



Royal Australian Air Force Veterans' Residences Trust

Annual Report 2016 - 2017

ABN: 40 594 141 285

TRUSTEES

ROYAL AUSTRALIAN AIR FORCE VETERANS' RESIDENCES TRUST

Mr D.E. Tindal AM

Mr P.L. Finkelstein RFD LLB

Squadron Leader M.S. Oakden RAAF

Squadron Leader I.T. Leurs RAAF

ROYAL AUSTRALIAN AIR FORCE VETERANS' RESIDENCES TRUST

OUR PURPOSE

‘...provision of accommodation and support...’

to Royal Australian Air Force Veterans



Image of planned Trust unit's at 32 Primrose Street, Sherwood, Qld



Australian Government

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

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

Tel: 03 9256 0002

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The Hon Dan Tehan MP
Minister for Defence Personnel
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 2017, in accordance with Section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).
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 in Brisbane. The two-stage project was reviewed in May 2016 in response to the latest cost estimates for the project. The review has resulted in the project taking a different form, but still increasing the standard of amenity for residents with less impact on the Trust's financial resources. The project is now expected to be completed in late 2018, at an estimated cost of \$3.91M. 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 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 2016-17.

5. During 2016-17, there were two partial refurbishments completed at Sandringham, Victoria and Chermside, Queensland. 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 upgrading accommodation to more modern standards enhances 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 2016-17, the Trust's 75 units had a collective occupancy rate of 98.4%. From a potential rental availability of 900 months, units were only vacant for 14 months. This occupancy rate was marginally lower than 2015-16.

8. The audited financial statements of the Trust during the 2016-17 reporting year revealed an increase in revenue due to additional rental income, despite a decrease in interest from the Trust's cash investments. The audited financial statements are attached to the Trust's Annual Report. Noteworthy financial results are indicated in the Annual Performance Statements.

9. As Trustees, we advise that during 2016-17 the financial records were subjected to an Australian National Audit Office financial statement audit conducted by their approved contractor – Crowe Horwath. During 2016-17, Defence Audit and Fraud Control Division were unable to provide internal audit services to the Trust.

10. The Trust is classified as a Public Benevolent Institution through the Australian Charities and Not-for-profits Commission. This classification enables the Trust to gain Deductible Gift Recipient (DGR) status from the Australian Taxation Office and other tax concessions. The Trust plans to use the DGR classification to attract an additional revenue stream from donors who are sympathetic to the welfare of veterans.

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 the Commonwealth Fraud Framework that is part of the *Public Governance, Performance and Accountability Act 2013*. However, the Trust is bound under section 10 of the *Public Governance, Performance and Accountability Rule 2014* to set out the key requirements of fraud control, and will 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. The Trustees express our thanks and appreciation to our staff, each State Advisory Panel, managing agents, Defence personnel, ex-Service organisations, our tenants and all others directly and indirectly involved for their valuable contributions and participation that has contributed to the successful operation of the Trust during the year.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'David Tindal', is positioned above the printed name and title.

D.E. Tindal AM
Chair of Trustees

26 September 2017

REPORT OF OPERATIONS

Certification

This Report of Operations is submitted in accordance with a resolution of the Trustees made on 26 September 2017 and who acknowledge that they are responsible under Section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), for the preparation and content of this report.

Enabling Legislation

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

Responsible Minister

Minister for Defence Personnel - The Hon Dan Tehan MP.

Incorporation Purposes and Powers

Incorporation - 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.

Annual Performance Statement

Introductory statement

The Trustees of the Royal Australian Air Force Veterans' Residences Trust, present the 2016-17 annual performance statement as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In our opinion, this annual performance statement is based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.

Purpose of the Royal Australian Air Force Veterans' Residences Trust

The purpose of the Trust as stated in the Trust's 2016-20 corporate plan, is to provide accommodation, and other forms of accommodation related support for former Royal Australian Air Force personnel and their dependants, who are in necessitous circumstances.

