# Financial Report

Year ended 30 June 2023

Air Force Association (Western Australian Division) Inc

ABN: 97 352 605 141
NAPS ID: 1720

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# Independent Auditor's Report

## To the Divisional Council of the 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 "Registered Entity") which comprises the statement of financial position as at 30 June 2023, and the statement of 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 Divisional Council's declaration.

In our opinion, the financial report of Air Force Association (Western Australian Division) Incorporated has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

a giving a true and fair view of the Registered Entity's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

b complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission 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 Registered 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

The Divisional Council are responsible for the other information. The other information comprises the information included in the Registered Entity's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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 the Divisional Council for the financial report

The Divisional Council of the Registered Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, ACNC Act, the Associations Incorporations Act 2015 and other statutory requirements including the Accountability Principles 2014 pursuant to the Aged Care Act 1997, and for such internal control as the Divisional Council determine 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, the Divisional Council are responsible for assessing the Registered 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 the Divisional Council either intend to liquidate the Registered Entity or to cease operations, or have no realistic alternative but to do so.

The Divisional Council are responsible for overseeing the Registered 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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 our 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 Registered Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Divisional Council.

- Conclude on the appropriateness of the Divisional Council'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 Registered Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Registered Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner – Audit & Assurance

Perth, 28 September 2023

## 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 2023 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 ROBARTSON**

**STATE SECRETARY – NORMAN WALDIE**

**Dated 28 September 2023**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For year ending 30 June 2023

| | Notes | 2023<br>$000's | 2022<br>Restated*<br>$000's |
|---|---|---|---|
| **Revenue From Ordinary Activities** | | | |
| *Revenue from Operating Activities* | | | |
| Residents collections | | 18,278 | 16,445 |
| Subsidies earned | | 37,559 | 36,778 |
| Other operating revenue | | 4,929 | 4,235 |
| | | **60,766** | **57,458** |
| ***Revenue from Non-Operating Activities*** | | | |
| Donations and Bequests received | | 5 | 7 |
| Accommodations charges received | | 9,217 | 8,160 |
| Investment Income | **5.2** | 7,872 | 3,213 |
| Gain on bargain purchase on acquisition | | - | 1,473 |
| Fair value gain on market growth contracts | | - | 306 |
| Fair value gain on investment properties | | 33,016 | 6,979 |
| **Total Revenue** | | **110,876** | **77,596** |
| **Expenses from ordinary activities** | | | |
| *Expenses from Operating Activities* | | | |
| Labour costs – Salaries & Wages | | 46,024 | 44,327 |
| Maintenance and repair costs | | 2,041 | 1,973 |
| Catering consumables | | 2,813 | 2,542 |
| Other operating expenses | | 16,889 | 15,317 |
| | | **67,767** | **64,159** |
| ***Expenses from Non-Operating Activities*** | | | |
| Depreciation building, plant and vehicles | | 5,712 | 4,231 |
| Finance costs | **5.3** | 5,672 | 3,047 |
| Other non-operating expenses | | 9,855 | 10,728 |
| **Total Expenses** | | **89,006** | **82,165** |
| **Net Surplus / (Deficit) from Ordinary Activities** | | **21,870** | **(4,569)** |
| **Other comprehensive income (OCI)** | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Movements in estate surplus | | (540) | (129) |
| Changes in fair value of financial assets in OCI | | - | 45,294 |
| **Other comprehensive income for the year** | | **(540)** | **45,165** |
| **Total comprehensive surplus for the year** | | **21,330** | **40,596** |

