and higher occupancy rate, the primary cause of increased rental revenues was the utilisation of vacant units with commercial tenants, where there are no eligible applicants.

Summary of Operations (cont'd)

The Trust completed the 2013-14 year with a net operating surplus of \$51,029 (2012-13 cost of \$7,195). When the impact of non-cash transactions are considered, the cash reserves of the Trust increased during the 2013-14 year by \$41,170. Trust operations have continued to focus on refurbishment and maintenance of Trust properties to bring them up to expected standards. In addition, approval of the design and planning phases of the Brisbane Redevelopment Project (BRP) is currently being considered by Brisbane City Council. BRP expenditure to 30 June 14 totalled \$146,634. In 2014-15, the Trust will continue to invest financial resources into maintaining, refurbishing and redeveloping Trust property assets. This program will incur expected increases in expenditure, but will not affect the viability of the Trust.



D.E. Tindal AM
AIRCDRE (Ret'd)
Chair of Trustees

26 September 2014

Notes:

1. Schedule 1 of the *Commonwealth Authorities and Companies (Report on Operations) Orders 2011*, as amended, issued by the Minister for Finance.
2. Trustees - Appointed by and hold office during the pleasure of the Minister.
Staff - Appointed by and hold office during the pleasure of the Trustees.

Appendix A

STATEMENT OF EXPECTATIONS FOR THE
ROYAL AUSTRALIAN AIR FORCE VETERANS' RESIDENCES TRUST

Chairman

Royal Australian Air Force Veterans' Residences Trust

- 7 SEP 2011

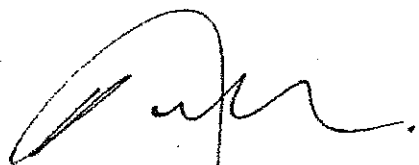
This statement formally outlines my expectations concerning the operations and performance of the Royal Australian Air Force Veterans' Residences Trust Fund (RAAFVRT).

The Australian Government's vision for the RAAFVRT is that it will be a fund which supports Air Force veterans and their dependants in necessitous circumstances by providing subsidised housing.

As Chairman, you are to ensure that the RAAFVRT keeps me fully informed of any significant events or issues that may impact on its operations. All communication provided to me is to be forwarded, in parallel, to the Department of Defence.

My expectations for the Board of Trustees are that it will ensure that the RAAFVRT:

1. operates in accordance with relevant legislation (including the *Royal Australian Air Force Veterans' Residences Act 1953* and the *Commonwealth Authorities and Companies Act 1997*);
2. complies with government policy, as applicable, including the adherence to directions made by the Finance Minister, as promulgated in the Finance Minister's Orders, Estimates Memoranda and Finance Circulars;
3. provides the Finance Minister, through the Secretary of Finance and Deregulation and to me its Compliance Report;
4. assists the Department of Defence in the efficient management of the Defence portfolio through the provision of accurate, timely and relevant information, as requested;
5. is a welfare organisation that encourages continuous improvement practices, is financially independent and ensures the long term sustainability of housing services for Royal Australian Air Force Veterans in necessitous circumstances;
6. in response to this Statement of Expectations, provides me with its Statement of Intent and make both Statements publicly available;
7. provides me with its quarterly and annual financial statements, with copies to be provided to the Secretary for Defence, the Chief of the Defence Force and the Chief of Air Force;
8. adopts best practice governance principles and implement risk management strategies as determined by the Commonwealth, as appropriate for the operation of small agencies; and
9. identifies and manages all actual and perceived conflicts of interest.



WARREN SNOWDON

Minister for Defence Science and Personnel



Australian Government

**Royal Australian Air Force
Veterans' Residences Trust**

**Ground Floor, Building L474
Thorn Circle
RAAF Williams
LAVERTON RAAF Vic 3027
Tel: 03 9356 0002
Fax: 03 9256 0004**

W. Snowdon MP
Minister for Veterans' Affairs
Parliament House
CANBERRA ACT 2600

Dear Minister

**ROYAL AUSTRALIAN AIR FORCE VETERANS' RESIDENCES TRUST
TRUSTEES' STATEMENT OF INTENT**

1. Receipt is acknowledged of your Ministerial Statement of Expectations. On behalf of the trustees of the Royal Australian Air Force Veterans' Residences Trust (the 'Trust'), it is my privilege to provide you with our Statement of Intent for the operation of the Trust.
2. The trustees recognise that the Trust is a welfare organisation focused on accommodating former members of the Royal Australian Air Force in necessitous circumstances. The trustees understand the need for continuous improvement in Trust operations to ensure its long-term financial independence and sustainability.
3. Consequently, from 2012 onwards the Trust intends to progress several initiatives that should improve its ability to support eligible members. Primary amongst these initiatives is a program to update the quality of accommodation being provided. To the extent financially feasible, the Trust will replace some of its ageing properties with accommodation more reflective of modern housing standards. This may encompass the purchase of existing properties, the development of new properties on available Trust land and the sale of existing properties.
4. The Trust also intends to explore alternative ways to support eligible members than the traditional landlord-tenant relationship. Any decision to implement alternative support mechanisms will be rigorously considered to ensure each is financially sustainable, legal and in the best interests of those being supported. Other initiatives in work include improved property maintenance and tenant management, as well as the introduction of a structured business planning framework.
5. As the Trust progresses these initiatives, you should be confident that the trustees will operate the Trust in accordance with all relevant legislation (particularly the Royal Australian Air Force Veterans' Residences Act 1953 and the Commonwealth Authorities and Companies Act 1997).

