Financial Report

Year ended 30 June 2024

Air Force Association (Western Australian Division) Inc

ABN: 97 352 605 141
NAPS ID: 1720

Contents

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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 2024, 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 2024 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 2024, 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, 17 October 2024

Statement by the Members of Division Council

Members of the Division Council are as follows:

Clive Robartson	President (Chairperson)
Patrick Hall	Vice President
Norm Waldie	Secretary
Michelle Fyfe	Chief Executive Officer
Brett Dowsing	Elected Division Councillor
Charles Page	Elected Division Councillor
Kylie Russell	Appointed Division Councillor
Denise Bowen	Appointed Division Councillor
Wayne Belcher	Appointed Division Councillor
Robert Stewart	Elected Division Councillor (from April 2024)

Members of Division Council have been in office since the start of the financial year to date of this report unless otherwise stated.

Review of operations

The Association's operations for the financial year resulted in a net surplus of $9,635,000 (2023: surplus $21,870,000). This result includes fair value gain on investment properties recognised through changes in fair value of financial assets in the P&L.

Work on RAAFA's Stirling apartments at Air Force Memorial Estate (AFME) commenced in April 2024 as part of RAAFA's plan to redevelop the estate. This redevelopment will see an additional 63 high quality apartments built to accommodate Western Australia's growing population of retired residents.

Significant progress has been made on the establishment of the new Sir Valston Hancock house. The grand opening occurred on 25 September 2024 with four residents already residing in the new premises with all nine units expected to be occupied.

Principal activities

During the financial year ended 30 June 2024, the Association provided the following services:

- Residential aged care
- Retirement living
- Community aged care
- Heritage museum
- Veteran advocacy
- Community support through philanthropic activities

Subsequent events

Other than described below, there has not been any matter or circumstance subsequent to the financial year end that has significantly affected, or may significantly affect, the operations of the Association, the results of those operations, or the state of affairs of the Association in future years.

Subsequent to the financial year ended, the Association entered into an agreement on 30th August 2024 with Perth Care Companion Company (Perth CCC) to acquire the business. Refer to note 7.7 Subsequent Events.

Statement by the Members of Division Council (continued)

(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 2024 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:

PRESIDENT – CLIVE ROBARTSON

SECRETARY – NORMAN WALDIE

Dated 17 October 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For year ending 30 June 2024

	Notes	2024 $000's	2023 $000's
Revenue from ordinary activities			
Revenue from operating activities			
Residents' collections	**2.1**	19,585	18,278
Subsidies earned	**2.1**	47,696	37,559
Other operating revenue		7,246	4,929
		74,527	**60,766**
Revenue from non-operating activities			
Donations and bequests received		3	5
Accommodations charges received		9,167	9,217
Investment income	**2.2**	11,888	7,872
Fair value gain on investment properties	**4.4**	34,513	33,016
Fair value loss on resident liabilities		(12,867)	-
Changes in fair value of financial assets		(41)	-
		42,6633	**50,110**
Total revenue		**117,190**	**110,876**
Expenses from ordinary activities			
Expenses from operating activities			
Labour costs – salaries & wages		56,841	46,024
Maintenance and repair costs		2,849	2,041
Catering consumables		3,453	2,813
Other operating expenses		19,942	16,889
		83,085	**67,767**
Expenses from non-operating activities			
Depreciation building, plant and vehicles	**4.1**	5,424	5,712
Finance costs	**2.3**	7,177	5,672
Other non-operating expenses		11,869	9,855
		24,470	**21,239**
Total expenses		**107,555**	**89,006**
Net surplus / (deficit) from ordinary activities		**9,635**	**21,870**
Other comprehensive income (OCI)			
Items that will not be reclassified subsequently to profit or loss:			
Movements in estate surplus		(327)	(540)
Other comprehensive income for the year		**(327)**	**(540)**
Total comprehensive surplus for the year		**9,308**	**21,330**