*Refer to note 3.3 for prior year restatements

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

## STATEMENT OF FINANCIAL POSITION
For year ending 30 June 2023

| | Notes | 2023 $000's | 2022 Restated* $000's |
|---|---|---|---|
| **Assets** | | | |
| *Receivable Within 12 months:* | | | |
| Cash and Cash Equivalents | **2.7** | 16,482 | 75,498 |
| Trade Receivables | **5.4** | 23 | 3,401 |
| Inventories | **5.5** | 199 | 170 |
| Financial assets at Fair Value Through Profit or Loss | **5.16** | 53,828 | 11 |
| Other Assets | **5.6** | 3,378 | 3,856 |
| **Total Receivable Within 12 months** | | **73,910** | **82,936** |
| *Receivable After 12 months:* | | | |
| Other financial asset | **2.7** | 1,000 | 1,000 |
| Capital Work in Progress | **5.7** | 3,034 | 1,940 |
| Property, Plant and Equipment | **5.7** | 133,650 | 135,366 |
| Investment Properties | **5.9** | 510,542 | 477,526 |
| **Total Receivable After 12 months** | | **648,226** | **615,832** |
| **Total Assets** | | **722,136** | **698,768** |
| **Liabilities** | | | |
| *Payable Within 12 months:* | | | |
| Trade and Other Payables | **5.10** | 3,714 | 7,724 |
| Refundable Resident Loans | **5.11** | 394,300 | 390,214 |
| Employee Benefits/Provisions | **5.12 (a)** | 5,389 | 5,107 |
| Other Liabilities | **5.13 (a)** | 622 | 418 |
| Contract Liability | **5.17** | 684 | - |
| **Total Payable Within 12 months** | | **404,709** | **403,463** |
| *Payable After 12 months:* | | | |
| Contract Liability | **5.17** | 3,636 | 2,692 |
| Employee Benefits/Provisions | **5.12 (b)** | 1,769 | 1,987 |
| Other Liabilities | **5.13 (b)** | 1,227 | 1,161 |
| **Total Payable After 12 months** | | **6,632** | **5,840** |
| **Total Liabilities** | | **411,341** | **409,303** |
| **Net Assets** | | **310,795** | **289,465** |
| **Equity** | | | |
| Reserves | | 49,409 | 49,409 |
| Retained Earnings | **5.14** | 261,386 | 240,056 |
| **Total Equity** | | **310,795** | **289,465** |

*Refer to note 3.3 for prior year restatements

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

## STATEMENT OF CHANGES IN EQUITY
For year ending 30 June 2023

| | Retained Earnings | Asset Revaluation Reserve | TOTAL |
|---|---|---|---|
| | $000's | $000's | $000's |
| Balance as at 30 June 2021 | 244,754 | 4,115 | 248,869 |
| **Restated balance at 30 June 2021** | **244,754** | **4,115** | **248,869** |
| Movement for year (see Note 5.14) | (2,006) | 45,294 | 43,288 |
| Prior year restatement* | (2,692) | - | (2,692) |
| **Restated Balance at 30 June 2022** | **240,056** | **49,409** | **289,465** |
| Movement for year (see Note 5.14) | 21,330 | - | 21,330 |
| **Balance at 30 June 2023** | **261,386** | **49,409** | **310,795** |

*Refer to note 3.3 for prior year restatements

## STATEMENT OF CASH FLOW
For year ending 30 June 2023

| | 2023<br>$000's | 2022<br>Restated*<br>$000's |
|---|---|---|
| ***Cash Flows from Operating Activities*** | | |
| Government operating subsidies | 37,559 | 36,778 |
| Rent, fees and charges | 29,721 | 29,882 |
| Donations and other receipts | 5 | 7 |
| Interest received - Other | 2,476 | 176 |
| Interest paid - Other | (122) | (21) |
| Payments to suppliers and employees | (72,414) | (63,159) |
| **Net cash flows from by operating activities** | **(2,775)** | **3,663** |
| ***Cash Flows from Investing Activities*** | | |
| Payments to acquire financial asset investment portfolio - JBWere | (53,816) | - |
| Receipts from the sale of property, plant and equipment | 988 | 818 |
| Payments to acquire property, plant and equipment | (5,564) | (4,319) |
| Payments for investment property | (8,196) | (10,060) |
| Payments to acquire property, plant and equipment - Residential Care | (702) | (906) |
| **Net cash used in investing activities** | **(67,290)** | **(14,467)** |
| ***Cash Flows from Financing Activities*** | | |
| ILU - Ingoing contributions | 15,693 | 18,403 |
| Receipt of accommodation bonds/refundable deposits | 28,398 | 31,099 |
| Repayment of accommodation bonds/refundable deposits/entry contributions | (32,502) | (30,333) |
| Other Financing (Payments) | (540) | 488 |
| **Net cash generated by financing activities** | **11,049** | **19,657** |
| **Net increase/(decrease) cash and cash equivalents** | **(59,016)** | **8,853** |
| Cash and cash equivalents held at the beginning of the financial year | 76,498 | 67,645 |
| **Cash and cash equivalents held at the end of the financial year** | **17,482** | **76,498** |

*Refer to note 3.3 for prior year restatements

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

# NOTES TO THE FINANCIAL STATEMENTS
# SECTION ONE: ABOUT THIS REPORT

### Corporate information

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 residential aged care, retirement living, community aged care, an aviation museum, and supporting the community through philanthropic activities.

