

THE
RAAF WELFARE RECREATIONAL COMPANY

Annual Report

For the period

1 July 2016 to 30 June 2017

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The Secretary
RWRC
Brindabella Park (BP29-2-206)
PO Box 7980
Department of Defence
CANBERRA BC ACT 2610

THE
RAAF WELFARE RECREATIONAL COMPANY
ANNUAL REPORT 2016 - 2017

RAAF WELFARE RECREATIONAL COMPANY**ANNUAL REPORT****ACCOUNTABLE AUTHORITY (DIRECTORS') REPORT OF OPERATIONS**

Minister for Defence Personnel

Dear Minister

This report of operations by the Directors of the RAAF Welfare Recreational Company (RWRC) is for the year ended 30 June 2017. The report is accompanied by the Financial Statements for the period and other information which are to be read as part of this report.

Enabling Legislation and Responsible Minister

The RWRC was incorporated on 25 October 1972 to administer the assets of the RAAF Central Welfare Trust Fund (RCWTF) and is subject to the *Corporations Act 2001*. The Hon Michael McCormack was Responsible Minister to 18 July 2016.

The initial seed funding for the Trust came from the profits of canteens operating during WW11 and subsequently disbanded. The RWRC operates within the Defence portfolio.

Public Governance, Performance and Accountability Act 2013 and Australian Charities and Not-for-profits Commission Act 2012

The RWRC also complies with the requirements of the *Public Governance, Performance and Accountability Act 2013 (PGPA)* and the *Australian Charities and Not-for-profits Commission Act 2012* with respect to:

- Reporting to Ministers and Parliament;
- Contents of Annual Report;
- Audit of the RWRC's financial statements by the Auditor-General;
- Banking and investment powers of authorities;
- General policies of the Australian Government; and
- Conduct of directors and officers, including the civil consequences of any breach of their duties by the directors and officers.

Ministerial Directions

In a letter to the Chairman of Trustees dated 27 May 2009, the then Minister for Defence Science and Personnel, the Hon Warren Snowdon MP, provided the following Statement of Expectations for the Board's guidance in the performance of its functions:

This Statement of Expectations formally outlines my expectations concerning the operations and performance of the RAAF Welfare Recreational Company (RWRC).

The Government's vision for the RWRC is that it will be a company that successfully manages the recreational facilities (including accommodation) of the RAAF Central Welfare Trust Fund (RCWTF), for the benefit of RAAF members, their families and other eligible persons.

As Chairman, you are to ensure that RWRC keeps me as the Minister for Defence Science and Personnel (the Minister) fully informed of any significant events or issues that may impact on the operations of the RWRC. All communication provided to me, as the Minister is to be forwarded, in parallel, to Defence.

Expectations for the Board are that it will ensure that RWRC will:

1. manage the assets of the RCWTF in a manner which ensures financial independence and long term viability;
2. encourage continuous improvement practices to maximise opportunities that will ensure its long term viability;
3. in response to this Statement of Expectations, provide the Minister with its Statement of Intent;
4. make both Statements publicly available;
5. provide the Minister with its quarterly and annual financial and compliance reports, with copies to be provided to the Secretary for Defence, the Chief of the Defence Force and the Chief of Air Force;
6. adopt best practice governance principles and implement risk management strategies as determined by the Commonwealth, as appropriate for the operation of small agencies;
7. identify and manage all actual and perceived conflicts of interest, promptly advising the Minister of any significant issues as they arise; and
8. demonstrate its compliance with appropriate government policy and directions.

In response, the Chairman of the RWRC provided a Statement of Intent to the Minister, that the Board of Directors, undertake that we will:

1. manage the assets of the RAAF Central Welfare Trust Fund in a manner which ensures financial independence and long term viability;
2. encourage continuous improvement practices to maximise opportunities that will ensure its long term viability;
3. in response to the Statement of Expectations, provide the Minister with a Statement of Intent and make both statements publicly available;
4. provide the Minister with quarterly and annual financial and compliance reports, with copies to be provided to the Secretary for Defence, the Chief of the Defence Force and the Chief of Air Force;
5. adopt best practice governance principles and implement risk management strategies as determined by the Commonwealth, as appropriate for the operation of small agencies;
6. identify and manage all actual and perceived conflicts of interest, promptly advising the Minister of any significant issues as they arise;

7. demonstrate compliance with appropriate government policy and directions; and
8. monitor the performance of the RWRC using the performance indicators in the company's business plan to ensure expectations are achieved.

