



Financial Report

Year ended 30 June 2022

Air Force Association (Western Australian Division) Inc

ABN: 97 352 605 141

NAPS ID: 1720

Independent Auditor's Report

To the Members of Air Force Association (Western Australian Division)
Incorporated

Report on the audit of the financial report

Opinion

We have audited the financial report of Air Force Association (Western Australian Division) Incorporated (the Entity), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Statement by the Members of Division Council.

In our opinion, the accompanying financial report of the Air Force Association (Western Australian Division) Incorporated:

- a presents fairly, in all material respects, the entity's financial position as at 30 June 2022 and of its performance and cash flows for the year then ended; and
- b complies with Australian Accounting Standards – Simplified Disclosures, the Australian Charities and Not-for-profits Commission (ACNC) Act 2012, the Australian Charities and Not-for-profits Commissions Regulation 2013, the Associations Incorporations Act 2015, and other statutory requirements including the Accountability Principles 2014 pursuant to the Aged Care Act 1997.

Basis for opinion

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

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

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

Management is responsible for the other information. The other information comprises the information included in the Entity's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of management and those charged with governance for the financial report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Simplified Disclosures, the Australian Charities and Not-for-profits Commission (ACNC) Act 2012, the Australian Charities and Not-for-profits Commissions Regulation 2013, the Associations Incorporations Act 2015, and other statutory requirements including the Accountability Principles 2014 pursuant to the Aged Care Act 1997. This responsibility also includes such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

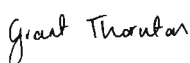
In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C A Becker
Partner – Audit & Assurance

Perth, 20 October 2022

AIR FORCE ASSOCIATION (WESTERN AUSTRALIAN DIVISION) INC
Financial Statements for the year ended 30 June 2022

Statement by the Members Of Division Council

- (i) In the opinion of the Members of Division Council of Air Force Association (Western Australian Division) Incorporated ("RAAFA") the financial report is in accordance with the Australian Charities and Not-for-profit Commission Act 2012 and reporting requirements under the Associations Incorporations Act 2015 (WA), including;
- (a) Presents a true and fair view of the financial position of Air Force Association (Western Australian Division) Incorporated as at 30 June 2022 and its performance for the year ended on that date in accordance with Australian Accounting Standards – Simplified Disclosures (including Australian Accounting Interpretations) of the Australian Standards Board.
- (b) At the date of this statement, there are reasonable grounds to believe that Australian Air Force Association (Western Australian Division) Incorporated will be able to pay its debts as and when they fall due.

This statement is made in accordance with section 60.15(2) of the Australian Charities and Not-for-profit Commission Regulation 2013 and with a resolution of the Members of Division Council and is signed for and on behalf of the Members of Division Council by:



STATE PRESIDENT – CLIVE ROBERTSON



STATE SECRETARY – NORMAN WALDIE

Dated at Perth this 20th day of October 2022

AIR FORCE ASSOCIATION (WESTERN AUSTRALIAN DIVISION) INC
Financial Statements for the year ended 30 June 2022

Statement of profit or loss and other comprehensive income

	Notes	2022 \$000's	2021 Restated * \$000's
Revenue From Ordinary Activities			
<i>Revenue from Operating Activities</i>			
Residents collections		16,445	16,214
Subsidies earned		36,778	36,064
Other operating revenue		4,235	3,572
		<u>57,458</u>	<u>55,850</u>
<i>Revenue from Non-Operating Activities</i>			
Donations and Bequests received		7	8
Accommodations charges received		10,852	10,591
Investment Income	3	3,213	3,300
Bargain purchase on acquisition		1,473	-
Fair value gain on market growth contracts		306	-
Fair value gain on investment properties		6,979	34,386
Total Revenue		<u>80,288</u>	<u>104,135</u>
Expenses from ordinary activities			
<i>Expenses from Operating Activities</i>			
Labour costs – Salaries & Wages		44,327	40,456
Maintenance and repair costs		1,973	1,921
Catering consumables		2,542	2,282
Other operating expenses		15,317	14,729
		<u>64,159</u>	<u>59,388</u>
<i>Expenses from Non-Operating Activities</i>			
Depreciation building, plant and vehicles		4,231	4,060
Finance costs	4	3,047	3,122
Other non-operating expenses		10,728	7,815
Total Expenses		<u>82,165</u>	<u>74,385</u>
Net (Deficit) / Surplus from Ordinary Activities		<u>(1,877)</u>	<u>29,750</u>
Other comprehensive income (OCI)			
Items that will not be reclassified subsequently to profit or loss:			
Movements in estate surplus		(129)	(1,525)
Changes in fair value of financial assets in OCI		45,294	-
Other comprehensive income for the year		<u>45,165</u>	<u>(1,525)</u>
Total comprehensive surplus for the year		<u>43,288</u>	<u>28,225</u>

