



Royal Australian Air Force Veterans' Residences Trust

Annual Report 2019 - 2020

ABN: 40 594 141 285

TRUSTEES

ROYAL AUSTRALIAN AIR FORCE VETERANS' RESIDENCES TRUST

Mr D.E. Tindal AM

Mr P.L. Finkelstein RFD LLB

Wing Commander M.S. Oakden RAAF

Wing Commander M.L. McPhail RAAF

ROYAL AUSTRALIAN AIR FORCE VETERANS' RESIDENCES TRUST

OUR PURPOSE

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

to Royal Australian Air Force Veterans



The Trust's units 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

Email: raaf.vrt@defence.gov.au

The Hon Darren Chester 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 performance and administration of the Trust for the year ending 30 June 2020, as required by Section 46 of the *Public Governance, Performance and Accountability Act 2013* (Cth).
2. Consistent with the purposes of the Royal Australian Air Force Veterans' Residences Act 1953, the Trust continues to modernise its offered accommodation whilst sustaining an effective preventative maintenance program. These actions, appreciated by our clients, preserve Trust assets and enhance our clients' quality of life, safety and peace of mind.
3. In recent years the Trust has undertaken major maintenance projects to raise the standard of Trust assets. During 2019-20, four major refurbishments were completed: two in Victoria, and one each at Ashfield and Campsie in NSW. Two minor upgrades were also completed at Ashfield. The benefits of this approach are now becoming evident as no major corrective maintenance was necessary during 2019-20.
4. 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 the Trust had the option of providing residential support to selected ex-Service personnel who do not meet the exact eligibility criteria specified in the Trust's Act. After legal advice was provided to the then Minister, ministerial endorsement of this approach was granted in 1999.
5. Where 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.
6. A recent Trust initiative is to create a program allowing other forms of support than offering residential tenancies in Trust properties. This program which should start in 2021-22,

will assist veterans and their families, who are in necessitous circumstances, no matter where they may reside. In order for the Trust to remain financially viable whilst supporting this proposed program, three apartments in Brisbane have been dedicated for lease to commercial tenants. Whilst this limits the number of Brisbane apartments available for eligible persons, it will allow the Trust to markedly expand its geographical reach and increase the overall number of supported persons.

7. As at 30 June 2020, The Trust's 75 apartments had an occupancy rate of 100%. This result compared favourably with the 98.7% occupancy rate in 2018-19.

8. The audited financial statements of the Trust for 2019-20 revealed a Total Comprehensive Loss of \$62,309. The increased deficit from a budgeted deficit of \$24,200, was due to additional refurbishments, and repairs & maintenance expenditure. 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 2019-20 the financial records were subjected to an Australian National Audit Office financial statement audit conducted by their approved contractor – Crowe.

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 has not escaped the impact of the Covid-19 pandemic. Selective 'work from home' arrangements are in place and will continue until government restrictions are lifted. Trustee meetings and Audit Committee meetings have been held through video conferencing arrangements. Revenue has not been markedly affected given most tenants receive government pensions, but there have been additional expenses at the Trust's new Queensland apartments where common areas are professionally cleaned. Most importantly, there have been no reported cases of Covid-19 amongst our tenants, staff and Trustees.

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, audit committee, 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,



D.E. Tindal AM
Chair of Trustees

3 September 2020

REPORT OF OPERATIONS

Certification

This Report of Operations is submitted in accordance with a resolution of the Trustees made on 3 September 2020, 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 Darren Chester 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 the provision of a residence or residences 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 that purpose.

Annual Performance Statement

Introductory statement

The Trustees of the Royal Australian Air Force Veterans' Residences Trust, present the 2019-20 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 reflects the performance of the entity, and complies 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 2019-20 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 KPIs measure:

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

An explanation of these KPIs is provided in Annex B of the Trust's 2019-20 corporate plan.