Accountable Authority

The following persons formed the Accountable Authority (Board) of the RAAF Welfare Recreational Company during or since the end of the financial year:

Air Commodore	Andrew Ronald Brooks Elfverson – Deputy Head Cadet, Reserve Support and Employer Division. Director since 17 June 2013. Resigned 25 January 2017.
Air Commodore	Phillip Theodor Tammen, AM – Director General Airlift and Tankers Systems, Capability, Acquisition and Sustainment Group. Director since 25 January 2017.
Group Captain	Debbie Richardson – Project Director, Aerospace Maritime and Surveillance. Director since 21 August 2017.
Group Captain	Susan Stothart – Director, Senior Officer Management Personnel Branch – Air Force. Director since 18 February 2015. Resigned 21 August 2017.
Wing Commander	Peter Mark Gilbert – Commanding Officer No 28 Squadron. Director since 21 November 2011.
Wing Commander	Bruce Francis Perry – Staff Officer – Personnel Branch - Air Force. Director since 13 September 2011.
Squadron Leader	Sally Maynard – Logistic Operations, Capability, Acquisition and Sustainment Group. Director since 25 January 2017.
Flight Lieutenant	Jennifer Jones – Senior Enlisted Advisor - Personnel Branch - Air Force. Director since 25 January 2017.
Squadron Leader	Peter Donald Alomes, OAM. Appointed on 25 February 2016 as Alternate to Wing Commander Perry for the period March 2016 to October 2016. Ceased 31 October 2016.

Principal Activities

The principal activities of the Company during the year were to act as Trustee for the RAAF Central Welfare Trust Fund. There were no changes in the nature of activities of the Company during the year.

RWRC is subject to the following general policies

The following policies were notified to RWRC by the responsible Minister prior to the commencement of the financial year and remain in force:

- National Code of Practice for the Construction Industry; and
- Foreign Exchange Risk Management Policy.

RWRC has complied with the above-mentioned policies as appropriate.

Compliance Reporting

The *Corporations Act 2001* and sections 17AG and 17BE of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) require that Commonwealth entities' Annual Reports must include a statement of any non-compliance issues notified to the responsible Minister under paragraph 19[1][e] of the *Public Governance, Performance and Accountability Act 2013* during the reporting period.

The Accountable Authority reports that the Australian Securities and Investments Commission have been advised that consolidated financial statements had been incorrectly prepared over the preceding three financial years contravening Australian Accounting Standard AASB 10 *Consolidated Financial Statements*. Corrective action has been taken for the presentation of 2016/2017 statements and appropriate notes and restatements included within the financial report.

Organisational Structure

The RAAF Welfare Recreational Company is a Commonwealth company within the General Government Sector and is managed by Directors who are appointed by the Chief of Air Force. The RWRC owns properties on the Gold Coast in Queensland and at Merimbula on the far South Coast of New South Wales. Head Office is located in Canberra ACT.

Review of Operations and Future Prospects

Operations were in accordance with the RWRC's statutory obligations under the Trust Deed, that is, to facilitate and manage the provision of discounted recreational accommodation for RAAF members, their families and other eligible persons and to provide financial support to, and assist in the provision of, recreational facilities and services to RAAF members. There were no significant changes in the RWRC's state of affairs or principal activities during the financial year.

In the opinion of the Directors, there has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the RWRC's operations, the results of those operations, or the RWRC's state of affairs in future financial years after this financial year.

Reviews by Outside Bodies

RWRC Annual Reports are subject to review by the Senate Foreign Affairs, Defence and Trade Legislation Committee. The financial statements are lodged with the Australian Charities and Not-for-profits Commission every year.

The RWRC financial statements are subject to audit by the Australian National Audit Office.

RWRC Board of Directors (Accountable Authority)

All members of the Board are appointed by the Chief of Air Force. The Board comprises serving and ex-serving members of the RAAF.