Updated

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

AIR FORCE ASSOCIATION (WESTERN AUSTRALIAN DIVISION) INC
Financial Statements for the year ended 30 June 2022

Statement of financial position

	Notes	2022 \$000's	2021 Restated * \$000's	2020 Restated * \$000's
Assets				
<i>Receivable Within 12 months:</i>				
Cash and Cash Equivalents		75,498	67,645	47,264
Trade Receivables	5	3,401	1,929	2,371
Inventories	6	170	169	145
Other Assets	7	3,867	3,275	1,422
Total Receivable Within 12 months		82,936	73,018	51,202
<i>Receivable After 12 months:</i>				
Financial Assets		1,000	-	-
Capital Work in Progress	8 (b)	1,940	1,154	2,323
Property, Plant and Equipment	8 (a)	135,366	91,460	91,587
Investment Properties	9	477,526	468,187	430,820
Total Receivable After 12 months		615,832	560,801	524,730
Total Assets		698,768	633,819	575,932
Liabilities				
<i>Payable Within 12 months:</i>				
Trade and other payables	10	7,724	7,105	5,080
Refundable Resident Loans	11	390,214	371,211	344,316
Employee Benefits/Provisions	12 (a)	5,107	4,621	4,150
Other Liabilities	13 (a)	13	81	57
Total Payable Within 12 months		403,058	383,018	353,603
<i>Payable After 12 months:</i>				
Employee Benefits/Provisions	12 (b)	1,987	1,535	1,316
Other Liabilities	13 (b)	1,566	397	369
Total Payable After 12 months		3,553	1,932	1,685
Total Liabilities		406,611	384,950	355,288
Net Assets		292,157	248,869	220,644
Equity				
Reserves		49,409	4,115	4,115
Retained Earnings	14	242,748	244,754	216,529
Total Equity		292,157	248,869	220,644

This statement of financial position should be read in conjunction with the accompanying notes.

AIR FORCE ASSOCIATION (WESTERN AUSTRALIAN DIVISION) INC
Financial Statements for the year ended 30 June 2022

Statement of Changes in Equity

	Retained Earnings	Asset Revaluation Reserve	TOTAL
	\$000's	\$000's	\$000's
Balance as at 30 June 2020 as reported	40,934	4,115	45,049
Prior year restatement	175,595	-	175,595
Restated balance as at 30 June 2020 *	216,529	4,115	220,644
Movement for year (see Note 14)	28,225	-	28,225
Restated balance at 30 June 2021 *	244,754	4,115	248,869
Movement for year (see Note 14)	(2,006)	45,294	43,288
Balance at 30 June 2022	242,748	49,409	292,157

*Refer to note 1(n)

AIR FORCE ASSOCIATION (WESTERN AUSTRALIAN DIVISION) INC
Financial Statements for the year ended 30 June 2022

Statement of Cash Flows

	Notes	2022	2021
		\$000's	Restated \$000's
<i>Cash Flows from Operating Activities</i>			
Government operating subsidies		36,778	36,064
Rent, fees and charges		29,882	29,414
Donations and other receipts		7	8
Interest received - Other		176	286
Interest paid - Other		(21)	(69)
Payments to suppliers and employees		(63,159)	(57,051)
Net cash generated by operating activities		3,663	8,653
<i>Cash Flows from Investing Activities</i>			
Proceeds from sale of property, plant and equipment		818	871
Payments for property, plant and equipment		(4,319)	(5,867)
Payments for investment property		(10,060)	(7,456)
Payments for property, plant and equipment - Residential Care		(906)	(1,535)
Net cash used in investing activities		(14,467)	(13,986)
<i>Cash Flows from Financing Activities</i>			
ILU - Ingoing contributions		18,403	29,307
Accommodation Bonds/Refundable Deposits Received		31,099	27,685
(Refunded) Accommodation Bonds/Refundable Deposits/Entry Contributions		(30,333)	(30,097)
Other Financing (Payments)		488	(1,180)
Net cash generated by financing activities		19,657	25,714
Net increase/(decrease) cash and cash equivalents		8,853	20,381
Cash and cash equivalents held at the beginning of the financial year		67,645	47,264
Cash and cash equivalents held at the end of the financial year		76,498	67,645

The statement of cash flows should be read in conjunction with the accompanying notes.