KPI evaluation

- Financial Performance: All three components for financial performance had satisfactory results during 2019-20. The *revenue to budget* component revealed revenue exceeded budget by 4.7%, with *expenditure to budget* over budget by 14.7% due to unexpected maintenance and refurbishment expenses. The third component - *cash at hand*, decreased by 4.6% due to the final retained defects payment to complete the Brisbane Redevelopment Project.
- 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 assesses a national occupancy rate of apartments as at 30 June each year. As at 30 June 2020, all seventy five Trust apartments were occupied.

The *commercial tenant* component provides the percentage of commercial tenants at Trust apartments. As at 30 June 2020, twenty six per cent of Trust apartments were occupied by commercial tenants. This result is within the Trust's acceptable range for non-eligible occupancy of Trust apartments. Apart from the Sherwood property, short-term commercial tenants can only occupy a Trust apartment where there are no eligible applicants seeking accommodation in the relevant location. At the Sherwood property, the Trustees have approved the allocation of three apartments to commercial tenants, in order to fund accommodation support to eligible applicants in locations other than the cities which the Trust can provide tenancies.

The *waiting list* component indicates the number of eligible applicants that have applied for Trust accommodation. As at 30 June 2020, there were a total of nineteen applicants on the waiting list nationally. The Trust has accommodation in Victoria, 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 20, there were 51% or 38 units occupied by RAAF clients. Other ADF and foreign allies' residents account for 23% or 17 units.

- Asset Quality: In recent years the Trust has focused on improving the quality of its accommodation to meet 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 unit* component is currently assessed by recording the number of full or part refurbished units during the last ten years. During 2019-20, four major and two minor refurbishments were completed, bringing the total of refurbishments to 38 during the last ten years. Inspections of units by Trust representatives during 2020-21 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 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 monitors owner happiness by recording instances of *legislative non-compliances*, *positive comments* and *negative comments*. During 2019-20 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 Chief Financial Officer – Department of Defence.

Analysis of performance against Purpose

During 2019-20, the Trust 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 performance achievements during 2019-20 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 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:

- 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 apartments. They are located at:

<u>Address</u>	<u>No of Apartments</u>
10 Greenbank Street, CHERMSIDE, QLD	8
32 Primrose Street, SHERWOOD, QLD	12
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

With the exception of the Brisbane units, which are all two-bedroom, accommodation at all other locations generally comprise of 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, apart from Victoria, 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 primarily determined by the Trustees on their eligibility, degree of need and their ability to live independently. 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 2019-20.

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.

WGCDR 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.

WGCDR M.L. McPhail RAAF

(Chief of Air Force Nominee)

Qualifications:

Bachelor of Arts (Journalism), GradCert Vocational Education & Training.

Responsibilities:

Deputy Trustee and Chair of Audit Committee.

Meetings

During 2019-2020, the Trust held four Trustee meetings.

<u>Trustee</u>	<u>Participation</u>
D.E. Tindal AM	4
Mr P.L. Finkelstein RFD LLB	4
WGCDR M.S. Oakden RAAF	4
WGCDR M.L. McPhail RAAF	1

(As Deputy Trustee, WGCDR M.L. McPhail RAAF attended one Trustee meeting as a guest during 2019-20).

Staff

The Trust has a full-time Manager, and part-time Assistant Manager.

Manager Mr W.R. Bingham
Assistant Manager Mrs K.L. Stewart (commenced 15 January 2020)
(Mr J.L. Negus retired as Assistant Manager of the Trust on 31 December 2019)

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
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, many 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 2019-20 there were three meetings of the Audit Committee. The Audit Committee is comprised of the following appointees:

<u>Appointee</u>	<u>Role</u>
WGCDR M.L. McPhail RAAF	Chair
WGCDR 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 Fraud Control Policy

The Trust is a Corporate Commonwealth Entity and 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 PGPA Act. 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.

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 2019-20. Finances have been carefully managed with the intention of improving accommodation to modern standards, meeting maintenance requirements for the future and resourcing Trust programs to extend the reach of Trust's residential services to veterans.