The financial statements were authorised for issue in accordance with a resolution of the members of Division Council on 28 September 2023.

### Statement of compliance

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 ("AASB-SDRs") 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).*

Accounting policies are consistent with those disclosed in the Financial Report 2022, except for the impact of new accounting standards and interpretations. The 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. The adoption of new standards and interpretations has not resulted in significant changes to the associations accounting policies, unless disclosed below.

### Basis of Preparation

The financial statements have been prepared on an accrual basis, except for certain financial instruments, investment properties and land and buildings that were measured at fair value through profit or loss.

### Currency

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

### 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 Divisional Council 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.

## Notes to the Financial Statements
## Section One: About this report

**Significant estimates and judgement:**

Management continually evaluates the key judgements, assumptions and estimates based on historic experience, various other assumptions and expectations of future events that may have an impact on the Association. All estimates, judgments, assumptions made are believed to be reasonable based on all current information known and available to management.

Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are found in the following notes:

| | | |
|---|---|---|
| **Note 2.1** | Revenue recognition including deferred management fee, investment income and government funding | Page 13 |
| **Note 2.2** | Property Plant and Equipment recognition and useful life | Page 14 |
| **Note 2.3** | Impairment of non-current assets | Page 15 |
| **Note 2.4** | Employee provisions | Page 15 |
| **Note 2.6** | Refundable Accommodation Deposits, Entry Loans & Accommodation Bonds | Page 15 |
| **Note 3.2** | Asset acquisitions | Page 17-18 |
| **Note 5.8** | Valuations | Page 23 |

## 2.1 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 Australian National Aged Care Classification funding model (AN-ACC), 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 independent living units is calculated with regard to the terms and conditions specified in the signed Resident Agreement. Where the lease term does not match the the payment terms in the Resident Agreement, a contract liability is raised and recognised over a straight-line basis over the average length of the life of lease (9.62 years). The Association has estimated an average length of the life of leases based on historical experience, and industry information.

**Interest Income**
Interest income is recognised on an accrual basis using the effective interest rate method ("EIR") where appropriate. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

**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 $5,492,618 (2022: $3,025,491) has been included and an additional interest cost (imputed interest charge on RAD's and Bonds) of $5,492,618 (2022: $3,025,491) with $nil impact on the net profit for the financial year.

**Investment Income**
Investment income is recognised when the right to receive the payment is established.

**Donation Income**
Donation income is recognised when the association obtains control, the economic benefit is probable, and the donation can be reliably measured.

**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.

## 2.2 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 property revaluation reserve relating to a previous revaluation of that asset.

***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:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Plant & Equipment and Motor Vehicles | 5 – 10 years (10-20%) |
| Buildings | 40 years (2.5%) |
| Computers, IT Equipment & Software | 3 – 5 years (20-33%) |

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 items 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.

### 2.3 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 exit, the recoverable amount of the asset is estimated 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 impartment 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.

### 2.4 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.

### 2.5 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.

### 2.6 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 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.

### 2.7 Cash and cash equivalents

| | 2023<br>$000's | 2022<br>$000's |
|---|---|---|
| **2.7 Cash** | | |
| Cash at bank and on hand | 4,482 | 23 |
| Cash on short term deposit | 12,000 | 75,475 |
| **Balance at 30 June** | **16,482** | **75,498** |

Cash and cash equivalents in the statement of financial position comprise of cash at bank, and short-term deposits with a maturity of three 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 and restricted cash is held in a term deposit. Deposit terms vary depending on the cash requirements of the Association.

**Restricted Cash**
The association holds bank guarantees of $1,000,000 (2022: $1,000,000) as deposits for the conditions required from the purchase of Challenger Court Estate.