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 2024

	Notes	2024 $000's	2023 $000's
Assets			
Current assets			
Cash and cash equivalents	**3.1**	21,855	16,482
Trade receivables	**3.2**	1,276	23
Inventories	**3.3**	229	199
Other Assets	**3.4**	3,621	3,378
Financial assets at fair value through profit or loss	**2.5**	57,523	53,828
Total current assets		**84,504**	**73,910**
Non-current assets			
Other financial asset	**3.1**	1,000	1,000
Capital work in progress	**4.1**	11,926	3,034
Property, plant and equipment	**4.1**	130,622	133,650
Investment properties	**4.4**	545,055	510,542
Total non-current assets		**688,603**	**648,226**
Total Assets		**773,107**	**722,136**
Liabilities			
Current liabilities			
Trade and other payables	**3.5**	7,519	3,714
Employee benefits/provisions	**3.7**	7,517	6,504
Other liabilities	**3.8**	855	622
Refundable resident loans	**5.1**	421,582	394,300
Contract liability	**5.2**	1,218	684
Total current liabilities		**438,691**	**405,824**
Non-current liabilities			
Employee benefits/provisions	**3.7**	704	654
Other liabilities	**3.8**	3,128	1,227
Contract liability	**5.2**	6,926	3,636
NAB loan facility	**5.3**	3,555	-
Total non-current liabilities		**14,313**	**5,517**
Total liabilities		**453,004**	**411,341**
Net assets		**320,103**	**310,795**
Equity			
Reserves		49,409	49,409
Retained earnings	**7.1**	270,694	261,386
Total equity		**320,103**	**310,795**

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

STATEMENT OF CHANGES IN EQUITY
For year ending 30 June 2024

	Retained Earnings $000's	Asset Revaluation Reserve $000's	TOTAL $000's
Balance as at 30 June 2022	**240,056**	**49,409**	**289,465**
Movement for year	21,870	-	21,870
Distribution to Operating Village	(540)	-	(540)
Balance as at 30 June 2023	**261,386**	**49,409**	**310,795**
Movement for year	9,635	-	9,635
Distribution to Operating Village	(327)	-	(327)
Balance as at 30 June 2024	**270,694**	**0**	**320,103**

STATEMENT OF CASH FLOW
For year ending 30 June 2024

	2024 $000's	2023 $000's
Cash Flows from operating activities		
Government operating subsidies	47,696	37,559
Rent, fees and charges	29,291	29,721
Donations and other receipts	3	5
Interest received - other	4,444	2,476
Interest paid - other	(185)	(122)
Payments to suppliers and employees	(80,203)	(72,414)
Net cash flows from/(used in) operating activities	**1,046**	**(2,775)**
Cash flows from investing activities		
Receipts from the sale of equity or debt instruments	1,768	2,577
Payments to acquire equity or debt instruments	(44,940)	(56,393)
Receipts from the sale of property, plant and equipment	1,768	988
Payments to acquire property, plant and equipment	(44,940)	(5,564)
Payments for investment property	(44,940)	(8,196)
Payments to acquire property, plant and equipment - Residential Care	(44,940)	(702)
Net cash (used in) investing activities	**(176,224)**	**(67,290)**
Cash flows from financing activities		
Receipts from loan facility	3,555	-
ILU - Ingoing contributions received	37,075	38,901
Accommodation Bonds/Refundable Deposits Received	33,155	28,398
(Refunded) Accommodation Bonds (ILU Bond)	(20,826)	(23,208)
(Refunded) Refundable Deposits/Entry Contributions (RAD)	(24,312)	(32,502)
Other Financing (Payments)	(327)	(540)
Net cash generated by financing activities	**28,320**	**11,049**
Net increase/(decrease) cash and cash equivalents	**(146,858)**	**(59,016)**
Cash and cash equivalents held at the beginning of the financial year	17,482	76,498
Cash and cash equivalents held at the end of the financial year	**(129,376)**	**17,482**

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 not-for-profit entity. The Air Force Association (Western Australian Division) Incorporated is an association incorporated in Western Australia under the *Associations Incorporation Act WA (2015).* The registered office is located in Bowman Street, South Perth, Western Australia.

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 17 October 2024.

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 2023, 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.

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 was made in accordance with the classification of items in the financial statements of the current period. Such reclassifications do not affect previously reported profit or equity. These changes have been made to improve the comparability of information presented.

Going concern

The financial statements were prepared on a going concern basis; notwithstanding, the Association has a net current asset deficiency position of $352,844 as at 30 June 2024 (2023: $330,799) based on the following considerations. The net current deficiency arises due to the classification of refundable accommodation deposits, accommodation bonds and independent living unit entry contributions as a current liability in compliance with AASB 101 *Presentation of Financial Statements* due to the absence of an unconditional right to defer settlement of those liabilities for at least twelve months following balance date.