AIR FORCE ASSOCIATION (WESTERN AUSTRALIAN DIVISION) INC

Financial Statements for the year ended 30 June 2022

Notes to the financial statements

1. Summary of accounting policies

Statement of compliance

The financial statements cover the Air Force Association (Western Australian Division) Incorporated (the Association) as an individual entity. The Air Force Association (Western Australian Division) Incorporated is an association incorporated in Western Australia under the *Associations Incorporation Act WA (2015)*.

The nature and principal activities of the Association were the provision of care and services for the aged.

The financial statements were authorised for issue by the members of Division Council on 20th October 2022.

Basis of Preparation

The financial statements for the Association are Tier 2 general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures adopted by the Australian Accounting Standards Board (AASB) and the requirements of the *Australian Charities and Not-for-Profits Commission Act 2012* and the *Associations Incorporation Act WA (2015)*.

The financial statements have been prepared on a basis of historical cost, except for investment properties, modified where applicable, by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

All values are presented in Australian dollars, rounded to the nearest thousand dollars (\$000's), unless stated otherwise.

Comparative Information

The financial statements provide comparative information in respect of the previous period. The reclassification of items in the financial statements of the previous period were made on a basis consistent with the classification of items in the financial statements of the current period.

Going Concern

Based on historical experience, the Division Council believes that any liabilities due to residents vacating accommodation will be replaced by new resident ingoing contributions and refundable accommodation deposits. Additionally, the Division Council believes that it is highly improbable that the outstanding liabilities will be required to be wholly settled within the next 12 months.

The Division Council also recognises the economic dependency on Commonwealth funding of the care operations of the Association. After considering all available current information, the Directors have concluded that there are reasonable grounds to believe that the Association will be able to pay its debts as and when they fall due and payable and the basis of preparation of the financial report on a going concern basis is appropriate.

Sources of Commonwealth funding include:

	2022 \$000's	2021 \$000's
Department of Veteran Affairs	580	556
Services Australia	36,198	35,508
	<u>36,778</u>	<u>36,064</u>

(a) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Association and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax (GST). The following specific recognition criteria must also be met before revenue is recognised:

Resident Income

Residents are charged a basic daily fee as a contribution to the provision of care and accommodation. The quantum of resident basic daily fees is regulated by the Government and typically increases in March and September each year. Resident basic daily fee revenue is recognised over time as services are provided. Residents are invoiced on a fortnightly basis payable in advance.

Government Revenue

Government revenue reflects the Association's entitlement to revenue from the Australian Government based upon the specific care and accommodation needs of the individual residents. Government revenue comprises of basic subsidy amounts calculated in accordance with the Aged Care Funding Instrument (ACFI), accommodation supplements, short term 'respite' residents and other Government incomes. Revenue is recognised over time as services are provided. Funding claims are submitted monthly and Government revenue is paid at the start of the month in which the services have been performed for Residential Care.

Deferred Management Fee (DMF)

DMF revenue associated with occupancy of retirement village villas is calculated with regard to the terms and conditions laid down in the signed Resident Agreement. Where the lease term is expected to exceed the payment terms in the Resident Agreement, accrued income is deferred and amortised on a straight-line basis over the life of the lease. The Association has estimated an average length of life for leases based on experience and industry information.

Interest Revenue

Interest revenue is recognised as interest accrues using the effective interest rate where appropriate.

Imputed Lease Income on RAD's under AASB 16 Leases

Total revenue includes the provision of accommodation that is accounted for in accordance with AASB 16 Leases. The accounting treatment for the non-cash consideration component of this arrangement is expected to change and result in the recognition of an increase in revenue for accommodation and an increase in financing costs relating to the outstanding RAD liability, with no net impact on the Operating profit for the periods affected.

In the Statement of profit or loss and other comprehensive income, an amount of \$3,025,491 has been included and an additional interest cost (imputed interest charge on RAD's and Bonds) of \$3,025,491 with \$nil impact on the net profit for the year.

Other

Income arising from accommodation bonds, concessional rent subsidies and accommodation charges, relating to the provision of capital facilities is brought to account as non-operating income.

(b) Retirement Village Units

The Association provides retirement village units under the Retirement Villages Act. This accommodation is provided primarily as a service to retired people and is held to produce rental income and capital appreciation, but not for sale in the ordinary course of business. The Association reclassified all Retirement Village Units from property, plant and equipment to investment properties. Refer note 1(n).