Despite the Statement of Comprehensive Income revealing a loss of \$62,309 during 2019-20, the Trust has managed a \$145,022 profit when non-cash depreciation expenses are removed. In comparison with a profit of \$88,305 in 2018-19 using this metric, the Trust has increased profit from last year by \$56,717. Revenue from all sources increased by \$45,805 to \$656,166, an increase of 7.5%. The increase in revenue is primarily attributed to an increase in commercial tenants, whose occupancy is for the purpose of providing additional financial resources for a future program that is planned to extend the reach of Trust residential support to RAAF veterans and their families.

Despite a marked increase in refurbishment activity during 2019-20 where four major and two minor upgrades were completed, operational expenditure decreased by 2.1%. This was mainly due to one-off costs in 2018-19 to lease-back a former Trust property, and transfer of residents to the new units in Sherwood, Qld. The occupancy rate for Trust properties during 2019-20 remained high at 100%.

The Trust completed the 2019-20 year with cash reserves of \$1,072,677. Trust operations have continued to focus on upgrading Trust properties to bring them up to expected standards. The completion of the Brisbane Redevelopment Project in February 2019 has had a positive effect in reducing maintenance and refurbishment expenditure in Brisbane. Given the remaining 73% of the Trust's property portfolio in other states is at least fifty

years old, the Trust will continue to invest significant financial resources in future years into their maintenance, refurbishment and redevelopment. This program will incur expected increases in expenditure, but will not affect the viability of the Trust.



D.E. Tindal AM
Chair of Trustees

3 September 2020

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).

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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 (the Trust) for the year ended 30 June 2020:

- (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 Trust as at 30 June 2020 and its financial performance and cash flows for the year then ended.

The financial statements of the Trust, which I have audited, comprise the following as at 30 June 2020 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, comprising a Summary of Significant Accounting Policies and other explanatory information.

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 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 (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. 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 Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020 but does not include the financial 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 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.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Trust, the Trustees are responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Trustees is also responsible for such internal control as the Trustees determines is necessary to enable the preparation 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 ability of the Trust to continue as a going concern, taking into account whether the Trust's operations will cease as a result of an administrative restructure or for any other reason. The Trustees is also responsible for disclosing, as applicable, matters related to going concern 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 Trust'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 Trust'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 Trust 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 the Accountable Authority 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



Garry Sutherland
Audit Principal
Delegate of the Auditor-General
Canberra
3 September 2020

STATEMENT BY THE TRUSTEES

In our opinion, the attached financial statements for the year ended 30 June 2020 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

3 September 2020



P.L. Finkelstein RFD LLB
Trustee

3 September 2020



M.S. Oakden
Trustee

3 September 2020

Statement of Comprehensive Income
for the period ended 30 June 2020

	Notes	2020 \$	2019 \$
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	160,750	179,073
Suppliers	1.1B	350,394	342,983
Depreciation	2.3A	207,331	176,630
Total expenses		718,475	698,686
Own-Source Income			
Own-source revenue			
Interest	1.2A	19,666	43,737
Rental income	1.2B	626,060	563,704
Other revenue	1.2C	10,440	2,920
Total own-source revenue		656,166	610,361
Total own-source income		656,166	610,361
Net (cost of)/contribution by services		(62,309)	(88,325)
Surplus/(Deficit) on continuing operations		(62,309)	(88,325)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserve		-	1,834,821
Total other comprehensive income/(loss)		-	1,834,821
Total Comprehensive income/(loss)		(62,309)	1,746,496

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

Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	1,072,677	1,124,663
Trade and other receivables	2.1B	18,121	28,739
Total financial assets		1,090,798	1,153,402
Non-financial assets			
Land	2.2A	17,300,000	17,300,000
Buildings	2.2A	7,886,288	8,065,000
Plant and equipment	2.2B	153,396	136,184
Total non-financial assets		25,339,684	25,501,184
Total assets		26,430,482	26,654,586
LIABILITIES			
Payables			
Suppliers	2.4A	28,690	170,276
Other payables	2.4B	16,932	12,342
Total payables		45,622	182,618
Provisions			
Employee provisions	3.1A	46,060	70,859
Total provisions		46,060	70,859
Total liabilities		91,682	253,477
Net assets		26,338,800	26,401,109
EQUITY			
Reserves		23,168,085	23,168,085
Retained surplus		3,170,715	3,233,024
Total equity		26,338,800	26,401,109