Results

Performance criterion

The Trust recognises the value of measuring its performance through the regular review of well-designed Key Performance Indicators. The Trust KPI's measure:

- Financial Performance;
- Demand Satisfaction;
- Asset Quality;
- Client Satisfaction; and
- Owner (Commonwealth government) happiness.

Criterion source

An explanation of the source of all performance criterion can be located in Annex B of the Trust's 2016-20 corporate plan.

Result against performance criterion

- Financial Performance: All three components for financial performance had satisfactory results during 2016-17. The *revenue to budget* component revealed revenue was marginally under budget by 0.03%, with *expenditure to budget* under budget by 8.52%. The third component - *cash at hand*, increased by \$96,416 during 2016-17, a significant increase primarily due to reduced refurbishment and repairs expenditure.
- Demand Satisfaction: The four components for demand satisfaction aim to provide a snapshot of the Trust's capacity to satisfy demand for accommodation for Trust units.

The *occupancy* component provides a collective occupancy rate of units occupied nationally. In 2016-17 there continued to be a high collective occupancy of 98.4%, where only 14 of a possible 900 rentable months units were not occupied.

The *commercial tenant* component provides the percentage of commercial tenants at Trust units. As at 30 June 2017, 14.7% of Trust units were occupied by commercial tenants. This result is within the Trust's acceptable range for non-eligible occupancy of Trust units. Commercial tenants can only occupy a Trust unit where there are no eligible applicants.

The *waiting list* component indicates the applicants awaiting accommodation in Trust units. As at 30 June 2017, there were a total of four applicants awaiting a unit in Victoria. There are no applicants on the waiting list in Queensland, New South Wales, South Australia and Tasmania.

The *RAAF Client* component provides the percentage of eligible residents that meet the highest eligibility criteria as described in the Trust's enabling legislation. As at 30 June 2017, there were 53.3% or 40 units occupied by RAAF clients. Other ADF and Foreign Allies residents account for 29.3% or 22 units.

- Asset Quality: In recent years the Trust has focused on improving the quality of its accommodation to modern standards. The asset quality KPI provides a guide to the condition of Trust properties by recording *site upkeep costs* and *condition of units*.

Site upkeep costs include repairs, maintenance and refurbishment expenditure for all Trust locations. This information assists the Trust by providing a data set to identify where Trust resources can be targeted to achieve the best outcome. The *condition of units* component is currently assessed by recording the number of full or part refurbished units during the last ten years. During 2016-17, two part refurbishments were completed, bringing the total of refurbishments to sixty eight during the last ten years. It is planned that inspections of units by Trust representatives during 2017-18 will provide a more accurate assessment of their condition.

- Client Satisfaction: To determine whether tenants are satisfied with their residency, the Trust has trialled various methods in recent years to obtain meaningful tenant views. The Trust's policy of responding to resident's concerns in a timely manner regularly receives comments of appreciation from residents. As a result of the Trust maintaining its properties in good condition and promptly addressing residents' concerns, the residents are more likely to show a duty of care towards their unit and surrounds.
- Owner Happiness: As a corporate Commonwealth entity the Trust is owned by the Commonwealth government. The Trust monitors owner happiness by recording instances of *legislative non-compliances*, *positive comments* and *negative comments*. During 2016-17 the Trust has complied with its legislative responsibilities, and received no negative comments from government officials. The Trust has also received positive comments from its responsible Minister, and Personnel Branch – Air Force.

Analysis of performance against Purpose

During 2016-17, the Trust has continued to ensure its operations are focused on accomplishing its purpose of providing accommodation, and other forms of accommodation related support to former Royal Australian Air Force personnel and their dependants, who are in necessitous circumstances.