- 2 -

6. The trustees will also comply with applicable government policy, including directions made by the Finance Minister. In doing so, the Trust aims to become a model Commonwealth Authority through effective engagement with departmental staff. We will adopt best practice governance principles and risk management strategies appropriate for small organisations.
7. We will provide both the responsible Minister and the Finance Minister, with their departments, the Trust's compliance report, financial statements and other accurate, timely and relevant information.
8. We will publish your Statement of Expectations and this Statement of Intent in the Trust's Annual Report for FY2011/12.
9. We will advise you of significant events or issues that may affect the operation of the Trust, including the possibility of any conflict of interest, actual or perceived.
10. The Trustees look forward to a successful next few years, in which the Trust achieves its purpose whilst satisfying its ongoing governance requirements.

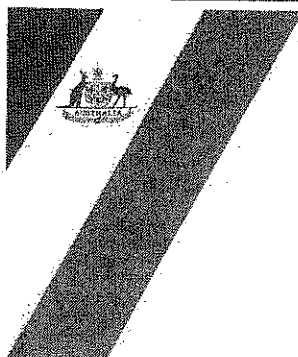
Yours faithfully,



D. E. TINDAL
Chairman
RAAF Veterans' Residences Trust

/ March 2012

Copies:
Chief of Defence Force
Chief of Air Force
Secretary- Department of Defence



INDEPENDENT AUDITOR'S REPORT

To the Minister for Defence

I have audited the accompanying financial statements of the Royal Australian Air Force Veterans' Residences Trust Fund for the year ended 30 June 2014, which comprise: a Statement by the Trustees; the Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies and other explanatory information.

Trustees' Responsibility for the Financial Statements

The trustees of the Royal Australian Air Force Veterans' Residences Trust Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Royal Australian Air Force Veterans' Residences Trust Fund's preparation of the financial statements that give 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 Royal Australian Air Force Veterans' Residences Trust Fund's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Royal Australian Air Force Veterans' Residences Trust Fund:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Royal Australian Air Force Veterans' Residences Trust Fund's financial position as at 30 June 2014 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
26 September 2014

STATEMENT BY THE TRUSTEES

In our opinion, the attached financial statements for the year ended 30 June 2014 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Ministers Orders made under the *Commonwealth Authorities and Companies Act 1997*, as amended.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Trustees.



D.E. Tindal AM
Chair

26 September 2014



P.L. Finkelstein RFD LLB
Trustee

26 September 2014



M.S. Oakden
Trustee

26 September 2014

Statement of Comprehensive Income
for the period ended 30 June 2014

	Notes	2014 \$	2013 \$
NET COST OF SERVICES			
Expenses			
Employee benefits	3A	155,794	145,591
Suppliers	3B	244,995	334,533
Depreciation	3C	138,525	128,726
Total expenses		539,314	608,850
Own-Source Income			
Own-source revenue			
Interest	4A	91,765	109,470
Rental income	4B	498,578	492,185
Total own-source revenue		590,343	601,655
Total own-source income		590,343	601,655
Net surplus/(cost) of services		51,029	(7,195)
Surplus/(cost) on continuing operations		51,029	(7,195)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		-	2,195,070
Total other comprehensive income		-	2,195,070
Total comprehensive income		51,029	2,187,875

The above statement should be read in conjunction with the accompanying notes.

Statement of Financial Position
as at 30 June 2014

	Notes	2014 \$	2013 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	312,285	271,115
Trade and other receivables	5B	25,149	22,488
Other investments	5C	2,100,000	2,100,000
Total financial assets		2,437,434	2,393,603
Non-financial assets			
Land and buildings	7A	15,755,853	17,975,600
Property, plant and equipment	7C,D	134,450	132,153
Assets held for sale	7B	2,233,330	-
Total non-financial assets		18,123,633	18,107,753
Total assets		20,561,067	20,501,356
LIABILITIES			
Payables			
Suppliers	8A	29,950	31,982
Total payables		29,950	31,982
Provisions			
Employee provisions	9A	32,286	21,572
Total provisions		32,286	21,572
Total liabilities		62,236	53,554
Net assets		20,498,831	20,447,802
EQUITY			
Reserves		17,262,012	17,262,012
Accumulated surplus		3,236,819	3,185,790
Total equity		20,498,831	20,447,802