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

Statement of Changes in Equity
for the period ended 30 June 2020

	2020 \$	2019 \$
RETAINED EARNINGS		
Opening balance		
Balance carried forward from previous period	3,233,024	3,321,349
Adjusted opening balance	3,233,024	3,321,349
Comprehensive income		
Surplus/(Deficit) for the period	(62,309)	(88,325)
Total comprehensive income	(62,309)	(88,325)
Closing balance as at 30 June	3,170,715	3,233,024
ASSET REVALUATION RESERVE		
Opening balance		
Balance carried forward from previous period	23,168,085	21,333,264
Adjusted opening balance	23,168,085	21,333,264
Comprehensive income		
Other comprehensive income	-	1,834,821
Total comprehensive income	-	1,834,821
Closing balance as at 30 June	23,168,085	23,168,085
TOTAL EQUITY		
Opening balance		
Balance carried forward from previous period	26,401,109	24,654,613
Adjusted opening balance	26,401,109	24,654,613
Comprehensive income		
Surplus/(Deficit) for the period	(62,309)	(88,325)
Other comprehensive income	-	1,834,821
Total comprehensive income	(62,309)	1,746,496
Closing balance as at 30 June	26,338,800	26,401,109

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

Cash Flow Statement*for the period ended 30 June 2020*

	Notes	2020 \$	2019 \$
OPERATING ACTIVITIES			
Cash received			
Rendering of services		656,007	562,466
Interest		15,641	45,032
GST received		48,210	363,584
Total cash received		719,858	971,082
Cash used			
Employees		174,730	173,582
Suppliers		551,283	855,208
Total cash used		726,013	1,028,790
Net cash from/(used by) operating activities		(6,155)	(57,708)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		-	2,182,182
Total cash received		-	2,182,182
Cash used			
Purchase of property, plant & equipment		45,831	2,868,134
Total cash used		45,831	2,868,134
Net cash from/(used by) investing activities		(45,831)	(685,952)
Net increase/(decrease) in cash held		(51,986)	(743,660)
Cash and cash equivalents at the beginning of the reporting period		1,124,663	1,868,323
Cash and cash equivalents at the end of the reporting period	2.1A	1,072,677	1,124,663

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 2020**

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); 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 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.

New Accounting Standards

All new/revised/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the Trust's financial statements.

AASB 15 Revenue from Contracts with Customers / AASB 2016-8 Amendments to Australian Accounting/ Standards – Australian Implementation Guidance for Not-for-Profit Entities and AASB 1058 Income of Not-For-Profit Entities;

AASB 15, AASB 2016-8 and AASB 1058 became effective 1 July 2019.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and Interpretation 13 Customer Loyalty Programmes. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Overview Note

AASB 1058 is relevant in circumstances where AASB 15 does not apply. AASB 1058 replaces most of the not-for-profit (NFP) provisions of AASB 1004 Contributions and applies to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives, and where volunteer services are received. The details of the changes in accounting policies, transitional provisions and adjustments are disclosed below and in the relevant notes to the financial statements.

AASB 16 Leases

AASB 16 became effective on 1 July 2019.

This new standard has replaced AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease,

Interpretation 115 Operating Leases—Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

AASB 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. AASB 16 substantially carries forward the lessor accounting in AASB 117, with the distinction between operating leases and finance leases being retained. The details of the changes in accounting policies, transitional provisions and adjustments are disclosed below and in the relevant notes to the financial statements.

Application of AASB 15 Revenue from Contracts with Customers / AASB 1058 Income of Not-For-Profit Entities/ AASB 16 Leases

The Trust adopted AASB 15, AASB 1058 and AASB 16 using the modified retrospective approach, under which the cumulative effect of the initial application was recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated.