In order for the Trust to fulfil its purpose, the following performance achievements during 2016-17 have been:

- prudent management of financial resources;
- continued improvement of accommodation standards;
- a continued high occupancy rate;
- a duty of care to Trust tenants and staff; and
- continued development of other forms of accommodation related support for veterans and their dependants.

The Trust operates within the social welfare environment, and is a small niche-provider of accommodation and accommodation support services within the much larger social welfare systems managed by Commonwealth and State governments. In order for the Trust to continue to provide valuable accommodation support to RAAF veterans and their dependants, the main internal and external factors that will influence the Trust's performance and capacity to achieve its purpose are:

- the continued ability to retain volunteer trustees;
- ongoing support by the Department of Defence; and
- the continued ability to maintain financial viability.

Other Performance Information

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.

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
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 dwelling is vacant and will be removed prior to construction as part of the Brisbane Redevelopment Project in late 2017.

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 issues and maintenance needs. In addition, managing real estate agents have been appointed for most locations to collect the Trust's rental income 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.

Subsidiaries

The Trust has no subsidiaries.

Acquisition of Properties

The Trust did not purchase any properties during 2016-17.

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 the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), which impact on the operations of the Trust.

SPECIFIC INFORMATION

Trustees and Staff

Trustees

D.E. Tindal AM

(Returned and Services League of Australia Nominee)

Qualifications:

BE(Hons), MEngSci, BA, MA, MHistory, DipLaw, GradDipMgtSt, FIEAust, EngExec, and 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

SQNLDR I.T. Leurs RAAF

(Chief of Air Force Nominee)

Responsibilities:

Deputy Trustee and Chair of Audit Committee

Meetings

During 2016-2017, the Trust held four Trustee meetings.

<u>Trustee</u>	<u>Participation</u>
D.E. Tindal AM	4
Mr P.L. Finkelstein RFD LLB	4
SQNLDR M.S. Oakden RAAF	3
SQNLDR I.T. Leurs RAAF	4

(SQNLDR I.T. Leurs RAAF attended four meetings but was only called upon to act in her capacity as Deputy in one meeting during 2016-17).

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 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 2016-17 there were three meetings of the Audit Committee. The Audit Committee is comprised of the following appointees:

<u>Appointee</u>	<u>Role</u>
SQNLDR I.T. Leurs RAAF	Chair
SQNLDR M.S. Oakden RAAF	Member/Secretary
Mrs A. Griffith	Independent Member

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 met by the Trust.

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 enable better enjoyment of 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. In 2014 the Trust was classified as a Public Benevolent Institution 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 are expected to 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 2016-17. Finances have been carefully managed with the intention of meeting demand for major building redevelopment and maintenance foreseen in future years.

The Statement of Comprehensive Income revealed a surplus of \$60,785 from Trust operations during 2016-17. Revenue from all sources increased by \$15,763 to \$607,353, an increase of 2.7%. The growth in revenue can be attributed to a rental income increasing by \$18,041, offset by a decrease in interest and other income of \$2,278. The occupancy rate for Trust properties decreased marginally to 98.4% in 2016-17. Apart from a rent review increase and stable occupancy rate, the primary cause of increased rental revenues was the utilisation of vacant units by commercial tenants, where there are no eligible applicants.

The Trust completed the 2016-17 year with cash reserves including investments of \$2,404,628, a net increase of \$96,416. Trust operations have continued to focus on refurbishment and maintenance of Trust properties to bring them up to expected standards. In addition, work in progress expenditure on the Brisbane Redevelopment Project (BRP) to 30 June 17 totalled \$643,599, with \$151,013 expended during 2016-17. In 2016-17, 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
Chair of Trustees

26 September 2017

Notes:

1. The Trust has complied with annual report requirements prescribed in sections 17BA to 17BF of the PGPA Rule that apply to accountable authorities of all corporate Commonwealth entities, as defined in section 11 of the PGPA Act.
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
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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 Personnel