The above statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
for the period ended 30 June 2014

	Retained earnings		Asset revaluation Surplus		Total equity	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Opening balance						
Balance carried forward from previous period	3,185,790	3,192,985	17,262,012	15,066,942	20,447,802	18,259,927
Adjusted opening balance	3,185,790	3,192,985	17,262,012	15,066,942	20,447,802	18,259,927
Comprehensive income						
Surplus/(Deficit) for the period	51,029	(7,195)	-	-	51,029	(7,195)
Other comprehensive income			-	2,195,070	-	2,195,070
Total comprehensive income	51,029	(7,195)	-	2,195,070	51,029	2,187,875
Closing balance as at 30 June	3,236,819	3,185,790	17,262,012	17,262,012	20,498,831	20,447,802

The above statement should be read in conjunction with the accompanying notes.

Cash Flow Statement

for the period ended 30 June 2014

	Notes	2014 \$	2013 \$
OPERATING ACTIVITIES			
Cash received			
Services - Rental Income		496,689	490,313
Interest		90,993	103,712
Net GST received		36,607	31,543
Total cash received		<u>624,289</u>	<u>625,568</u>
Cash used			
Employees		143,874	145,773
Suppliers		284,840	372,141
Total cash used		<u>428,714</u>	<u>517,914</u>
Net cash from operating activities	10	<u>195,575</u>	<u>107,654</u>
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment		154,405	55,578
Total cash used		<u>154,405</u>	<u>55,578</u>
Net cash from investing activities		<u>154,405</u>	<u>55,578</u>
Net increase in cash held		<u>41,170</u>	<u>52,076</u>
Cash and cash equivalents at the beginning of the reporting period		<u>271,115</u>	<u>219,039</u>
Cash and cash equivalents at the end of the reporting period	5A	<u>312,285</u>	<u>271,115</u>

The above statement should be read in conjunction with the accompanying notes.

Schedule of Commitments
as at 30 June 2014

	2014 \$	2013 \$
BY TYPE		
Commitments payable		
Capital commitments		
Land and buildings	253,366	384,400
Total capital commitments	253,366	384,400
Total commitments payable	253,366	384,400
Net commitments by type	253,366	384,400
BY MATURITY		
Commitments payable		
Capital commitments		
Within 1 year	-	-
Between 1 to 5 years	253,366	384,400
Total capital commitments	253,366	384,400
Total commitments payable	253,366	384,400
Net commitments by maturity	253,366	384,400

Note:

1. Commitments are GST exclusive.
2. In May 2013, the Trust entered into a future commitment for \$400,000 with Phooey Architects Pty Ltd for architectural and project management services until the completion of the Trust's Brisbane Redevelopment Project in 2016. The commitment can be terminated by either party by giving 30 days notice, with liability for services ceasing at the termination date. The Trust has not entered into any other commitments as at 30 June 2014.
3. The above statement should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 1: Summary of Significant Accounting Policies

1.1 Objective of the Royal Australian Air Force Veterans' Residences Trust Fund

The Royal Australian Air Force Veterans' Residences Trust Fund (the Trust) is a not-for-profit Australian Government controlled entity, and its purpose is:

'...The purpose of the Fund is the provision of a residence or residences in which eligible persons who are in necessitous circumstances, and, if the Trust so approves, the dependents of such eligible persons, may be accommodated or supported...' (Trust's Act, Section 4).

1.2 Basis of Preparation of the Financial Statements

The Financial Statements are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997*, as amended, and are General Purpose Financial Statements.

The Financial Statements have been prepared in accordance with:

- Finance Minister's Orders (or FMO) for reporting periods ending on or after 1 July 2011; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FMO, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the notes as a commitment or contingency.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when, and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 1: Summary of Significant Accounting Policies**1.3 Significant Accounting Judgements and Estimates**

In the process of applying the accounting policies listed in this note, the Trust made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The fair value of land and buildings. The Trust arranges for the Trust's Land and Buildings to be revalued every three years. In June 2013, the Australian Valuation Office conducted a valuation project on behalf of the Trust. The next scheduled review will be conducted during May-June 2016.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

1.4 New Australian Accounting Standards*Adoption of New Australian Accounting Standard Requirements*

The following new and revised standards were issued prior to the signing of the statement by the Trustees, were applicable to the current reporting period and had no material effect on the Trust's financial statements.

- The introduction of Accounting Standard AASB 13 *Fair Value Measurement*, requires the Trust to provide disclosure on fair value measurements in relation to Trust assets.
- The revised Accounting Standard AASB 119 *Employee Benefits* will have no material financial impact on current or future reporting periods.

Future Australian Accounting Standard Requirements

New standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards Board but are effective for future reporting periods. It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods.