### 2.8 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.

### 2.9 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.

### 2.10 Trade and other 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.

### 3.1 Income Tax

No provision for income tax was recognised as the Association is a registered charity and is exempt from income tax under Division 40 of the *Income Tax Assessment Act 1997*.

### 3.2 Asset acquisitions

On 20 May 2022, RAAFA acquired 100% of the operations of Challenger Court Estate. 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. There were no asset acquisitions in the financial year ending 30 June 2023.

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. The current contingent liability is remeasured at each reporting date until the vesting date of the contingency using the five-year bond rate as this closely reflects the estimated average life of the initial contingency balance at 30 June 2023 is $853,819 (2022: $789,147).

***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:

| | **2022 Fair Value Recognised on acquisition** |
|---|---|
| | **$000's** |
| Investment Property | 2,360 |
| **Total Assets** | **2,360** |
| **Total Liabilities** | - |
| **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** | - |

| | **Cashflow on acquisition** |
|---|---|
| | **$000's** |
| Cash acquired | - |
| Cash paid | - |
| **Net cash flow on acquisition** | - |

### 3.3 Prior year restatement

In compliance with AASB 15, the Association has re-assessed its measurement and recognition of the deferred management fees in association with the independent living units. The effect of these changes has been recognised in the opening balance for the comparative year ending 30 June 2022. The net impact of these changes is shown below:

| | As Reported $000's | Restated $000's | Change $000's |
|---|---|---|---|
| **30 June 2022** | | | |
| Accommodation charges received | 10,852 | 8,160 | (2,692) |
| Contract Liability | - | 2,692 | 2,692 |
| Retained Earnings | 242,748 | 240,056 | (2,692) |

### 3.4 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 2023. The Association has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

### 4.1 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.

**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.

| | 2023 $000's | 2022 $000's |
|---|---|---|
| Increase in profit and loss (100 basis points) | 165 | 755 |
| (Decrease) in profit and loss (100 basis points) | (165) | (755) |

**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 it 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 2023.

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

| Year Ended 30 June 2023 | < 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 | 16,482 | - | - | - | 16,482 |
| Trade Receivables | 118 | - | - | - | 118 |
| Financial Assets | 53,828 | - | 1,000 | - | 54,828 |
| Other Assets | 3,027 | - | 550 | - | 3,577 |
| | **73,455** | **-** | **1,550** | **-** | **75,005** |
| **Financial Liabilities** | | | | | |
| Trade and Other Payables | 3,714 | - | - | - | 3,714 |
| Resident Bonds/ RADs and ILU Loans | 29,848 | 12,031 | 179,544 | 165,475 | 386,898 |
| | **33,562** | **12,031** | **179,544** | **165,475** | **390,612** |
| **Net Maturity** | **39,893** | **(12,031)** | **(177,994)** | **(165,475)** | **(315,607)** |

**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 |
| | **81,053** | **-** | **2,883** | **-** | **83,936** |
| **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** | **42,801** | **(27,944)** | **(155,210)** | **(173,649)** | **(314,002)** |

## 5.1 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 2023, the financial instruments classified using a fair value hierarchy is as follows:

| | Level 1 $000's | Level 2 $000's | Level 3 $000's | Total $000's |
|---|---|---|---|---|
| Resident accommodation bonds, RADs and loans | - | 386,898 | - | 386,898 |
| Financial assets (Note 5.16) | 53,828 | - | - | 53,828 |
| | **53,828** | **386,898** | - | **440,726** |

**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 | - | 390,214 | - | 390,214 |
| Financial assets (Note 5.16) | 11 | - | - | 11 |
| | **11** | **390,214** | - | **390,225** |

## 5.2 Investment Income

| | 2023 $000's | 2022 $000's |
|---|---|---|
| Interest from banking deposits | 502 | 188 |
| Investment income from managed funds | 1,877 | - |
| Imputed income from RAD balances under AASB 16 | 5,493 | 3,025 |
| **Closing balance at 30 June** | **7,872** | **3,213** |

## 5.3 Finance Costs

| | 2023 $000's | 2022 $000's |
|---|---|---|
| Other interest costs | 22 | 22 |
| Investment expenses from managed funds | 157 | - |
| Imputed interest on leases under AASB 16 | 5,493 | 3,025 |
| **Closing balance at 30 June** | **5,672** | **3,047** |