Opinion

In my opinion, the financial statements of the Royal Australian Air Force Veterans' Residences Trust for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Royal Australian Air Force Veterans' Residences Trust as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Royal Australian Air Force Veterans' Residences Trust, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Trustees;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and Forming Part of the Financial Statements.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Royal Australian Air Force Veterans' Residences Trust in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2017 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

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

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

Trustees Responsibility for the Financial Statements

As the Accountable Authority of the Royal Australian Air Force Veterans' Residences Trust, the Trustees are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced

Disclosure Requirements and the rules made under that Act. The Trustees are also responsible for such internal control as the Royal Australian Air Force Veterans' Residences Trust determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Royal Australian Air Force Veterans' Residences Trust's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Trustees are also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Serena Buchanan
Senior Executive Director

Delegate of the Auditor-General

Canberra
26 September 2017

STATEMENT BY THE TRUSTEES

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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 fall due.

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



D.E. Tindal AM
Chair

26 September 2017



P.L. Finkelstein RFD LLB
Trustee

26 September 2017



M.S. Oakden
Trustee

26 September 2017

Statement of Comprehensive Income
for the period ended 30 June 2017

	Notes	2017 \$	2016 \$
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	175,113	170,121
Suppliers	1.1B	221,716	285,360
Depreciation	2.3A	149,739	143,762
Total expenses		546,568	599,243
Own-Source Income			
Own-source revenue			
Interest	1.2A	58,611	61,789
Rental income	1.2B	547,742	529,701
Other revenue	1.2C	1,000	100
Total own-source revenue		607,353	591,590
Total own-source income		607,353	591,590
Net (cost of)/contribution by services		60,785	(7,653)
Surplus/(Deficit) on continuing operations		60,785	(7,653)
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation surplus		-	4,277,354
Total other comprehensive income		-	4,277,354
Total comprehensive income		60,785	4,269,701

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

Statement of Financial Position
as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	2.1A	154,628	508,212
Trade and other receivables	2.1B	18,207	16,040
Other investments	2.1C	2,250,000	1,800,000
Total financial assets		2,422,835	2,324,252
Non-financial assets			
Land and buildings	2.2A	20,007,791	19,977,586
Property, plant and equipment	2.2C	139,545	165,619
Assets held for sale	2.2B	2,397,143	2,400,000
Total non-financial assets		22,544,479	22,543,205
Total assets		24,967,314	24,867,457
LIABILITIES			
Payables			
Suppliers	2.4A	47,256	15,544
Total payables		47,256	15,544
Provisions			
Employee provisions	3.1A	59,821	52,461
Total provisions		59,821	52,461
Total liabilities		107,077	68,005
Net assets		24,860,237	24,799,452
EQUITY			
Reserves		21,539,366	21,539,366
Accumulated surplus		3,320,871	3,260,086
Total equity		24,860,237	24,799,452

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

Statement of Changes in Equity
for the period ended 30 June 2017

	2017	2016
	\$	\$
ACCUMULATED SURPLUS		
Opening balance		
Balance carried forward from previous period	3,260,086	3,267,739
Adjusted opening balance	3,260,086	3,267,739
Comprehensive income		
Surplus/(Deficit) for the period	60,785	(7,653)
Total comprehensive income	60,785	(7,653)
Closing balance as at 30 June	3,320,871	3,260,086
RESERVES		
Opening balance		
Balance carried forward from previous period	21,539,366	17,262,012
Adjusted opening balance	21,539,366	17,262,012
Comprehensive income		
Other comprehensive income	-	4,277,354
Total comprehensive income	-	4,277,354
Closing balance as at 30 June	21,539,366	21,539,366
TOTAL EQUITY		
Opening balance		
Balance carried forward from previous period	24,799,452	20,529,751
Adjusted opening balance	24,799,452	20,529,751
Comprehensive income		
Surplus/(Deficit) for the period	60,785	(7,653)
Other comprehensive income	-	4,277,354
Total comprehensive income	60,785	4,269,701
Closing balance as at 30 June	24,860,237	24,799,452