1.5 Revenue

Revenue from the Trust's Rental properties is recognised when the rental payments become due and payable to the Trust. The revenue is recognised when:

- the amount of revenue anticipated for collection can be reliably measured; and
- the probable economic benefits associated with the transaction will flow to the entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 1: Summary of Significant Accounting Policies

The Trust's rental receivables have a 30 day term and are recognised at the nominal amounts due less any impairment allowance. Collectability of debts is reviewed frequently at the end of each calendar month, and as well, at end of our annual reporting period for the assessment of any impairment adjustments. Allowances are made when collectability of the debt is no longer probable.

Interest revenue is recognised using the effective interest method as set out in *AASB 139 Financial Instruments: Recognition and Measurement*.

1.6 Employee BenefitsShort-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, that are expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised as non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Trust is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Trust's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by utilising the Australian Government Actuary's shorthand method and using the Australian Government public sector probability profile. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 1: Summary of Significant Accounting Policies*Superannuation*

All staff members of the Trust are excluded from being members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap). The Trust, however, does make the employer-only contributions to the employees' individual superannuation schemes that are equivalent to full time Australian Public Service employees within the Department of Defence.

1.7 Cash

Cash and cash equivalents includes cash on hand and demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

1.8 Financial Assets

The Trust classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets; and
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 1: Summary of Significant Accounting Policies*Loans and Receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

- *Financial assets held at amortised cost* - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the statement of comprehensive income.
- *Available for sale financial assets* - if there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the statement of comprehensive income.
- *Financial assets held at cost* - If there is objective evidence that an impairment loss has been incurred the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

1.9 Financial Liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon trade date.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 1: Summary of Significant Accounting Policies

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.10 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

1.11 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

1.12 Property, Plant and Equipment**Asset Recognition Threshold**

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$2,000 (excluding GST), which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 1: Summary of Significant Accounting Policies

Revaluations

Fair values for each class of asset are determined as shown below:

Asset Class	Fair value measured at:
Land	Market Selling Price
Buildings	Market Selling Price
Plant and Equipment	Depreciated Replacement Cost

Following initial recognition at cost, property plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in surplus/deficit except to the extent that they reverse a previous revaluation increment for that class. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Trust using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2014	2013
Buildings on freehold land	10 to 60 years	10 to 60 years
Plant and Equipment	10 years	10 years
Office Equipment	3 years	3 years

The Trust does not hold any items of property, plant and equipment that are classified as heritage and cultural assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 1: Summary of Significant Accounting Policies

Impairment

Where indicators of impairment exist, impairment testing is performed. As a result of this testing an impairment adjustment is made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Trust was deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Non-current assets held for sale

The Trust shall classify a non-current asset as held for sale:

- only after the Trust has initiated the process to offer the non-current asset for sale and it is *highly probable* the Trust will complete the sale within a 12 month period from the date of classification.
- if it's carrying amount will be recovered principally through a sale transaction rather than through continuing use.

If the Trust has classified a non-current asset as held for sale but the above criteria is no longer met, the Trust shall cease to classify the non-current asset as held for sale.

1.13 Taxation

The Trust is exempt from all forms of taxation except for Fringe Benefits Tax (FBT) above the allowable threshold for a Public Benevolent Institution, and the Goods and Services Tax (GST). Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

For GST purposes, the Trust has been classified by the Australian Taxation Office as an Income Tax Exempt Charity (ITEC). The Trust is entitled to receive refunds for all GST expended that forms part of the invoiced costs of goods and services paid for or provided to the Trust. The Trust does not levy GST on any supplies or services provided by the Trust. The Trust has not provided any benefits to its employees that would generate FBT tax liabilities under the Fringe Benefits Tax legislation.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****Note 2: Events after the Balance Sheet Date**

No events have been identified following the Balance Sheet date that may have an impact on the Trust's financial reporting or operational capability.

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the entity.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 3: Expenses

	2014	2013
	\$	\$
<u>Note 3A: Employee Benefits</u>		
Wages and salaries	125,719	122,645
Superannuation		
Defined contribution plans	19,361	24,650
Leave and other entitlements	10,714	(1,704)
Total employee benefits	<u>155,794</u>	<u>145,591</u>
<u>Note 3B: Suppliers</u>		
Goods and services supplied or rendered		
Contractors	243,758	333,487
Total goods and services supplied or rendered	<u>243,758</u>	<u>333,487</u>
Goods and services supplied in connection with		
External parties	243,758	333,487
Total goods and services supplied or rendered	<u>243,758</u>	<u>333,487</u>
Other suppliers		
Workers compensation expenses	1,237	1,046
Total other suppliers	<u>1,237</u>	<u>1,046</u>
Total suppliers	<u>244,995</u>	<u>334,533</u>
<u>Note 3C: Depreciation</u>		
Property, plant and equipment	21,074	18,453
Buildings	117,451	110,273
Total depreciation	<u>138,525</u>	<u>128,726</u>