During 2016/2017 the RWRC Board met 6 times. These meetings were held in Canberra and at the Company facility on the Gold Coast.

Board Member Attendance at Meetings

Name	Special Responsibilities	Number of Possible Attendances	Number Actually Attended
Air Commodore A.R.B. Elfverson	Chairman	3	3
Air Commodore P.T. Tammen	Chairman	3	3
Group Captain S. Stothart		6	6
Wing Commander P. M. Gilbert	Chair Audit Committee	6	5*
Wing Commander (Res) B.F. Perry		5	5
Squadron Leader P. Alomes	Secretary	1	1
Squadron Leader S. Maynard		3	3
Flight Lieutenant J.A Higgs		3	3
Flight Lieutenant J. Jones		3	3

* Absences due to work commitments in Air Force primary duties.

Board Qualifications

Name	App't	Qualifications
Air Commodore A.R.B. Elfverson: Non Executive Director	Chairman	Bachelor of Business Master of Management in Defence Studies
Air Commodore P.T. Tammen: Non Executive Director	Chairman	Masters in Engineering Science, Graduate of Australian Command and Staff College, Masters in Project Management (Leadership). Defence and Strategic Studies Course Fellow of the Institution of Engineers Australia Graduate of Australian Institute of Company Directors
Group Captain S. Stothart: Non Executive Director		Bachelor of Business; Master of Management; Master of Defence Studies Graduate Diploma of Hospitality and Tourism; Graduate Diploma of Applied Finance; Graduate of Australian Institute of Company Directors
Wing Commander P.M. Gilbert: Non Executive Director		BBusStud; GradCert -Marketing
Wing Commander B.F. Perry: Non Executive Director		Grad Cert Prof Mgt – Finance
Flight Lieutenant J.A. Higgs: Non Executive Director		Nil
Squadron Leader (Res) P.D. Alomes: Executive Director (employed in a Reserve capacity).		Past Graduate of the Australian Institute of Company Directors Cert IV in Business Management
Squadron Leader S Maynard Non Executive Director		Nil
Flight Lieutenant J. Jones Non Executive Director		Diploma of Management

Audit Committee

Name	Appointment
Wing Commander P.M. Gilbert	Director / Chair
Mr P. Elliott	Independent member
Ms K. Ryan	Independent member

The RWRC has established an audit committee in accordance with the PGPA Act. The committee is comprised of three members in accordance with regulations prescribing the minimum composition of audit committees. The primary objectives of the Audit Committee are:

- improving the effectiveness and efficiency of RWRC's internal control framework;
- ensuring that RWRC has appropriate risk identification and management practices in place;
- improving the objectivity and reliability of financial reporting;
- ensuring that RWRC has adequate procedures on matters of audit independence; and
- assist the Board to comply with all governance and other obligations.

The Audit Committee meets before each Directors meeting and tables a report to the Board with the results of internal reviews of various aspects of Company management and operations conducted during the period under review.

Freedom of Information Procedures and Initial Contact Points

Requests for access to RWRC documents should be directed to the Secretary of the RAAF Welfare Recreational Company, BP29-2-206, Brindabella Park, Department of Defence, CANBERRA BC, ACT, 2610.

Indemnities and Insurance Premiums for Officers

The RWRC has taken out insurance coverage with Comcover for Association Liability Insurance. Where applicable, the insurance cover is provided for all Directors, staff and contractors.

Commonwealth Disability Strategy

Given the nature of the RWRC's size and activities, the Directors consider that the current organisational and operating procedures meet the requirements of the Commonwealth Disability Strategy.

Work Health and Safety

Directors of the RWRC are full time staff employed by the Commonwealth (Department of Defence) and, as such, fall within the policies and procedures of the Department of Defence for WHS purposes. Those who are contracted, fall within State provisions.

Risk Management and Fraud Control

The Directors have established a risk management and fraud control plan in line with the Commonwealth's endeavours to make risk management an integral part of everyday business practice. The RWRC does not receive any funding from the Commonwealth and therefore

does not need to apply the promulgated *Commonwealth Fraud Control Guidelines* (Guidelines). However, the Directors have adopted the Guidelines as best practice standards for fraud control and have implemented fraud control arrangements commensurate with the RWRC's activities. The RWRC's risk management and fraud control plan was reviewed and updated in April 2017.