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

Cash Flow Statement*for the period ended 30 June 2017*

	Notes	2017 \$	2016 \$
OPERATING ACTIVITIES			
Cash received			
Rendering of services		559,169	531,631
Interest		57,407	64,145
Net GST received		29,105	51,332
Other		1,000	100
Total cash received		646,681	647,208
Cash used			
Employees		167,233	156,748
Suppliers		232,019	361,809
Total cash used		399,252	518,557
Net cash from operating activities		247,429	128,651
INVESTING ACTIVITIES			
Cash received			
Transfer of investment to cash		-	300,000
Total cash received		-	300,000
Cash used			
Purchase of property, plant & equipment		151,013	254,813
Transfer of cash to investment		450,000	-
Total cash used		601,013	254,813
Net cash (used in)/from investing activities		(601,013)	45,187
Net (decrease)/increase in cash held		(353,584)	173,838
Cash and cash equivalents at the beginning of the reporting period		508,212	334,374
Cash and cash equivalents at the end of the reporting period	2.1A	154,628	508,212

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 2017**

Overview Note**Objective of the Royal Australian Air Force Veterans' Residences Trust**

The Royal Australian Air Force Veterans' Residences Trust (the Trust) is an Australian Government controlled entity. It is a not-for-profit entity. The purpose of the Trust as defined in section 4 of the *Royal Australian Air Force Veterans' Residences Act 1953* 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...'

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements 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 measured 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.

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 2017**

Overview Note**Significant Accounting Judgements and Estimates**

In the process of applying the accounting policies listed in this Note, the Trust has made a judgement that the fair value of land and buildings has been taken to be the market value of similar properties as determined by an independent valuer. In some instances, Trust buildings are purpose-built and may in fact realise more or less in the market.

The Trust arranges for the Trust's Land and Buildings to be revalued every three years. In June 2016, the Trust engaged Australian Valuation Solutions to conduct a valuation on behalf of the Trust. The next scheduled review will be conducted in June 2019.

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.

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:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction will flow to the entity.

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*.

Employee BenefitsLeave

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

Overview Note

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.

Short-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.

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.

Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a) cash on hand; and
- b) demand deposits in bank accounts with an original maturity of less than 3 months that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Financial Assets

The Trust classifies its financial assets in the following categories:

- a) held-to-maturity investments; and
- b) loans and receivables.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

Overview Note

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.

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.

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

Overview note**Financial Liabilities**

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon trade date.

Other Financial Liabilities

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, irrespective of having been invoiced.

Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the 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.

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.

Property, Plant and Equipment*Asset Recognition Threshold*

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, 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 2017**

Overview note

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 reversed 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 reversed 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:

	2017	2016
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 2017**

Overview note*Impairment*

All assets were assessed for impairment at 30 June 2017. Where indicators of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment 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 of disposal 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.

Current assets held for sale

After initial recognition, assets held for sale are recorded at fair value. The Trust shall classify an asset as held for sale:

- only after the Trust has initiated the process to offer the 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 its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

If the Trust has classified an asset as held for sale but the above criteria are no longer met, the Trust shall cease to classify the asset as held for sale.

Events after the Reporting Period

No events have been identified following the Statement of Financial Position 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 Trust.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

1.1 Expenses

	2017 \$	2016 \$
<u>1.1A: Employee Benefits</u>		
Wages and salaries	145,366	136,784
Superannuation		
Defined contribution plans	22,838	21,771
Leave and other entitlements	6,909	11,566
Total employee benefits	175,113	170,121
<u>1.1B: Suppliers</u>		
Goods and services supplied or rendered		
Contractors	220,148	283,969
Total goods and services supplied or rendered	220,148	283,969
Other suppliers		
Workers compensation expenses	1,568	1,391
Total other suppliers	1,568	1,391
Total suppliers	221,716	285,360