Note 4: Own-Source Income

	2014	2013
	\$	\$
Own-Source Revenue		
<u>Note 4A: Interest</u>		
Deposits	91,765	109,470
Total interest	<u>91,765</u>	<u>109,470</u>
<u>Note 4B: Rental Income</u>		
Other - rental of trust properties	498,578	492,185
Total rental income	<u>498,578</u>	<u>492,185</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 5: Financial Assets

	2014 \$	2013 \$
<u>Note 5A: Cash and Cash Equivalents</u>		
Cash on hand or on deposit	312,285	271,115
Total cash and cash equivalents	312,285	271,115
<u>Note 5B: Trade and Other Receivables</u>		
Goods and services receivables in connection with		
Rental income - external parties	11,375	9,486
Total goods and services receivables	11,375	9,486
Other receivables:		
GST receivable from the Australian Taxation Office	-	5,389
Interest	13,774	1,033
Other	-	6,580
Total other receivables	13,774	13,002
Total trade and other receivables (gross)	25,149	22,488
Total trade and other receivables (net)	25,149	22,488
Trade and other (net) expected to be recovered		
No more than 12 months	25,149	22,488
Total trade and other receivables (net)	25,149	22,488
Trade and other receivables (gross) aged as follows		
Overdue by		
0 to 30 days	7,101	5,589
31 to 60 days	2,334	2,056
61 to 90 days	1,476	393
More than 90 days	464	1,448
Total receivables (gross)	11,375	9,486
<u>Note 5C: Other Investments</u>		
Deposits		
Deposit-Defence Bank Ltd	2,100,000	2,100,000
Total other investments	2,100,000	2,100,000
Total other investments are expected to be recovered		
No more than 12 months	2,100,000	2,100,000
Total other investments	2,100,000	2,100,000

No indicators of impairment were found for Financial Assets.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 6: Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Note 6A: Fair Value Measurement

Fair value measurements at the end of the reporting period by hierarchy for non-financial assets in 2014

	Fair value measurements at the end of the reporting period using			
	Fair value \$	Level 1 inputs \$	Level 2 inputs \$	Level 3 inputs \$
Non-financial assets:				
Land	13,470,000	-	13,470,000	-
Buildings	4,372,549	-	4,372,549	-
Plant and equipment	134,450			134,450
Total non-financial assets	17,976,999	-	17,842,549	134,450
Assets not measured at fair value in the statement of financial position:				
Non-financial assets ¹	-	-	-	-

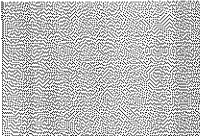
1. The Trust did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2014.

Fair value Measurement - Highest & Best Use

The Trust's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all controlled assets is considered their highest and best use.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 6B: Valuation technique and inputs for Level 2 and Level 3 fair value measurements

Level 2 and 3 fair value measurements - valuation technique and the inputs used for assets in 2014					
	Category (Level 2 or Level 3)	Fair value	Valuation technique(s)¹	Inputs used	Range (weighted average)²
Non-financial assets:					
Land	2	13,470,000	Market Approach	Adjusted market transactions	
Buildings	2	4,372,549	Market Approach	Adjusted market transactions	
Plant and equipment	3	134,450	Depreciated Replacement Cost	Estimated current cost of replacement items. Consumed economic benefit.	
					\$11 - \$17,464 (\$1,808) 10.00% - 33.33% (10.71%)

1. There have been no changes to valuation techniques.

2. Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category.

There were no significant inter-relationships between unobservable inputs that materially affect fair value.

Recurring and non-recurring Level 3 fair value measurements - valuation processes

The Trust procured the service of the Australian Valuation Office (AVO) to undertake a comprehensive valuation of all non-financial assets at 30 June 2013. The Trust tests the procedures of the valuation model as an internal management review at least once every 12 months (with a formal revaluation undertaken once every three years). If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation. The Trust engaged Australian Valuation Solutions (AVS) in 2014, to provide written assurance that the models developed comply with AASB 13.

There is no change in the valuation technique since the prior year.

Significant Level 3 inputs utilised by the entity are derived and evaluated as follows:
Nil

Recurring Level 3 fair value measurements - sensitivity of inputs

The significant unobservable inputs used in the fair value measurement of the Trust's plant and equipment assets relate to estimated replacement costs and the annual rate of consumption of the economic benefits of these assets. A significant increase (decrease) in the replacement costs for items of plant and equipment assets would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the annual rate of consumption of the economic benefits embodied in these assets would result in a significantly lower (higher) fair value measurement.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 7: Non-Financial Assets