(c) Property, Plant and Equipment

Capitalisation/ Expensing of Assets

Items of property and plant and equipment costing over \$2,000 are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property and plant and equipment costing less than \$2,000 are expensed direct to the statement of profit or loss (other than where they form part of a group or similar items which are significant in total).

Initial recognition and measurement

Land is measured at fair value. Buildings are measured at fair value less accumulated depreciation and any impairment in value. Fair value measurement is based on periodic, but at least every five years, valuations by external independent valuers, less subsequent depreciation for buildings.

Subsequent measurement

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Association and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

The Association has changed its accounting policy in relation to the measurement of land and buildings from cost to revaluation model.

Management has determined that the change in accounting policy will provide more reliable and relevant information to the users of the financial statements. In addition, this is aligned with measurement principles adopted by majority of entities within the industry.

As per AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, the initial application of a policy to revalue assets in accordance with AASB 116 Property, Plant and Equipment is to be dealt with as a revaluation in accordance with AASB 116 and provides an exemption to retrospectively restate financial statements in accordance with AASB 108. The change in the valuation of the affected assets is therefore treated as a revaluation through the asset revaluation reserve at the time of the change.

Work in Progress

Work in progress is measured on the cost basis and represents the construction of assets and other ongoing projects. Once the construction of the asset is completed or on completion of the project, work in progress will be capitalised accordingly.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight-line basis over the useful lives of the assets to the Association commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant & Equipment and Motor Vehicles	10-20% (i.e. 5 – 10 years)
Buildings	2.5% (i.e. 40 years)
Computers, IT Equipment & Software	20-33% (i.e. 3 – 5 years)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. Where the depreciation rates or methods changed, the change is applied prospectively. The net written down value of the asset is depreciated at the new depreciation rate or in accordance with the new method from the date of the change.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is the difference between the sale proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

The Association has received grants for land and capital subsidies which are conditional on the asset being used for the purpose for which the grants and subsidies were received.

AIR FORCE ASSOCIATION (WESTERN AUSTRALIAN DIVISION) INC

Financial Statements for the year ended 30 June 2022

(d) Impairment of Assets

At reporting date, the Association reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Association estimates the recoverable amount of the cash-generating unit of which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than the carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss is recognised in the statement of profit or loss.

Where the impairment loss subsequently reverses, the carrying amount of the asset or cash generating-unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment loss been previously recognised. A reversal of an impairment loss is recognised in the statement of profit or loss.

(e) Employee Benefits

Provision is made for the Association's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year after the end of the reporting period in which the employees render the related services are recognised as long-term employee benefits. They are measured at the present value of the estimated future cash outflows to be made by the Association in respect of services provided by employees at balance date.

Contributions to defined contribution superannuation plans are expensed when employees have rendered services entitling them to the contribution.

(f) Income Tax

As a registered charity, the Association is exempt from income tax.

(g) Refundable Accommodation Deposits, Entry Loans & Accommodation Bonds

As noted below, subject to selected agreements, refundable Accommodation Deposits (RAD's), Entry loans and Accommodation Bonds paid by residents occupying the Association's retirement living or residential care facilities are initially recorded at the face value of the amounts received and subsequently shown net of any Deferred Management Fee or Bond Retention amount, where applicable, in accordance with the resident's agreement and any other amounts deducted from them at the election of the resident. These contributions are non-interest bearing and repayable on departure.

Due to the nature of the agreements at selected Orion and Mirage units, residents are entitled to the fair value uplift (if any) upon discharge, payable by the new ingoing resident.

Based on historical experience. Management estimates that only a portion of the total balance will become due in next 12 months.

(h) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash at bank and short-term deposits with a maturity of six months or less.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposit earn interest at fixed rates, based on the exiting rate of interest. Deposit terms vary depending on the cash requirements of the Association.

(i) Goods and Services Tax (GST)

Amounts shown in the financial statements are net of GST with the exception of trade receivables and payables. The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Non-recoverable GST is either recognised as part of the cost of an asset or expensed as incurred.

(j) Receivables

The Association makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Association uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The Association uses a provision matrix to calculate the expected credit loss (ECL) for client receivables. The provision rates are based on days past due grouped by customer segments that have similar loss patterns (i.e. by product and customer type).