Related Party/Entity Transactions

There were no related entity transactions during the financial year. Directors who utilised holiday accommodation declared such use and paid the rates applicable to all other eligible users.

Protective Security

The Directors consider that an appropriate protective security environment is fundamental to good business and management practice. Accordingly, the Directors have developed and implemented a security plan that is appropriate to the RWRC's functions and the security risks it faces. The RWRC's protective security plan was reviewed and updated in April 2017.

Auditors Independence Declaration

A copy of the Auditor's Independence Declaration is required under s.307C of the *Corporations Act 2001* and is included within this Report.

APPRECIATION

The Directors wish to express appreciation to all persons who assisted the RWRC during the period of this report. The efforts of the holiday facility managers have given RAAF members the confidence that the RWRC can provide high quality affordable accommodation.

New South Wales

Mr N. Bourke
(Manager of Tuscany apartments in
Merimbula, NSW)

Queensland

Mr H. Wilkinson
Mrs J. Wilkinson
Mr. A. Wilkinson
Mrs Y. Wilkinson
(Managers of Ambassador
apartments on the Gold Coast,
QLD)

Signed in accordance with a resolution of the Directors.



P.T. TAMMEN
Air Commodore
Chair of RWRC

12 December 2017



B.F. PERRY
Wing Commander
Director RWRC

12 December 2017

PERFORMANCE STATEMENT

We, as members of, and on behalf of the Accountable Authority of the RAAF Welfare Recreational Company (trustee of the RAAF Central Welfare Trust Fund), have elected to present a 2016/2017 Performance Statement for the Company as designated under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In our opinion the Performance Statement is based on properly maintained records, accurately reflects the performance of the entity, complies with subsection 39(2) of the PGPA Act and is signed in accordance with a Resolution of the Directors.

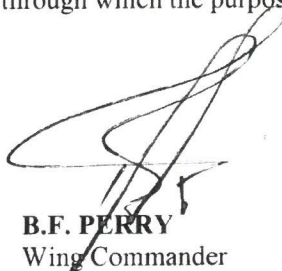
The purpose of the RAAF Welfare Recreational Company is to provide amenity and related services to Air Force members and their families not normally provided at Departmental level.

The RAAF Welfare Recreational Company achieves the purpose through the effective management of the RAAF Central Welfare Trust Fund through which the purpose is achieved and reported upon in this statement.



P.T. TAMMEN
Air Commodore
Chair
RAAF Welfare Recreational Company

12 December 2017



B.F. PERRY
Wing Commander
Director
RAAF Welfare Recreational
Company

12 December 2017

PERFORMANCE STATEMENT 2016/2017

RECREATIONAL FACILITIES

Performance Measure 1	Achievement	Analysis
<p>Achieve target occupancy levels:</p> <p><i>Ambassador</i> – 75% (Gold Coast)</p> <p><i>Tuscany</i> – 75% (Merimbula)</p>	<p>Ambassador: 54% occupancy achieved</p> <p>Tuscany: 54% occupancy achieved</p>	<p>The occupancy level at <i>Ambassador</i> dipped during 16/17 not unlike the drop in commercial stays for the area. That said the reduction was exacerbated by maintenance works during May and a very low June occupancy. Occupancy at <i>Tuscany</i> improved but was more reflective of the lesser number of apartments held in inventory rather than increased numbers.</p>
Performance Measure 2	Achievement	Analysis
<p>Achieve a cash neutral operational outcome for recreational facilities</p>	<p>Ambassador: Cash outcome deteriorated from previous year.</p> <p>Tuscany: Cash outcomes continued to improve albeit by a moderate level but remain negative.</p> <p>Overall 'cash' outcome for the two holiday facilities was -\$0.058m</p>	<p><i>Ambassador</i> outcomes were impacted by the undertaking of a moderate maintenance program. Quieter than expected occupancy during the Xmas/New year holiday period and during May and June were additional factors impacting income.</p> <p><i>Tuscany</i> outcomes continue to validate the decision to exit the complex.</p>
Performance Measure 3	Achievement	Analysis
<p>Demonstrate majority occupancy of Air Force personnel</p>	<p>The two facilities reflected reduced occupancy by Air Force personnel. Despite the reduction, serving Air Force personnel remain the higher user group.</p>	<p>Air Force members remained the highest user group in the low to mid 30% occupancy range. The slight reduction at both facilities was offset somewhat by a similar increase in occupancy by the ex-serving member cohort.</p>