## 5.4 Trade receivables

| | 2023 $000's | 2022 $000's |
|---|---|---|
| Current | | |
| Residents Fees | 118 | 3,440 |
| Provision for expected credit losses | (95) | (39) |
| **Closing balance at 30 June** | **23** | **3,401** |

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.

| | 2023 $000's | 2022 $000's |
|---|---|---|
| **5.5 Inventories** | | |
| Catering supplies | 145 | 127 |
| Museum supplies | 54 | 43 |
| | **199** | **170** |
| **5.6. Other Assets** | | |
| Goods and services tax recoverable | 285 | 282 |
| Prepayments | 1,143 | 1,075 |
| Other Receivables | 1,950 | 2,499 |
| | **3,378** | **3,856** |

### 5.7 Property, Plant, Equipment & WIP

| | 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 |
|---|---|---|---|---|---|---|
| **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** |
| **2023** | | | | | | |
| Balance as at 30 June 2022 | 23,445 | 128,175 | 1,940 | 18,329 | 3,417 | 175,306 |
| Additions | 1,006 | 593 | 1,094 | 3,112 | 458 | 6,263 |
| Disposals | - | - | - | (7,988) | (467) | (8,455) |
| Reclassification | - | - | - | (4,742) | 4,742 | - |
| WIP Transfers | - | - | - | - | - | - |
| Balance as at 30 June 2023 | 24,451 | 128,768 | 3,034 | 8,711 | 8,150 | 173,114 |
| *Accumulated Depreciation* | | | | | | |
| Balance as at 30 June 2022 | - | 25,121 | - | 10,667 | 2,212 | 38,000 |
| Disposals | - | - | - | (6,815) | (467) | (7,282) |
| Reclassification | - | - | - | (3,045) | 3,045 | - |
| Depreciation expenses | - | 3,621 | - | 1,519 | 572 | 5,712 |
| Balance as at 30 June 2023 | - | 28,742 | - | 2,326 | 5,362 | 36,430 |
| Net book value | | | | | | |
| **Balance as at 30 June 2023** | **24,451** | **100,026** | **3,034** | **6,385** | **2,788** | **136,684** |

### 5.8 Valuations

The Association has adopted a five-year valuation cycle, with all sites valued 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.

### 5.9 Investment Properties

| Fair Value | $000 |
|---|---|
| Opening balance at 1 July 2021 | 468,187 |
| Additions during the year | 2,360 |
| Gain/(loss) in fair value re-measurement of investment properties | 6,979 |
| **Balance at 30 June 2022** | **477,526** |
| | |
| Opening balance at 1 July 2022 | 477,526 |
| Additions during the year | - |
| Gain/(loss) in fair value re-measurement of investment properties | 33,016 |
| **Balance at 30 June 2023** | **510,542** |

### 5.9.1 Retirement Village Units

The Association provides over 1,400 independent living units ("ILU's") under the Retirement Villages Act. The estates holding the units are located in Western Australia and cover a wide geographic area from Merriwa to Albany. 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.

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

**Recognition and measurement**

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 not 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.

**Key judgement: Investment properties:**

The Group exercises its judgement in considering the active market prices of transactions for properties of similar nature, location, and condition to determine the fair value of freehold land and buildings.

### 5.10 Payables

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Trade payables | 1,139 | 5,694 |
| Sundry payables and accruals | 2,476 | 1,923 |
| Income in advance | 99 | 107 |
| **Closing balance at 30 June** | **3,714** | **7,724** |

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 4.1. The credit terms on trade and sundry payables are between 7 and 30 days.

### 5.11 Refundable Resident Loans

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Refundable accommodation deposits/Bonds | 74,429 | 74,786 |
| ILU refundable ingoing deposits & loans | 319,871 | 315,428 |
| **Closing balance at 30 June** | **394,300** | **390,214** |

RAD's, 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.