The ECL provision matrix is based on the Association's historical observed default rates, adjusted with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed

(k) Payables

Payables are recognised when the Association becomes obliged to make future payments as a result of a purchase of assets or services at the amounts payable. The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

(l) Inventories

Inventories are measured at the lower of cost and current replacement cost. Inventories acquired at no cost, or for nominal consideration are valued at the current replacement cost as at the date of acquisition.

(m) Asset acquisitions

While the purchase of Challenger Court Estate contains the various inputs and outputs, no significant processes have been transferred as part of the transaction. RAAFA has accounted for the transaction as an asset acquisition when control is transferred to the Association.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any gain on a bargain purchase is recognised in profit or loss immediately. Acquisition-related costs are capitalised and form part of the consideration paid for the acquisition.

Acquisition of Challenger Court Estate

On 20th May 2022, RAAFA acquired 100% of the operations of the Challenger Court Estate.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Challenger Court Estate as at the date of acquisition were:

AIR FORCE ASSOCIATION (WESTERN AUSTRALIAN DIVISION) INC
Financial Statements for the year ended 30 June 2022

	Fair value recognised on acquisition
	\$000's
Investment Property	2,360
Total assets	2,360
Total liabilities	0
Total identifiable net assets at fair value	2,360
Bargain purchase on acquisition	(1,473)
Acquisition costs	(98)
Contingent liability on future commitments	(789)
Purchase consideration transferred	0
	Cashflow on acquisition
	\$000's
Cash acquired	0
Cash paid	(0)
Net cash flow on acquisition	(0)

(n) Prior year restatement

In compliance with accounting standards, the Association has re-assessed its classification and measurement of a certain class of property, plant and equipment. The Association had previously measured all property, plant and equipment using the cost model whereby, after initial recognition of all the assets classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and any accumulated impairment losses.

The Association reclassified all Retirement Village Units from property, plant and equipment to investment properties. After initial recognition, Retirement Village Units are measured at fair value with any changes in fair value recognised in the profit and loss.

In accordance with AASB 108, the effect of these reclassification and measurement adjustments to investment properties have been recognised in the opening balance for the comparative period being 1 July 2020. The net impact of these adjustments is shown below:

	As Reported \$000's	Restated \$000's	Change \$000's
30 June 2020			
Retained Earnings	40,934	120,019	79,085
Asset Revaluation Reserve	4,115	100,625	96,510
	45,049	220,644	175,595
30 June 2021			
Retained Earnings	34,504	148,244	113,740
Asset Revaluation Reserve	4,115	100,625	96,510
	38,619	248,869	210,250

AIR FORCE ASSOCIATION (WESTERN AUSTRALIAN DIVISION) INC**Financial Statements for the year ended 30 June 2022**

The net increase in equity due to the reclassification of all Retirement Village Units from property, plant and equipment to investment properties is as follows:

	As Reported	Restated	Change
	\$000's	\$000's	\$000's
30 June 2020			
PP&E and WIP	242,326	93,910	(148,416)
Investment Property	75,225	430,820	355,595
Total Assets	400,337	575,932	175,595
Total Liability	355,288	355,288	-
Net Impact on Equity	45,049	220,644	175,595
30 June 2021			
PP&E and WIP	276,460	92,614	(183,846)
Investment Property	74,090	468,187	394,097
Total Assets	423,568	633,819	210,251
Total Liability	384,950	384,950	-
Net Impact on Equity	38,618	248,869	210,251

(o) New Accounting Standards and Interpretations not yet mandatory or early adopted.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Association for the annual reporting period ended 30 June 2022. The Association has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2. Financial Risk Management

Financial Risk Management

The association has exposure to credit risk, concentration risk, liquidity risk and interest rate risk from the use of financial instruments.

This note provides information about the Association's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial statement.

The Executive Leadership Team has overall responsibility for the establishment and oversight of the risk management framework. Procedures are in place to identify and analyses the risks faced by the Association, set appropriate risk limits and controls, and to monitor risks and controls.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Association is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including funds on deposit.

Concentration risk

The Association manages counterparty concentration risk by diversifying its term deposits exposure across multiple financial institutions.

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Interest risk

The Association is exposed to interest rate risk primarily on cash and cash equivalents. The Association actively monitors interest rates for cash at bank and on deposit to maximise interest income.

	2022 \$000's	2021 \$000's
Increase in profit and loss (100 basis points)	755	676
(Decrease) in profit and loss (100 basis points)	(755)	(676)

Liquidity risk

Liquidity risk is the risk that an entity will not be unable to meet its financial obligations as they fall due. The Association mitigates liquidity risk by maintaining adequate reserves in accordance with its liquidity policy, monitoring cash flows and matching the maturity profile of financial assets and liabilities. The table below reflects all contractually fixed payouts and receivables for settlement, repayment and interest resulting from financial assets and liabilities. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2022.