Recreational Amenities and Welfare Activities

- Given operational outcomes of the business entity over recent years, funding to support activities has been withdrawn and will remain that way until initiatives such as asset rationalisation are finalised and the entity financial position and outcomes are righted.

FINANCES

Performance Measure 1	Achievement	Analysis
<i>Financial statements indicate operating surplus</i>	The Operating loss for 16/17 was \$0.54m – a welcome improvement on prior year's loss of \$0.111m. Included in the outcome was a loss on 'for sale' assets (mainly GST) of \$0.069m.	As anticipated, the operational outcome has improved during 16/17. In essence, if the 'paper' loss on 'for sale' assets were discounted, the operational outcome would be neutral.
Performance Measure 2	Achievement	Analysis
<i>Property valuations are accurate</i>	A desk top valuation exercise was completed for <i>Ambassador</i> apartments as a formal valuation was conducted at 30 June 2016. As the remaining two <i>Tuscany</i> apartments are held as 'for sale' a formal valuation was not completed	Whilst the Board noted that reporting indicated that property values across the Gold Coast had increased, the Valuer-General's report commented that away from water front areas only minor increases in values had occurred. This confirmed review outcomes. The current book value of the <i>Ambassador</i> apartments closely reflected market values of similar standard, for sale, apartments. As such, no changes to book values were made.

Performance Measure 3	Achievement	Analysis
<i>Returns on investments reflect growth against CPI</i>	<p>Cash returns on property are negative given the operating losses. Land and buildings at Merimbula held their value as did <i>Ambassador</i> (Gold Coast) apartments</p> <p>Investment income improved as the entities revised investment construct was fully implemented.</p>	<p>Property. Holiday facilities recorded an operational loss and, as such, a negative return on investment clearly demonstrates the marginal nature of this type of activity.</p> <p>Investment. With the full implementation of a revised construct, positive returns for most of the financial year and cash injections, a welcome improvement was recorded.</p> <p>Overall, with an operating loss, the return on all investments did not meet the performance measure.</p>

TRUST ADMINISTRATION

Performance Measure 2	Achievement	Analysis
<i>Annual Return lodged with the Australian Charities and Not for profits Commission by end of calendar year</i>	The 2016/2017 Annual Financial Report will be lodged within timeframes.	The entity will comply with provisions that require the Annual Financial Report to be lodged with the Commission by the end of the calendar year.

Performance Measure 3	Achievement	Analysis
<i>Board changes are processed iaw mandated timeframes</i>	All changes in appointments processed iaw timeframes.	The entity is compliant with processing timeframes for reporting changes in appointments.

SUMMARY

As anticipated, recreational facilities continue to run at an operational loss albeit with an improved 'cash outcome'. Outcomes have improved and will continue as consolidation and positive marketing impact.

Air Force members continue to be the majority of users at recreational facilities however, as with the other Services, the challenge lies within the numbers (or lack thereof) of eligible persons using the facilities. The Board will continue to monitor the business model in terms of relevance as detailed in its Corporate Plan.

The revised 'active' investment construct has now been fully realised and the business entity has begun to see the full benefits of a measured and thorough process in establishing the new portfolio.

RAAF WELFARE RECREATIONAL COMPANY

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RAAF WELFARE RECREATIONAL COMPANY

DIRECTOR'S DECLARATION

The Directors of the Company declare that:

1. The attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*:
 - (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements, Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position of the Company as at 30 June 2017 and of its performance for the year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated at Canberra this 12th day of December 2017.