1.2 Own-Source Revenue

	2017 \$	2016 \$
Own-Source Revenue and gains		
<u>1.2A: Interest</u>		
Deposits	58,611	61,789
Total interest	58,611	61,789
<u>1.2B: Rental Income</u>		
Other - rental of trust properties	547,742	529,701
Total rental income	547,742	529,701
<u>1.2C: Other</u>		
Deposit for sale of asset	1,000	-
Donation	-	100
Total other revenue	1,000	100

A deposit of \$1,000 was received by the Trust for the sale of a building located at its property at 32 Primrose Street, Sherwood in Qld. The building has no book value, and as at 30 June 2017 the building remains at 32 Primrose Street, Sherwood. It is expected the purchaser (Redhouse House Removals P/L) will be removing the building in the third quarter of 2017.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

2.1 Financial Assets

	2017 \$	2016 \$
<u>2.1A: Cash and Cash Equivalents</u>		
Cash on hand or on deposit	154,628	508,212
Total cash and cash equivalents	154,628	508,212
<u>2.1B: Trade and Other Receivables</u>		
Goods and services receivables		
Rental income - external parties	8,304	7,341
Total goods and services receivables	8,304	7,341
Other receivables:		
Interest	9,903	8,699
Total other receivables	9,903	8,699
Total trade and other receivables (net)	18,207	16,040
<u>2.1C: Other Investments</u>		
Deposits		
Deposit-Defence Bank Ltd	2,250,000	1,800,000
Total other investments	2,250,000	1,800,000

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 2017**

2.2 Non-Financial Assets

	2017 \$	2016 \$
<u>2.2A Land and Buildings</u>		
Land		
Fair value (i)	14,840,000	14,840,000
Total land	14,840,000	14,840,000
Buildings on freehold land		
Work in progress	643,599	492,586
Fair value (i)	4,645,000	4,645,000
Accumulated depreciation	(120,808)	-
Total buildings on freehold land	5,167,791	5,137,586
Total land and buildings	20,007,791	19,977,586
<u>2.2B Assets held for sale</u>		
Land		
Fair value (ii)	2,300,000	2,300,000
Total land	2,300,000	2,300,000
Buildings on freehold land		
Fair value (ii)	100,000	100,000
Accumulated depreciation	(2,857)	-
Total buildings on freehold land	97,143	100,000
Total assets held for sale	2,397,143	2,400,000
<u>2.2C Plant and Equipment</u>		
Fair value	318,634	318,634
Accumulated depreciation	(179,089)	(153,015)
Total plant and equipment	139,545	165,619

(i) All revaluations were conducted in accordance with the revaluation policy stated in the Overview note. On 30 June 2016, Australian Valuation Solutions, an independent valuer, conducted the revaluations.

(ii) The Trust's property at Oxley Road, Sherwood, Queensland is expected to be sold within the next 12 months. As at 30 June 2016, Australian Valuation Solutions valued the Sherwood property at \$ 2,400,000.

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 2017**

2.3 Non-Financial Assets

**2.3A Reconciliation of the Opening and Closing Balances of Property,
Plant and Equipment 2017**

	Land \$	Buildings \$	Total land and buildings \$	Plant & equipment \$	Total \$
As at 1 July 2016					
Gross book value	14,840,000	5,137,586	19,977,586	318,634	20,296,220
Accumulated depreciation and impairment	-	-	-	(153,015)	(153,015)
Total as at 1 July 2016	14,840,000	5,137,586	19,977,586	165,619	20,143,205
Additions:					
By purchase	-	151,013	151,013	-	151,013
Assets held for sale not sold	2,300,000	100,000	2,400,000	-	2,400,000
Revaluations and impairments recognised in other comprehensive income	-	-	-	-	-
Depreciation expense	-	(123,665)	(123,665)	(26,074)	(149,739)
Assets held for sale	(2,300,000)	(97,143)	(2,397,143)	-	(2,397,143)
Total as at 30 June 2017	14,840,000	5,167,791	20,007,791	139,545	20,147,336
Total as at 30 June 2017 represented by					
Gross book value	14,840,000	5,291,456	20,131,456	318,634	20,450,090
Accumulated depreciation and impairment	-	(123,665)	(123,665)	(179,089)	(302,754)
Total as at 30 June 2017 represented by	14,840,000	5,167,791	20,007,791	139,545	20,147,336