Maturity analysis of financial assets and liabilities are based on management's expectation.

Year Ended 30 June 2022

	< 6 Months \$000's	6 - 12 Months \$000's	1 - 5 Years \$000's	> 5 Years \$000's	Total \$000's
Financial Assets					
Cash and Cash equivalents	75,498				75,498
Receivables	3,401				3,401
Financial Assets			1,000		1,000
Other Assets	2,154		1,883		4,037
Inventory	170				170
	81,223	0	2,883	0	84,106
Financial Liabilities					
Trade and Other Payables	7,724				7,724
Resident Bonds/ RADs and ILU Loans *	30,528	27,944	158,093	173,649	390,214
	38,252	27,944	158,093	173,649	397,938
Net Maturity	42,971	(27,944)	(155,210)	(173,649)	(313,832)

Year Ended 30 June 2021

	< 6 Months \$000's	6 - 12 Months \$000's	1 - 5 Years \$000's	> 5 Years \$000's	Total \$000's
Financial Assets					
Cash and Cash equivalents	67,645				67,645
Receivables	1,929				1,929
Other Assets	1,573		1,871		3,444
Inventory	169				169
	71,316	0	1,871	0	73,187
Financial Liabilities					
Trade and Other Payables	7,105				7,105
Resident Bonds/ RADs and ILU Loans *	29,407	28,307	184,681	128,816	371,211
	36,512	28,307	184,681	128,816	378,316
Net Maturity	34,804	(28,307)	(182,810)	(128,816)	(305,129)

* Cash flow from Resident Bonds/ RADs and ILU Loans are not expected to result in a net outflow. As the liabilities are settled, there are expected to be simultaneous inflows of a similar or greater amount.

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Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At 30 June 2022, the financial instruments classified using a fair value hierarchy is as follows

At 30 June 2022, the financial instruments classified using a fair value hierarchy is as follows:

Year Ended 30 June 2022

	Level 1 \$000's	Level 2 \$000's	Level 3 \$000's	Total \$000's
Resident accommodation bonds, RADs and loans	0	390,214	0	390,214
	<u>0</u>	<u>390,214</u>	<u>0</u>	<u>390,214</u>

Year Ended 30 June 2021

	Level 1 \$000's	Level 2 \$000's	Level 3 \$000's	Total \$000's
Resident accommodation bonds, RADs and loans	0	371,211		371,211
	<u>0</u>	<u>371,211</u>	<u>0</u>	<u>371,211</u>

	2022 \$000's	2021 \$000's
3. Investment Income		
Interest from banking deposits	188	247
Imputed income from RAD balances under AASB 16	<u>3,025</u>	<u>3,053</u>
	<u>3,213</u>	<u>3,300</u>

4. Finance Costs

Other interest costs	22	69
Imputed interest on leases under AASB 16	<u>3,025</u>	<u>3,053</u>
	<u>3,047</u>	<u>3,122</u>

5. Trade receivables

Current		
Residents Fees	3,440	1,941
Provision for impairment of receivables	<u>(39)</u>	<u>(12)</u>
	<u>3,401</u>	<u>1,929</u>

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Trade and other receivables are non-interest bearing. The average credit period on resident and other receivables are 30 days. The Association does not hold any collateral over these balances. As there has not been significant change in credit quality, the other receivables are still considered recoverable.

	2022	2021
	\$000's	\$000's
6. Inventories		
Catering supplies	127	126
Museum supplies	43	43
	<u>170</u>	<u>169</u>
7. Other Assets		
Goods and services tax recoverable	282	332
Prepayments	1,075	814
Other Receivables	2,499	2,116
Other financial assets	11	13
	<u>3,867</u>	<u>3,275</u>
	2022	2021
	\$000's	\$000's
8. Property, Plant, Equipment & WIP		
(a) Property, Plant, Equipment		
Land		
At fair value	23,445	21,671
	<u>23,445</u>	<u>21,671</u>
Buildings		
At fair value	128,175	84,008
Provision for depreciation	(25,121)	(22,624)
	<u>103,054</u>	<u>61,384</u>
Plant, equipment and motor vehicles		
At cost	18,329	16,007
Provision for depreciation	(10,667)	(9,146)
	<u>7,662</u>	<u>6,861</u>
Software & IT Upgrade Costs		
At cost	3,417	3,417
Accumulated amortisation	(2,212)	(1,873)
	<u>1,205</u>	<u>1,544</u>
Total Property, Plant and Equipment	<u>135,366</u>	<u>91,460</u>
(b) Work in progress		
Work in Progress (Assets under Construction)	1,940	1,154
Total Property, Plant, Equipment and WIP	<u>137,306</u>	<u>92,614</u>

Valuations

The Association has adopted a five-year valuation cycle, with all sites valued as at 30 June 2022 by an independent valuer, Property Valuation & Advisory (WA). Valuations were independent market valuations determining fair value by reference to market-based evidence, which is the amounts by which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable seller in an arm's length transaction at the valuation date.