On behalf of the Directors



Director



Director



Air Commodore Phillip Tammen AM
Chair of the Board of Directors
Royal Australian Air Force Welfare Recreational Company
Department of Defence
Russell Offices
PO Box 7901
CANBERRA ACT 2601

Dear Air Commodore Tammen

**ROYAL AUSTRALIAN AIR FORCE WELFARE RECREATIONAL COMPANY
FINANCIAL REPORT AUDIT 2016-17
AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my audit of the financial report of the Royal Australian Air Force Welfare Recreational Company for the year ended 30 June 2017, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

Garry Sutherland
Audit Principal
Delegate of the Auditor-General
Canberra

12 December 2017



INDEPENDENT AUDITOR'S REPORT

To the members of Royal Australian Air Force Welfare Recreational Company

Opinion

In my opinion, the financial report of the Royal Australian Air Force Welfare Recreational Company for the year ended 30 June 2017 is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Royal Australian Air Force Welfare Recreational Company's financial position as at 30 June 2017 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

The financial report of the Royal Australian Air Force Welfare Recreational Company, which I have audited, comprises the following statements as at 30 June 2017 and for the year then ended:

- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Notes to the financial statements; and
- Director's Declaration.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Royal Australian Air Force Welfare Recreational Company in accordance with the *Corporations Act 2001* and the relevant ethical requirements for financial report audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code.

I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Royal Australian Air Force Welfare Recreational Company, would be in the same terms if given to the directors as at the time of this auditor's report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Prior Period Error

Without modifying my opinion, I draw attention to the Notes of the financial report which discloses a material prior period error affecting the financial information previously reported for the periods ending 30 June 2014, 2015 and 2016.

Other Information

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

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

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

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

Directors' Responsibility for the Financial Report

The directors of the Royal Australian Air Force Welfare Recreational Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Royal Australian Air Force Welfare Recreational Company's ability to continue as a going concern, disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

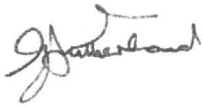
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company 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.

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

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Australian National Audit Office



Garry Sutherland
Audit Principal
Delegate of the Auditor-General

Canberra

12 December 2017

RAAF WELFARE RECREATIONAL COMPANY

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
Continuing operations		
Revenues from ordinary activities	-	-
Expenses from ordinary activities	-	-
Operating result	-	-

The above Statement is to be read in conjunction with the accompanying notes

RAAF WELFARE RECREATIONAL COMPANY

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	2017 \$	2016 \$
ASSETS		
Current assets		
Receivables	-	-
TOTAL CURRENT ASSETS	-	-
TOTAL ASSETS	-	-
LIABILITIES		
Current liabilities		
Payables	-	-
Provisions	-	-
TOTAL CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	-	-
NET ASSETS	-	-
EQUITY		
Total equity	-	-

The above Statement is to be read in conjunction with the accompanying notes

RAAF WELFARE RECREATIONAL COMPANY

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
Opening Balance	-	-
Closing balance as at 30 June	-	-

The above Statement is to be read in conjunction with the accompanying notes

RAAF WELFARE RECREATIONAL COMPANY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017**

	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received/(Used)	-	-
Net cash flows from/(used in) operating activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Received/(Used)	-	-
Net cash flows from/(used in) investing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash held	-	-
Cash and cash equivalents at the beginning of the reporting period	-	-
Cash and cash equivalents at the end of the reporting period	<u><u>-</u></u>	<u><u>-</u></u>

The above Statement is to be read in conjunction with the accompanying notes

RAAF WELFARE RECREATIONAL COMPANY**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2017****OVERVIEW**

The financial report is for the entity RAAF Welfare Recreational Company (the Company) as an individual entity. The Company is a company limited by guarantee, incorporated and domiciled in Australia and is registered as a charity with the Australian Charities and Not-for-profits Commission.

The objective of the Company is to provide access to discounted accommodation and to manage and promote owned recreational facilities for RAAF members, their families and other eligible persons, and provide financial support to, and assist in the provision of, recreational facilities and services to RAAF members. The sole activity of the Company is to act as the trustee for the RAAF Central Welfare Trust Fund (the Trust), a charitable trust registered with the Australian Charities and Not-for-profits Commission.

Basis of Preparation

The Company is a Commonwealth company as defined in the *Public Governance, Performance and Accountability Act 2013* and is subject to the *Corporations Act 2001*. The Company applied the Australian Accounting Standards - Reduced Disclosure Requirements, including the Australian Accounting Interpretations.