However:

1. In practice, when an outgoing resident's refundable accommodation deposit or accommodation bond is refunded, it is typically offset by the receipt of a new refundable accommodation deposit from an incoming resident. This practice helps maintain the facility's financial stability and ensures a steady cash flow.
2. In practice, as resident loans less applicable deferred facility fees for outgoing residents are paid at the time of settlement for incoming residents, the cash inflow will always exceed the cash outflow to the departing resident.
3. The Association has a positive operating cash flow.

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.

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 14
Note 3.7	Employee provisions	Page 18
Note 4.1	Property Plant and Equipment recognition and useful life	Page 20
Note 4.2	Impairment of non-current assets	Page 21
Note 4.3	Valuations	Page 21
Note 5.1	Refundable Accommodation Deposits, Entry Loans & Accommodation Bonds	Page 23

2.1 Revenue and other income

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 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 (10.07 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 $6,941,744 (2023: $5,492,618) has been included and an additional interest cost (imputed interest charge on RAD's and Bonds) of $6,941,744 (2023: $5,492,618) 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 Investment income

	2024 $000's	2023 $000's
Interest from banking deposits	1,209	502
Investment income from managed funds	3,737	1,877
Imputed income from RAD balances under AASB 16	6,942	5,493
Closing balance at 30 June	**11,888**	**7,872**

2.3 Finance costs

	2024 $000's	2023 $000's
Other interest costs	30	22
Investment expenses from managed funds	205	157
Imputed interest on leases under AASB 16	6,942	5,493
Closing balance at 30 June	**7,177**	**5,672**

2.4 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*.

2.5 Financial assets at fair value through profit or loss

	2024 $000's	2023 $000's
Opening balance at 1 July	53,828	11
Contributions	180	52,000
Gain/(loss) on measurement to fair value	819	97
Investment income	2,901	1,877
Expenses to manage fund	(205)	(157)
Closing balance at 30 June	**57,523**	**53,828**

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.

2.6 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 2024, 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	-	421,582	-	421,582
Financial assets	57,523	-	-	57,523
	57,523	**421,582**	-	**479,105**

Year ended 30 June 2023

	Level 1 $000's	Level 2 $000's	Level 3 $000's	Total $000's
Resident accommodation bonds, RADs and loans	-	394,300	-	394,300
Financial assets	53,828	-	-	53,828
	53,828	**394,300**	-	**448,128**

3.1 Cash and cash equivalents

	2024 $000's	2023 $000's
Cash at bank and on hand	9,130	4,482
Cash on short term deposit	12,725	12,000
Closing balance at 30 June	**21,855**	**16,482**

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 (2023: $1,000,000) as deposits for the conditions required from the purchase of Challenger Court Estate.

3.2 Trade and other receivables

Trade receivables	2024 $000's	2023 $000's
Current		
Residents fees	1,344	118
Provision for expected credit losses	(68)	(95)
Closing balance at 30 June	**1,276**	**23**

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.

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.

3.3 Inventories

	2024 $000's	2023 $000's
Catering supplies	175	145
Museum supplies	54	54
Closing balance at 30 June	**229**	**199**

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.

3.4 Other assets

	2024 $000's	2024 $000's
Goods and services tax recoverable	376	285
Prepayments	1,184	1,143
Other receivables	2,061	1,950
Closing balance at 30 June	**3,621**	**3,378**

3.5 Trade and other payables

	2024 $000's	2023 $000's
Trade payables	1,814	1,139
Sundry payables and accruals	5,438	2,476
Income in advance	267	99
Closing balance at 30 June	**7,519**	**3,714**

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.

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

3.6 Employee benefits

	2024 $000's	2023 $000's
(a) Payable within 12 months:		
Employee entitlements – Annual leave	5,368	4,384
– Long service leave	2,149	2,120
	7,517	**6,504**
(b) Payable after 12 months:		
Employee entitlements – Long service leave	704	654
	704	**654**

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.

Long service leave is measured at the present value of the benefits accumulated up to the end of the reporting period. The liability is discounted using an appropriate discount rate.