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8. Property, Plant, Equipment & WIP cont.	Freehold land at fair value \$000's	Buildings at fair value \$000's	Work in progress \$000's	Plant, equipment and motor vehicles at cost \$000's	Software & IT at cost \$000's	Total \$000's
2021						
Balance as at 30 June 2020 as reported	37,561	289,424	31,585	21,319	2,921	382,810
Prior year restatement	(15,890)	(206,970)	(29,262)	(6,892)	-	(259,014)
Restated balance as at 30 June 2020	21,671	82,454	2,323	14,427	2,921	123,796
Additions	-	1,108	1,154	3,175	205	5,642
Disposals	-	-	(1,292)	(1,595)	(294)	(3,181)
WIP Transfers	-	446	(1,031)	-	585	-
Restated balance as at 30 June 2021	21,671	84,008	1,154	16,007	3,417	126,257
Accumulated Depreciation						
Balance as at 30 June 2020	-	97,971	-	9,213	1,715	108,899
Prior year restatement	-	(77,852)	-	(1,233)	-	(79,085)
Restated balance as at 30 June 2020	-	20,119	-	7,980	1,715	29,814
Disposals	-	-	-	(413)	(180)	(593)
Depreciation expenses	-	2,505	-	1,579	338	4,422
Restated balance as at 30 June 2021	-	22,624	-	9,146	1,873	33,643
Net book value						
Balance as at 30 June 2021	21,671	61,384	1,154	6,861	1,544	92,614
2022						
Balance as at 30 June 2021	21,671	84,008	1,154	16,007	3,417	126,257
Additions	804	98	1,226	2,738	-	4,866
Disposals	-	(85)	-	(856)	-	(941)
Adjustments to market value	970	44,154	-	-	-	45,124
WIP Transfers	-	-	(440)	440	-	-
Balance as at 30 June 2022	23,445	128,175	1,940	18,329	3,417	175,306
Accumulated Depreciation						
Balance as at 30 June 2021	-	22,624	-	9,146	1,873	33,643
Disposals	-	(31)	-	-	-	(31)
Depreciation expenses	-	2,528	-	1,521	339	4,388
Balance as at 30 June 2022	-	25,121	-	10,667	2,212	38,000
Net book value						
Balance as at 30 June 2022	23,445	103,054	1,940	7,662	1,205	137,306

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9. Investment Properties

	\$000's
Fair Value	
Balance as at 30 June 2020 as reported	75,225
Transferred from PP&E	179,928
Change in measurement to fair value	175,667
Restated balance as at 30 June 2020	430,820
 Transfer from WIP	 2,981
Change in Fair Value of investments properties	34,386
Balance as at 30 June 2021	468,187
 Additions during the year	 2,360
Change in Fair Value of investments properties	6,979
Balance as at 30 June 2022	477,526

Investment properties comprise investment land and buildings held to produce rental income and capital appreciation, but not for sale in the ordinary course of business.

Investment properties are measured initially at cost, including transaction costs and subsequently stated at fair value. The carrying amount includes the cost of replacing part of an investment property when that cost is incurred if it is probable that future economic benefits embodied within the item will flow to the Association, and that cost can be measured reliably. All other costs are recognised in the statement of profit or loss as an expense.

Subsequent to initial recognition, investment properties are measured at fair value, being the estimated price that would be received on sale in an orderly transaction between market participants at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in the statement of profit or loss in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition.

	2022	2021
	\$000's	\$000's
10. Payables		
Trade payables	5,694	4,433
Sundry payable and accruals	1,923	2,533
Income in advance	107	139
	<u>7,724</u>	<u>7,105</u>

Trade and sundry payables are non-interest bearing and there is no interest rate exposure. The Association's exposure to liquidity risk related to trade and sundry payable is disclosed in Note 2. The credit terms on trade and sundry payables are between 7 and 30 days.