There was no impact on the Trust on transition and adoption of AASB 15, AASB 1058 and AASB 16.

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Overview Note

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.

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 2019, the Trust engaged Jones Lang LaSalle (JLL) to conduct a valuation on behalf of the Trust. The next scheduled review will be conducted in June 2022.

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 Trust's rental receivables have a 30 day term and are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. 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 9 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 2020**

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 12 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 as financial assets measured at amortised cost. 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Overview Note*Financial Assets at Amortised Cost*

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

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.

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 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Overview note*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 2020**

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:

	2020	2019
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 2020**

Overview note*Impairment*

All assets were assessed for impairment at 30 June 2020. 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

There were no events identified after the reporting period that had the potential to significantly affect the ongoing structure and financial activities of the Trust or impact on the Trust's financial reporting or operational capability.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

1.1 Expenses

	2020	2019
	\$	\$
<u>1.1A: Employee Benefits</u>		
Wages and salaries	135,061	150,832
Superannuation		
Defined contribution plans	20,147	22,750
Leave and other entitlements	5,542	5,491
Total employee benefits	160,750	179,073
<u>1.1B: Suppliers</u>		
Goods and services supplied or rendered		
Contractors	349,541	341,998
Total goods and services supplied or rendered	349,541	341,998
Other suppliers		
Workers compensation expenses	853	985
Total other suppliers	853	985
Total suppliers	350,394	342,983

1.2 Own-Source Revenue

	2020	2019
	\$	\$
Own-Source Revenue		
<u>1.2A: Interest</u>		
Deposits	19,666	43,737
Total interest	19,666	43,737
<u>1.2B: Rental Income</u>		
Other - rental of trust properties	626,060	563,704
Total rental income	626,060	563,704
<u>1.2C: Other Revenue</u>		
Utility levy	10,440	2,920
Total other revenue	10,440	2,920

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

2.1 Financial Assets

	2020 \$	2019 \$
<u>2.1A: Cash and cash equivalents</u>		
Cash on hand or on deposit	1,072,677	1,124,663
Total cash and cash equivalents	1,072,677	1,124,663
<u>2.1B: Trade and other receivables</u>		
Goods and services receivables		
Rental income - external parties	4,917	5,863
GST refund - ATO	4,864	18,561
Total goods and services receivables	9,781	24,424
Other receivables		
Interest	8,340	4,315
Total other receivables	8,340	4,315
Total trade and other receivables (net)	18,121	28,739
Receivables expected to be recovered		
No more than 12 months	18,121	28,739
Total trade and other receivables (net)	18,121	28,739

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 2020**

2.2 Non-Financial Assets

	2020 \$	2019 \$
<u>2.2A Land and buildings</u>		
Land		
Fair value (i)	17,300,000	17,300,000
Total land	17,300,000	17,300,000
Buildings on freehold land		
Fair value (i)	8,065,000	8,065,000
Accumulated depreciation	(178,712)	-
Total buildings on freehold land	7,886,288	8,065,000
Total land and buildings	25,186,288	25,365,000
<u>2.2B Plant and equipment</u>		
Fair value	388,051	352,945
Accumulated depreciation	(234,655)	(216,761)
Total plant and equipment	153,396	136,184

(i) All revaluations were conducted in accordance with the revaluation policy stated in the Overview note. On 30 June 2019, Jones Lang LaSalle (JLL), an independent valuer, conducted the revaluations. On 30 June 2020 a review of land and buildings revealed no indicators of impairment.