	2014 \$	2013 \$
<u>Note 7A: Land and Buildings</u>		
Land		
Fair value	12,220,000	13,470,000
Total land	<u>12,220,000</u>	<u>13,470,000</u>
Buildings on freehold land		
Work in progress	146,634	15,600
Fair value	3,490,000	4,490,000
Accumulated depreciation	(100,781)	-
Total buildings on freehold land	<u>3,535,853</u>	<u>4,505,600</u>
Total land and buildings	<u>15,755,853</u>	<u>17,975,600</u>
<u>Note 7B: Assets held for sale</u>		
Land		
Fair value	1,250,000	-
Total land	<u>1,250,000</u>	<u>-</u>
Buildings on freehold land		
Fair value	1,000,000	-
Accumulated depreciation	(16,670)	-
Total buildings on freehold land	<u>983,330</u>	<u>-</u>
Total assets held for sale	<u>2,233,330</u>	<u>-</u>
<u>Note 7C: Plant and Equipment</u>		
Other plant and equipment		
Fair value	236,906	227,816
Accumulated depreciation	(102,456)	(95,663)
Total other plant and equipment	<u>134,450</u>	<u>132,153</u>
Total plant and equipment	<u>134,450</u>	<u>132,153</u>

All revaluations were conducted in accordance with the revaluation policy stated in note 1. On 30 June 2013, the Australian Valuation Office, an independent valuer, conducted the revaluations. A further valuation review was undertaken by Australian Valuation Solutions at 30 June 2014.

The Trust's property at Chermside, Queensland is expected to be sold within the next 12 months. As at 30 June 2013, the Australian Valuation Office valued the Chermside property at \$ 2,250,000. Accumulated depreciation of \$16,670 applied to the Chermside property at 30 June 2014.

No Plant and Equipment is expected to be sold or disposed of within the next 12 months.

No indicators of impairment were found for property, plant and equipment.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

**Note 7D - Reconciliation of the Opening and Closing Balances of Property,
Plant and Equipment 2014**

	Land \$	Buildings \$	Total land and buildings \$	Other property, plant & equipment \$	Total \$
As at 1 July 2013					
Gross book value	13,470,000	4,505,600	17,975,600	227,816	18,203,416
Accumulated depreciation and impairment	-	-	-	(95,663)	(95,663)
Net book value 1 July 2013	13,470,000	4,505,600	17,975,600	132,153	18,107,753
Additions:					
By purchase	-	131,034	131,034	23,371	154,405
Revaluations and impairments recognised in other comprehensive income	-	-	-	-	-
Depreciation expense	-	(117,451)	(117,451)	(21,074)	(138,525)
Assets held for sale	(1,250,000)	(983,330)	(2,233,330)	-	(2,233,330)
Net book value 30 June 2014	12,220,000	3,535,853	15,755,853	134,450	15,890,303
Net book value as of 30 June 2014 represented by:					
Gross book value	12,220,000	3,636,634	15,856,634	236,906	16,093,540
Accumulated depreciation and impairment	-	(100,781)	(100,781)	(102,456)	(203,237)
Net book value 30 June 2014	12,220,000	3,535,853	15,755,853	134,450	15,890,303

**Note 7D (Cont'd) - Reconciliation of the Opening and Closing Balances of Property,
Plant and Equipment 2013**

	Land \$	Buildings \$	Total land and buildings \$	Other property, plant & equipment \$	Total \$
As at 1 July 2012					
Gross book value	11,840,000	4,255,405	16,095,405	187,839	16,283,244
Accumulated depreciation and impairment	-	(220,202)	(220,202)	(77,211)	(297,413)
Net book value 1 July 2012	11,840,000	4,035,203	15,875,203	110,628	15,985,831
Additions:					
By purchase	-	15,600	15,600	39,978	55,578
Revaluations and impairments recognised in other comprehensive income	1,630,000	565,070	2,195,070	-	2,195,070
Depreciation expense	-	(110,273)	(110,273)	(18,453)	(128,726)
Net book value 30 June 2013	13,470,000	4,505,600	17,975,600	132,153	18,107,753
Net book value as of 30 June 2013 represented by:					
Gross book value	13,470,000	4,505,600	17,975,600	227,816	18,203,416
Accumulated depreciation and impairment	-	-	-	(95,663)	(95,663)
Net book value 30 June 2013	13,470,000	4,505,600	17,975,600	132,153	18,107,753

Note: Fully depreciated assets with a gross book value of \$14,281 were disposed of during the financial year.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 8: Payables

	2014	2013
	\$	\$
Note 8A: Suppliers		
Trade creditors and accruals	<u>29,950</u>	<u>31,982</u>
Total suppliers	<u>29,950</u>	<u>31,982</u>
 Suppliers expected to be settled		
No more than 12 months	<u>29,950</u>	<u>31,982</u>
Total suppliers	<u>29,950</u>	<u>31,982</u>
 Suppliers in connection with		
External parties	<u>29,950</u>	<u>31,982</u>
Total suppliers	<u>29,950</u>	<u>31,982</u>
Settlement is usually made within 30 days.		