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, *Australian Charities and Not-for-profits Commission Act 2012*, Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board. The Company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report has been prepared on an accruals basis and is based on historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or financial position. The financial statements are presented in Australian dollars.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements were authorised for issue on 12 December 2017 by the directors of the Company.

a. TRUST LIABILITIES AND RIGHT OF INDEMNITY

The Company acts solely as trustee of the Trust and liabilities have been incurred on behalf of that Trust in the Company's capacity as corporate trustee.

Liabilities incurred on behalf of the Trust are not recognised in the financial statements if it is not probable that the Company will have to meet any of the Trust liabilities from its own resources. If the Company becomes obliged to meet Trust liabilities, the trustee has a right to be indemnified from Trust assets. If it is probable that there will be a deficiency in Trust assets, a liability is recognised by the Company to the extent of that deficiency. Details of the Trust liabilities, the offsetting right of indemnity and any deficiency in the right of indemnity are disclosed by way of notes to the financial statements.

RAAF WELFARE RECREATIONAL COMPANY

FOR THE YEAR ENDED 30 JUNE 2017

b. REVENUE, EXPENSE AND CASH FLOWS

The Company acted solely as trustee of the Trust and did not carry on any business activity on its own behalf during the current year or the preceding year. Therefore, there were no revenues, expenses or cash flows in relation to the Company during the current or preceding financial year. All movements in assets and liabilities relate to the Trust and are not cash flows of the Company.

c. CORRECTION OF PRIOR PERIOD ERROR

During 2016-17, the Company identified that it had incorrectly applied Australian Accounting Standard 10 *Consolidated Financial Statements* in the preparation of the financial statements for the Company for the years ended 30 June 2014, 2015 and 2016. In prior years, the activities of the Trust have been consolidated with the Company and a consolidated position was reported in the financial statements of the Company. AASB 10 applied to the Company from 1 July 2013. AASB 10 required the consolidation of the financial statements of controlled entities. The criteria for assessing control under AASB 10 include exposure to rights to variable returns from 'investment' in the other entity. The role of the Company under the trust deed is one of trustee and the Trust, and as such the Company has no entitlement to returns from the Trust and the Trust does not meet the definition of a controlled entity under AASB 10. As required under Australian Accounting Standard AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, this error has been corrected by adjusting the current and prior year financial disclosures in these financial statements.

Presented below is a summary of the adjustments for each financial statement line item affected by the adjustments required to correct the prior period error.

RAAF WELFARE RECREATIONAL COMPANY

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

d. CORRECTION OF PRIOR PERIOD ERROR (continued)

(i) Effect of restatement of statement of financial position - 30 June 2016 comparative year:

	Previously reported 30-Jun-16 \$	Effect of correction of error 30-Jun-16 \$	Restated 30-Jun-16 \$
ASSETS			
Financial assets			
Cash and Cash Equivalents	1,128,776	(1,128,776)	-
Trade and Other Receivables	23,585	(23,585)	-
Other Investment	1,753,928	(1,753,928)	-
Assets Held for Sale	629,154	(629,154)	-
Total financial assets	<u>3,535,443</u>	<u>(3,535,443)</u>	<u>-</u>
Non-financial assets			
Land and Buildings	4,779,761	(4,779,761)	-
Plant and Equipment	34,952	(34,952)	-
Other Non-Financial Assets	41,797	(41,797)	-
Total non-financial assets	<u>4,856,510</u>	<u>(4,856,510)</u>	<u>-</u>
Total assets	<u>8,391,953</u>	<u>(8,391,953)</u>	<u>-</u>
LIABILITIES			
Current liabilities			
Trade Payables	(27,253)	27,253	-
Other Payables	(13,635)	13,635	-
Total current liabilities	<u>(40,888)</u>	<u>40,888</u>	<u>-</u>
Non-current liabilities			
Provisions			
Other Provisions	(1,874)	1,874	-
Total provisions	<u>(1,874)</u>	<u>1,874</u>	<u>-</u>
Total liabilities	<u>(42,762)</u>	<u>42,762</u>	<u>-</u>
Net assets	<u>8,349,191</u>	<u>(8,349,191)</u>	<u>-</u>
EQUITY			
Reserves	3,835,191	(3,835,191)	-
Retained earnings	4,514,000	(4,514,000)	-
Total equity	<u>8,349,191</u>	<u>(8,349,191)</u>	<u>-</u>