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

No indicators of impairment were found for plant and equipment.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

2.3 Non-Financial Assets

2.3A Reconciliation of the Opening and Closing Balances of Property,

Plant and Equipment 2020

	Land \$	Buildings \$	Plant & equipment \$	Total \$
As at 1 July 2019				
Gross book value	17,300,000	8,065,000	352,945	25,717,945
Accumulated depreciation	-	-	(216,761)	(216,761)
Total as at 1 July 2019	17,300,000	8,065,000	136,184	25,501,184
Additions				
Purchases	-	-	45,831	45,831
Disposal of fully depreciated P&E assets	-	-	(10,725)	(10,725)
Reversal of Accumulated depreciation for P&E disposal	-	-	10,725	10,725
Depreciation expense	-	(178,712)	(28,619)	(207,331)
Total as at 30 June 2020	17,300,000	7,886,288	153,396	25,339,684
Total as at 30 June 2020 represented by				
Gross book value	17,300,000	8,065,000	388,051	25,753,051
Accumulated depreciation	-	(178,712)	(234,655)	(413,367)
Total as at 30 June 20 represented by	17,300,000	7,886,288	153,396	25,339,684

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

2.4 Payables

	2020 \$	2019 \$
<u>2.4A: Suppliers</u>		
Trade creditors and accruals	28,690	170,276
Total suppliers	28,690	170,276
<u>2.4B: Other Payables</u>		
Rent prepayments	16,932	12,342
Total other payables	16,932	12,342
Suppliers expected to be settled		
No more than 12 months	28,690	170,276
Total suppliers	28,690	170,276

Settlement is usually made within 30 days.

3.1 Employee Provisions

	2020 \$	2019 \$
<u>3.1A Employee provisions</u>		
Leave	46,060	70,859
Total employee provisions	46,060	70,859
Employee provisions are expected to be settled		
No more than 12 months	22,699	52,045
More than 12 months	23,361	18,814
Total employee provisions	46,060	70,859

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020****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 2020. During the year, the following Trustees held office.

D.E. Tindal AM	Appointed Trustee on 12 February 2007. Attended four meetings during 2019-20. 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 2019-20.
Wing Commander M.S. Oakden RAAF	Appointed Trustee on 10 March 2011. Attended four meetings during 2019-20.
Wing Commander M.L. McPhail	Appointed Trustee on 30 March 2020. Attended one meeting in 2019-20.
Squadron Leader J.M. Mason RAAF	Appointed Deputy Trustee from 18 October 2018 to 30 March 2020. Attended no meetings during 2019-20.

3.3 Related Party Disclosures**Related Party Relationships**

The Trust is an Australian Government controlled entity. Related parties to this entity are the Minister for Defence Personnel, Cabinet Ministers, Trustees, key management personnel and other Australian Government entities.

Loans to Trustees and Trustee-Related Entities

There were no loans to the Trustees or Trustee related entities during 2019-20 and 2018-19 financial years.

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 2019-20 financial year, \$1,105.83 (incl. GST) was paid to FLA Partners for provision of legal services. In 2018-19, \$1,569.13 (incl. GST) was paid to FLA Partners for 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 2019-20 and 2018-19 financial years.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

4.2 Financial Instruments

	2020 \$	2019 \$
4.2A Categories of financial instruments		
Financial assets at amortised cost		
Cash and cash equivalents	1,072,677	1,124,663
Trade and other receivables	13,257	10,178
Total financial assets at amortised cost	1,085,934	1,134,841
Total financial assets	1,085,934	1,134,841
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	45,622	170,276
Total financial liabilities at amortised cost	45,622	170,276
Total financial liabilities	45,622	170,276
4.2B Net gains or losses on financial assets		
Financial assets at amortised cost		
Interest revenue	19,666	43,737
Net gains/(losses) on financial assets at amortised cost	19,666	43,737
Net gains on financial assets	19,666	43,737

(i) Trade and other receivables excludes GST receivable as it is a statutory receivable, not a contractual receivable, therefore not a financial instrument.

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 2020**

	Fair value measurements at the end of the reporting period	
	2020 \$	2019 \$
Non-financial assets:		
Land	17,300,000	17,300,000
Buildings	7,886,288	8,065,000
Plant and equipment	153,396	136,184
Total non-financial assets	25,339,684	25,501,184

The Trust did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2020.