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	2022 \$000's	2021 \$000's
11. Refundable Resident Loans		
Refundable accommodation deposits/ Bonds	74,786	76,460
ILU refundable ingoing deposits & loans	315,428	294,751
	<u>390,214</u>	<u>371,211</u>

RADs, referred to as accommodation bonds prior to 1 July 2014, are paid by some residents of aged care facilities. When a resident leaves the aged care facility, the RAD is repaid in full less any agreed retention or draw down. Terms and conditions of these bonds and deposits are prescribed by legislation and disclosed within residents' agreements.

RAD refunds are guaranteed by the Federal Government under the prudential standards legislation. Providers are required to have sufficient liquidity to ensure they can refund RAD / accommodation bond balances as they fall due in the following twelve months.

Ingoing contributions at fair value relate to the lease for life villages and represent the refundable entry contributions received from residents. The refundable entry contribution plus any change in the fair value of the unit at the exit date, less deferred management fees and other charges as set out in the resident agreement is paid to the resident upon the sale of the unit.

Ingoing contributions at fair value are classified as financial liabilities at fair value through profit or loss and any fair value adjustments are recognised in the statement of profit or loss. The liability is presented net of deferred management fees accrued as the Group has a legal right of offset.

ILU refundable ingoing deposits and loans are measured based either on market value (selected Orion and Mirage units) or based on the initial ingoing contribution.

	2022 \$000's	2021 \$000's
12. Employee Benefits/Provisions		
(a) Payable Within 12 months:		
Employee Entitlements - Annual leave	3,000	2,805
- Long Service Leave	2,107	1,816
	<u>5,107</u>	<u>4,621</u>
(b) Payable after 12 months:		
Employee Entitlements - Annual leave	1,319	885
- Long Service Leave	668	650
	<u>1,987</u>	<u>1,535</u>

	2022 \$000's	2021 \$000's
13. Other Liabilities		
(a) Payable Within 12 months:		
Sinking funds	13	81
	<u>13</u>	<u>81</u>
(b) Payable after 12 months:		
Loans from members	307	307
Sinking funds	405	31
Other liabilities	854	59
	<u>1,566</u>	<u>397</u>

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14. Retained Surplus

Balance at beginning of financial year	244,754	40,934
Restatement of prior year	-	175,595
Restated balance at beginning of financial year	244,754	216,529
Surplus/(Deficit) Movement for year	(1,877)	29,750
Payments/Adjustments to Retained Surplus	(129)	(1,525)
Balance at the end of the financial year	242,748	244,754

Payments/Adjustments to Retained Surplus are substantially made up of credits to resident accounts out of estate surpluses for the year ended 30 June 2022.

15. Expenditure Commitments

Estimated capital expenditure contracted for, at balance sheet date but not provided for:

- Not later than one year	-	1,124
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16. Related Party disclosures

- (a) The Division Council of Air Force Association (Western Australia Division) Incorporated during the financial year were:

Mr Clive Robartson
Mr Patrick (Pat) Hall
Mr Richard Rust
Mr Chris Carman
Mr Brett Dowsing
Mr Wayne Belcher
Dr Kylie Russell (from 14 October 2021)
Mr Charles Page (from 30 October 2021)
Mr Norman (Norm) Waldie (from 30 October 2021)
Mr Ronald Onions (term ended 30 October 2021)
Ms Geraldine Carlton (resigned 26 July 2021)

Remuneration was not paid to members of Division Council from Air Force Association (Western Australia Division) Incorporated

- (b) The following related party transactions occurred during the year.
No transactions.

- (c) Executive Management Personnel

John Murray	Chief Executive Officer
Suresh Rajendra	Chief Financial Officer
Tonia Zeeman	Chief Operating Officer
Lisa Hawkins	Head of People and Culture
Mark Bow	Head of Business Development
Ian Craig	Head of Clear Skies

- (d) Amounts paid to key management personnel \$1,756k (2021: \$1,318k).

17. Contingent liabilities

The Association is not aware of any outstanding issues that are contingent to a potential future liability.

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18. Auditors Remuneration

	2022 \$000's	2021 \$000's
Remuneration of the auditor of the association for		
- Auditing the financial report – prior years	80	69
- Other Services	25	-
	<u>105</u>	<u>69</u>

19. Subsequent events

At the date of this report, there are no significant subsequent events.

20. Additional information

The principal place of business is as follows:

Air Force Association (Western Australian Division) Incorporated
Corporate Office
18 Bowman Street
South Perth
WA 6151