Note 9: Provisions

	2014	2013
	\$	\$
Note 9A: Employee Provisions		
Leave	<u>32,286</u>	<u>21,572</u>
Total employee provisions	<u>32,286</u>	<u>21,572</u>
 Employee provisions are expected to be settled		
No more than 12 months	<u>15,711</u>	<u>7,836</u>
More than 12 months	<u>16,575</u>	<u>13,736</u>
Total employee provisions	<u>32,286</u>	<u>21,572</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 10: Cash Flow Reconciliation

	2014	2013
	\$	\$
Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement		
Cash and cash equivalents as per		
Cash flow statement	312,285	271,115
Statement of financial position	312,285	271,115
Discrepancy	-	-
Reconciliation of net cost of services to net cash from operating activities		
Net cost of services	51,029	(7,195)
Adjustments for non-cash items		
Depreciation	138,525	128,726
Movements in assets / liabilities		
Assets		
Increase / (decrease) in net receivables	(2,661)	(7,630)
Liabilities		
Increase / (decrease) in employee provisions	10,714	(1,704)
Increase / (decrease) in supplier payables	(2,032)	(4,543)
Net cash from operating activities	195,575	107,654

Note 11: Remuneration of Auditors

	2014	2013
	\$	\$
Financial statement audit services were provided to the entity by the Australian National Audit Office (ANAO)		
Fair value of the services received		
Financial statement audit services	10,350	7,300
Total fair value of services received	10,350	7,300

No other services were provided by the ANAO.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 12: Related Party Disclosures**Loans to Directors and Director-Related Entities**

There were no loans to the Trustees or Trustee related entities.

Other Transactions with Directors or Director-Related Entities

The only related party activity in force during the year was the ongoing appointment of FLA Partners, Melbourne, of which Mr P.L. Finkelstein (a Trustee) is a partner. FLA Partners were appointed on 25 May 2000 to act as solicitors of the Trust.

During the financial year 2013-2014, \$5,146.13 (incl. GST) was paid to FLA Partners for legal services. \$603.57 for preparation of annual report services, and \$4,542.56 for legal advice relating to the Brisbane Redevelopment Project.

All Trustees hold their office in an honorary capacity.

The Trust is administered by three Trustees who are appointed by the Minister for Defence (or his delegate). Four meetings of the Trust were conducted during the fiscal year to 30 June 2014. During the year, the following Trustees held office.

Air Commodore D.E. Tindal AM RAAF (Ret'd)	Appointed Trustee on 12 February 2007. Attended four meetings during 2012-2013. Elected by Trustees as Chair on 4 May 2011.
Mr P.L. Finkelstein RFD LLB	Appointed Trustee on 5 September 1995. Attended four meetings during 2012-2013.
Squadron Leader M.S. Oakden RAAF	Appointed Trustee on 10 March 2011. Attended four meetings in 2012-2013.
Air Commodore T. Saunder RAAF	Appointed Deputy Trustee on 10 March 2011. AIRCDRE Saunder attended one meeting during 2012-2013.

Note 13: Directors' Remuneration

All Trustees act for the Trust in an honorary capacity. Two full-time RAAF Officers are appointed as a Trustee and a Deputy Trustee by the Chief of Air Force. No remuneration is paid by the Trust for these two RAAF officers' services as Trustees.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 14: Financial Instruments

	2014 \$	2013 \$
Note 14A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	312,285	271,115
Trade and other receivables	25,149	22,488
Investment - Deposit with Defence Bank Ltd.	2,100,000	2,100,000
Total loans and receivables	2,437,434	2,393,603
Total financial assets	2,437,434	2,393,603
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	29,950	31,982
Total financial liabilities measured at amortised cost	29,950	31,982
Total financial liabilities measured at amortised cost	29,950	31,982
Note 14B: Net Gains or Losses on Financial Assets		
Loans and receivables		
Interest revenue	91,765	109,470
Net gains on loans and receivables	91,765	109,470
Net gains from financial assets	91,765	109,470

Note 14C: Fair Value of Financial Instruments

	Carrying amount 2014 \$	Fair value 2014 \$	Carrying amount 2013 \$	Fair value 2013 \$
Financial Assets				
Cash - on hand/cheque account	312,285	312,285	121,115	121,115
Other - 3 month term deposit	-	-	150,000	150,000
Trade and other receivables	25,149	25,149	22,488	22,488
Deposit - Defence Bank Ltd.	2,100,000	2,100,000	2,100,000	2,100,000
Total	2,437,434	2,437,434	2,393,603	2,393,603
Financial Liabilities				
Trade creditors	29,950	29,950	31,982	31,982
Total	29,950	29,950	31,982	31,982

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 14D: Credit Risk

Credit Risk is the risk of financial loss as a result of failure by the Trust's clients or counterparts to meet their contractual obligations. The Trust's Manager is responsible for the analysis and monitoring of its credit risk exposure. All credit exposures are monitored regularly against allowed limits. The average credit period for trade receivables is 30 days, with the majority of the Trust's income being gained from Rentals for the Trust's properties. The Trust does not hold any collateral to mitigate credit risk. The Trust's financial instruments that are exposed to credit risk are not past due or impaired.