3.7 Other liabilities

	2024 $000's	2023 $000's
(a) Payable within 12 months:		
Sinking funds	855	622
Closing balance at 30 June	**855**	**622**
(b) Payable after 12 months:		
Loans from members	307	307
Other liabilities	2,821	920
Closing balance at 30 June	**3,128**	**1,227**

4.1 Property, Plant and Equipment

	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
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	**24,451**	**100,026**	**3,034**	**6,385**	**2,788**	**136,684**
2024						
Balance as at 30 June 2023	24,451	128,768	3,034	8,711	8,150	173,114
Additions	5	26	9,410	3,417	353	13,211
Disposals	-	-	-	(2,011)	-	(2,011)
WIP Transfers	-	-	(518)	278	240	-
Balance as at 30 June 2024	**24,456**	**128,794**	**11,926**	**10,395**	**8,743**	**184,314**
Accumulated Depreciation						
Balance as at 30 June 2023	-	28,742	-	2,326	5,362	36,430
Disposals	-	-	-	(87)	-	(87)
Depreciation expenses	-	3,476	-	894	1,053	5,423
Balance as at 30 June 2023	-	**32,218**	-	**3,133**	**6,415**	**41,766**
Net book value						
Balance as at 30 June 2024	**24,456**	**96,576**	**11,926**	**7,262**	**2,328**	**142,548**

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. Plant and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses. Work in progress is stated at cost, net of accumulated impairment losses, if any.

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. The Association exercises 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.

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.

4.2 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.

4.3 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.

4.4 Investment properties

Fair value	$000's
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**
Opening balance at 1 July 2023	510,542
Additions during the year	-
Gain/(loss) in fair value re-measurement of investment properties	34,513
Balance at 30 June 2024	**545,055**

4.4.1 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.

5.1 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.

5.1.1 Refundable resident loans

	2024 $000's	2023 $000's
Refundable accommodation deposits/bonds	83,732	74,429
ILU refundable ingoing deposits & loans	337,850	319,871
Closing balance at 30 June	**421,582**	**394,300**

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 Association 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.

5.2 Contract liabilities

	2024 $000's	2023 $000's
Arising from ILU contracts	8,144	4,320
Current	1,218	684
Non-current	6,926	3,636
Closing balance at 30 June	**8,144**	**4,320**

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 a contract liability is raised and recognised over a straight-line basis over the average length of the life of lease (10.07 years).

5.3 NAB facility

	2024 $000's	2023 $000's
NAB facility drawdown	3,555	-

In August 2023, the Association entered into a $30 million Corporate Markets Loan with NAB (the Lender) to fund future development of facilities. The interest rate applicable to this Facility is the Bank Bill Swap Bid Rate (BBSY) plus the Funding Margin plus the Drawn margin based on the most recent Compliance Certificate delivered by the Association to the Lender. Financial covenants of the facility determine the Association must not exceed a Loan to Value Ratio of 65%. The Association meets the financial covenant requirement at 30 June 2024. The Facility matures in March 2028.

As at 30 June 2024, $26,445,485 remains as undrawn funds towards project payments.

5.4 Bank guarantees held

The Association holds two bank guarantees ($1,106,262 each) with construction provider Georgiou Group Pty Ltd (Georgiou).

In accordance with the requirements of the construction contract, the first bank guarantee – Performance is to be returned to Georgiou at the time of practical completion, currently 10 June 2025 under the contract. The second bank guarantee – Maintenance is to be returned to Georgiou at the time of final completion following the 12-month defects liability period (estimated to be June 2026). Refer to note 3.1 for bank guarantees issued by the Association.

6.1 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.

	2024 $000's	2023 $000's
Increase in profit and loss (100 basis points)	219	165
(Decrease) in profit and loss (100 basis points)	(219)	(165)

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 2024.