### 5.12 Employee Benefits/Provisions

| | 2023 $000's | 2022 $000's |
|---|---|---|
| (a) Payable Within 12 months: | | |
| Employee Entitlements – Annual leave | 3,269 | 3,000 |
| – Long Service Leave | 2,120 | 2,107 |
| | **5,389** | **5,107** |
| (b) Payable after 12 months: | | |
| Employee Entitlements – Annual leave | 1,115 | 1,319 |
| – Long Service Leave | 654 | 668 |
| | **1,769** | **1,987** |

| 5.13 Other Liabilities | 2023 $000's | 2022 $000's |
|---|---|---|
| (a) Payable Within 12 months: | | |
| Sinking funds | 622 | 418 |
| **Closing balance at 30 June** | **622** | **418** |
| (b) Payable after 12 months: | | |
| Loans from members | 307 | 307 |
| Other liabilities | 920 | 854 |
| **Closing balance at 30 June** | **1,227** | **1,161** |

| 5.14 Retained Surplus | 2023 $000's | 2022 Restated $000's |
|---|---|---|
| Balance at beginning of financial year | 240,056 | 244,754 |
| Restatement of prior year (see note 3.3) | - | (2,692) |
| Surplus/(Deficit) Movement for year | 21,870 | (1,877) |
| Payments/Adjustments to Retained Surplus | (540) | (129) |
| **Closing balance at 30 June** | **261,386** | **240,056** |

Payments/Adjustments to Retained Surplus are substantially made up of credits to resident accounts out of estate surpluses for the year ended 30 June 2023.

**5.15 Expenditure Commitments**

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

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Not Later than one year | - | - |

**5.16 Financial assets at fair value through profit or loss**

| | 2023 $000's | 2022 $000's |
|---|---|---|
| Opening balance at 1 July | 11 | 11 |
| Contributions | 52,000 | - |
| Withdrawals | - | - |
| Gain/(loss) on measurement to fair value | 97 | - |
| Investment income | 1,877 | - |
| Expenses to manage fund | (157) | - |
| **Closing balance at 30 June** | **53,828** | **11** |

**Recognition and measurement**
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if their acquisition is for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are initially recognised and subsequently re-measured in the statement of financial position. Net gain/(Loss) in fair value are presented through profit or loss.

### 5.17 Contract Liabilities

| | 2023 $000 | 2022 $000 |
|---|---|---|
| Arising from ILU Contact | 4,320 | 2,692 |
| | | |
| Current | 684 | - |
| Non-Current | 3,636 | 2,692 |
| **Closing balance at 30 June** | **4,320** | **2,692** |

A contract liability arises in respect to the Associations ILU contract as the contract recognises the deferred management fee payments at a higher rate over the first three years of the contract and then a reduced rate is recognised over the remaining five years. The contract liability is recognised over a straight-line basis in accordance with relevant accounting standard.

### 5.18 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:
(i) Other related parties - There is a current member of the Divisional Council that is also a resident of the Independent Living Units at Bullcreek. They pay the monthly maintenance and other associated fees in accordance with the standard contract terms at arm's length. During FY23, the total paid was $8,280 with $79 outstanding at 30 June 2023. All amounts outstanding at 30 June 2023 were subsequently paid. In addition, a resident liability was raised on entry to the estate of $545,000.

(c) Executive Management Personnel

| | |
|---|---|
| Michelle Fyfe | Chief Executive Officer (Incoming from 1 May 2023) |
| John Murray | Chief Executive Officer (Outgoing from 30 June 2023) |
| 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 $1,714k (2022: $1,756k).

### 6.1 Contingencies

Contingent liabilities relate to actual or potential claims of the association that have arisen in the ordinary course of business, the outcome of which cannot be foreseen at present and for which no amounts are provided for in the statement of financial position. Bank Guarantees relating to restricted cash are held as per note 4.1 Cash and Cash Equivalents

At 30 June 2023, the Association is not aware of any outstanding issues that are contingent to a potential future liability.

### 6.2 Auditors Remuneration

| | 2023 | 2022 |
|---|---|---|
| Remuneration of the auditor of the association for; | **$000** | **$000** |
| Auditing the financial report – prior years | 88 | 80 |
| Other Services | 10 | 25 |
| | **98** | **105** |

### 6.3 Subsequent events

Subsequent to 30 June 2023, the Association has entered into a $30 million line of credit in September 2023 to fund future development of facilities.

### 6.4 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