Note 14E: Liquidity Risk

The Trust has arranged for its investments and cash holdings to facilitate the payment of all debts as they fall due. The majority of routine expenses are settled through the use of the Trust's rental revenues that are regularly banked into the Trust's bank account by the agents. The Trust also maintains an investment account. The terms of investments vary according to approved programmed expenditure (eg, major works). All financial liabilities mature within one year.

Note 14F: Market Risk

The Trust holds financial instruments within the Australian banking sector, and the Trustees consider that this conservative investment strategy does not expose the Trust to market risks. The Trust has invested its surplus funds in Australian-based banks. Therefore, the Trustees do not consider that the Trust's investments would become exposed to 'currency risk', or 'other price risk'. However, in the Australian market, the Trustees are aware that there is some volatility in respect to 'interest rate risk'. The following table shows the effect on the Trust's estimated receipts from Interest, if the rate available fluctuated by decreasing a further half percentage point, through to an increase of half percentage point.

Sensitivity analysis of the risk that the Trust is exposed to as at 30 June 2014

Risk variable	Change in variable risk %	Effect on	
		Profit and loss	Equity
		\$	\$
Decrease in Interest Rate			
Term Deposit - 3 months term	Interest -0.6%	(3,150)	-
Increase in Interest Rate			
Term Deposit - 3 months term	Interest +0.6 %	3,150	-

Sensitivity analysis of the risk that the Trust is exposed to as at 30 June 2013

Riskvariable	Change in risk variable %	Effect on	
		Profit and loss	Equity
		\$	\$
Decrease in Interest Rate			
Term Deposit - 3 months term	Interest -1.2 %	(1,800)	-
Term Deposit - 12 months term	Interest -1.2 %	(25,200)	-
Increase in Interest Rate			
Term Deposit - 3 months term	Interest +1.2 %	1,800	-
Term Deposit - 12 months term	Interest +1.2 %	25,200	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Note 15: Restatement of comparatives

Correction of misstatement

In 2012-13, costs associated with the Brisbane Redevelopment Project of \$15,600 for architectural and consultancy fees were expensed incorrectly. These costs will contribute to the future value of the Trust and therefore are capital expenditure. The tables below disclose the impact on both the Statement of Comprehensive Income and Statement of Financial Position.

In 2013-14, a change of accounting treatment from previous reporting periods in relation to netting off Trade Receivables, will now report the Trust's rent debtors and creditors separately in line with accepted in accordance with the requirements of AASB 101 Presentation of Financial Statements. Therefore, for comparative purposes, Trade Receivables and Payables have been adjusted by \$9,638 for the 2012-13 reporting period.

Extract - Statement of Comprehensive Income

	2013 \$ Reported	2013 \$ Adjustment	2013 \$ Restated
Expenses			
Suppliers	350,133	(15,600)	334,533
Total expenses	624,450	(15,600)	608,850
Net surplus/(deficit) of services	(22,795)	15,600	(7,195)
Surplus/(deficit) on continuing operations	(22,795)	15,600	(7,195)
Total comprehensive income	2,172,275	15,600	2,187,875

Extract - Statement of Financial Position

	2013 \$ Reported	2013 \$ Adjustment	2013 \$ Restated
ASSETS			
Financial Assets			
Trade and other receivables	12,850	9,638	22,488
Total financial assets	2,383,965	9,638	2,393,603
Non-financial assets			
Land and buildings	17,960,000	15,600	17,975,600
Total non-financial assets	18,092,153	15,600	18,107,753
Total assets	20,476,118	25,238	20,501,356
Payables			
Suppliers	22,344	9,638	31,982
Total payables	22,344	9,638	31,982
Total liabilities	43,916	9,638	53,554
Net assets	20,432,202	15,600	20,447,802
EQUITY			
Accumulated surplus	3,170,190	15,600	3,185,790
Total equity	20,432,202	15,600	20,447,802

The above restatement of comparatives for the Statement of Comprehensive Income and Statement of Financial Position only disclose the line items that have been adjusted.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014****Note 16: Compensation and Debt Relief**

There were no payments for compensation or debt relief in the 2013-2014 or the 2012-2013 financial years.

Note 17: Contingent Assets and Liabilities

There were no quantifiable contingent liabilities or contingent assets, nor were there any unquantifiable or remote contingent liabilities or contingent assets for both 2013-14 and 2012-2013.

Note 18: Reporting of Outcomes of the Trust

The Trust does not receive any Australian Government budgetary funding. However, the Trust has a single outcome that follows directly from adhering to the stated purpose of the Trust. The result of the Trust's outcome is demonstrated in the Trust's Financial Statements.