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

Year Ended 30 June 2024

	< 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	21,855	-	-	-	21,855
Trade Receivables	1,344	-	-	-	1,344
Financial Assets	57,523	-	1,000	-	58,523
Other Assets	3,788	-	62	-	3,850
	84,510	**-**	**1,062**	**-**	**85,572**
Financial Liabilities					
Trade and Other Payables	7,519	-	-	-	7,519
Resident Bonds/ RADs and ILU Loans	31,062	17,405	178,459	194,656	421,582
	38,581	**17,405**	**178,459**	**194,656**	**429,101**
Net Maturity	**45,929**	**(17,405)**	**(177,397)**	**(194,656)**	**(343,529)**

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
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)**

7.1 Retained Surplus

	2024 $000's	2023 $000's
Balance at beginning of financial year	261,386	240,056
Surplus/(deficit) movement for year	9,635	(11,146)
Payments/adjustments to retained surplus	(327)	(540)
Restatement of prior year (see note 7.2)	-	33,016
Net movement	9,308	21,330
Closing balance at 30 June	**270,694**	**261,386**

Payments/Adjustments to Retained Surplus are substantially made up of credits to resident accounts out of estate surpluses for the year ended 30 June 2024.

7.2 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 2024. The Association has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

7.3 Expenditure Commitments

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

	2024 $000's	2023 $000's
No later than one year	36,923	-

For completion of RAAFA's Stirling apartments at Air Force Memorial Estate (AFME) contracted with Georgiou.

7.4 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 2024, the Association is not aware of any outstanding issues that are contingent to a potential future liability.

7.5 Auditors Remuneration

Remuneration of the auditor of the association for;	2024 $000's	2023 $000's
Auditing the financial report – prior years	92	88
Other Services	3	10
	95	**98**

7.6 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 Norman (Norm) Waldie
Ms Michelle Fyfe (from 1 July 2023)
Mr Brett Dowsing
Mr Charles Page
Dr Kylie Russell
Ms Denise Bowen
Mr Wayne Belcher
Mr Robert Stewart (from April 2024)

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 fee and other associated fees in accordance with the standard contract terms at arm's length. During FY24, the total paid was $5,870 with $77 outstanding as at 30 June 2024. All amounts outstanding at 30 June 2024 were subsequently paid. In addition, a resident liability was raised on entry to the estate of $545,000 which has been fully paid.

(c) Executive Management Personnel

Michelle Fyfe	Chief Executive Officer (from 1 July 2023)
John Murray	Chief Executive Officer (Outgoing from 30 June 2023)
Suresh Rajendra	Chief Financial Officer
Tonia Zeeman	Chief Operating Officer
Lisa Hawkins	Chief People Officer
Mark Bow	Chief Growth Officer
Gloria Davis	Chief Information Officer
Aaron Crowther	Chief Customer & Community Officer
Ian Craig	Head of Clear Skies (Outgoing from 31 January 2024)

(d) Amounts paid to key management personnel $2,178k (2023: $1,714k).

7.7 Subsequent events

Other than described below, there has not been any matter or circumstance that occurred subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the entity, the results of those operations, or the state of affairs of the Association in future financial years.

Acquisition of CJ&R Enterprises Pty Ltd trading as Perth Care Companion Company.

On 30th August 2024, the Association entered into an agreement with Perth Care Companion Company (Perth CCC) to acquire 100% of the shares of the business. The completion of the acquisition occurred on 4 October 2024.

Perth CCC provide a diverse range of in-home care services tailored to support individuals who prefer to stay in the comfort of their own home. The acquisition is aligned with the Associations strategy to expand our home care services and grow the Association.

	$'000
Cash Consideration	4,000
Contingent consideration	500
Total Consideration	**4,500**

The acquisition includes contingent consideration which includes two milestones to be met, the Association has evaluated to be highly probable. These milestones are contingent on employee retention and sales performance for the 2025 financial year.

Assets acquired and liabilities assumed at the date of acquisition	**$'000**
Current assets	
Trade and other receivables	921
Prepayments	84
Non-current assets	
Property bond	9
Current liabilities	
Employee entitlements	(62)
Trade and other payables	(506)
Total identifiable assets acquired and liabilities assumed	391
Goodwill	4,109
Total Consideration	**4,500**

The initial accounting for the acquisition has only been provisionally determined at the time of signing this report. The necessary review of final balances and other calculations had not been finalised and any fair value of assets and liabilities have therefore only been provisionally determined based on the directors' best estimate of the likely fair value.

The Goodwill arising from the acquisition is considered to enhance the Association's capability to service the existing markets through a combination of service offerings and access to new markets with potential for future growth.

The $4 million cash consideration was paid on the transaction on 27th September 2024.

7.8 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