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

2.4 Payables

	2017 \$	2016 \$
<u>2.4A: Suppliers</u>		
Trade creditors and accruals	47,256	15,544
Total suppliers	47,256	15,544
Suppliers expected to be settled		
No more than 12 months	47,256	15,544
Total suppliers	47,256	15,544

Settlement is usually made within 30 days.

3.1 Provisions

	2017 \$	2016 \$
<u>3.1A Employee Provisions</u>		
Leave	59,821	52,461
Total employee provisions	59,821	52,461
Employee provisions are expected to be settled		
No more than 12 months	47,480	42,619
More than 12 months	12,341	9,842
Total employee provisions	59,821	52,461

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

3.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, this includes the trustees. The Trust has determined the key management personnel to be the Trustees who are appointed by the Minister for Defence (or her delegate). All Trustees act for the Trust in an honorary capacity. No remuneration is paid by the Trust to any Trustee.

The Trust is administered by three Trustees who are appointed by the Minister for Defence (or her delegate). Four meetings of the Trust were conducted during the fiscal year to 30 June 2017. During the year, the following Trustees held office.

D.E. Tindal AM	Appointed Trustee on 12 February 2007. Attended four meetings during 2016-17. 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 2016-17.
Squadron Leader M.S. Oakden RAAF	Appointed Trustee on 10 March 2011. Attended three meetings in 2016-17.
Wing Commander P.J. Bradshaw RAAF	Appointed Deputy Trustee from 25 June 2015 to 13 September 2016. Attended one meeting during 2016-17.
Squadron Leader I.T. Leurs RAAF	Appointed Deputy Trustee on 13 September 2016. Attended four meetings during 2016-17

3.3 Related Party Disclosures**Related Party Relationships**

The Trust is an Australian Government controlled entity. Related parties to this entity are the Key Management Personnel and other Australian Government controlled entities.

Loans to Trustees and Trustee-Related Entities

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

Other Transactions with Trustees or Trustee-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 2016-17, \$952.60 (incl. GST) was paid to FLA Partners for provision of legal services.

4.1 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 2016-17 and 2015-16 financial years.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

4.2 Financial Instruments

	2017 \$	2016 \$
4.2A Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	154,628	508,212
Trade and other receivables	18,207	16,040
Investment - Deposit with Defence Bank Ltd.	2,250,000	1,800,000
Total loans and receivables	2,422,835	2,324,252
Total financial assets	2,422,835	2,324,252
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	47,256	15,544
Total financial liabilities measured at amortised cost	47,256	15,544
4.2B Net Gains or Losses on Financial Assets		
Loans and receivables held to maturity		
Interest revenue	58,611	61,789
Net gains on loans and receivables held to maturity	58,611	61,789
Net gains from financial assets	58,611	61,789

4.3 Fair Value Measurement**4.3A Fair Value Measurement**

Fair value measurements at the end of the reporting period by hierarchy for non-financial assets in 2017

	Fair value measurements at the end of the reporting period	
	2017 \$	2016 \$
Non-financial assets:		
Land	17,140,000	17,140,000
Buildings	4,621,335	4,745,000
Work in Progress	643,599	492,586
Plant and equipment	139,545	165,619
Total non-financial assets	22,544,479	22,543,205

The Trust did not measure any non-financial assets at fair value on a non- recurring basis as at 30 June 2017.