RAAF WELFARE RECREATIONAL COMPANY

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

e. CORRECTION OF PRIOR PERIOD ERROR (continued)

(ii) Effect of restatement of statement of financial position - 1 July 2015 comparative year opening balances:

	Previously reported 01-Jul-15 \$	Effect of correction of error 01-Jul-15 \$	Restated 01-Jul-15 \$
ASSETS			
Financial assets			
Cash and Cash Equivalents	1,397,530	(1,397,530)	-
Trade and Other Receivables	14,085	(14,085)	-
Other Investment	1,215,842	(1,215,842)	-
Assets Held for Sale	378,480	(378,480)	-
Total financial assets	<u>3,005,937</u>	<u>(3,005,937)</u>	<u>-</u>
Non-financial assets			
Land and Buildings	4,771,598	(4,771,598)	-
Plant and Equipment	45,952	(45,952)	-
Other Non-Financial Assets	46,544	(46,544)	-
Total non-financial assets	<u>4,864,094</u>	<u>(4,864,094)</u>	<u>-</u>
Total assets	<u>7,870,031</u>	<u>(7,870,031)</u>	<u>-</u>
LIABILITIES			
Current liabilities			
Trade Payables	(22,496)	22,496	-
Other Payables	(18,172)	18,172	-
Total current liabilities	<u>(40,668)</u>	<u>40,668</u>	<u>-</u>
Non-current liabilities			
Provisions			
Other Provisions	(1,874)	1,874	-
Total provisions	<u>(1,874)</u>	<u>1,874</u>	<u>-</u>
Total liabilities	<u>(42,542)</u>	<u>42,542</u>	<u>-</u>
Net assets	<u>7,827,489</u>	<u>(7,827,489)</u>	<u>-</u>
EQUITY			
Reserves	3,835,191	(3,835,191)	-
Retained earnings	4,514,000	(4,514,000)	-
Total equity	<u>8,349,191</u>	<u>(8,349,191)</u>	<u>-</u>

RAAF WELFARE RECREATIONAL COMPANY

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2017

f. CORRECTION OF PRIOR PERIOD ERROR (continued)

(iii) Effect of restatement of statement of comprehensive income - 2015-16 comparative year:

	Previously reported 2015-16 \$	Effect of correction of error 2015-16 \$	Restated 2015-16 \$
NET COST OF SERVICES			
Own-source Income			
Own-source revenue			
Sale of Goods and Rendering of Services	351,411	(351,411)	-
Interest	59,027	(59,027)	-
Other Revenue	42,469	(42,469)	-
Fair Value Movement in Investments	32,721	(32,721)	-
Total own-source revenue	<u>485,628</u>	<u>(485,628)</u>	<u>-</u>
Expenses			
Employee Benefits	42,469	(42,469)	-
Suppliers	458,128	(458,128)	-
Depreciation	72,349	(72,349)	-
Loss on Available for Sale Assets	23,402	(23,402)	-
Total expenses	<u>596,348</u>	<u>(596,348)</u>	<u>-</u>
Loss for the year from continuing operations	<u>(110,720)</u>	<u>110,720</u>	<u>-</u>
Other Comprehensive Income			
Items not subject to subsequent reclassification to profit or loss			
Revaluations of land and buildings	615,187	(615,187)	-
Total other comprehensive income	<u>615,187</u>	<u>(615,187)</u>	<u>-</u>
Total comprehensive income / (loss) for the year	<u>504,467</u>	<u>(504,467)</u>	<u>-</u>

1 COMPANY LIMITED BY GUARANTEE

The RAAF Welfare Recreational Company is a company Limited by Guarantee and by its Constitution, members' liability is restricted to \$10 per member.
At 30 June 2017, the company had six members.

RAAF WELFARE RECREATIONAL COMPANY

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2017

2 ASSETS and LIABILITIES OF THE RAAF CENTRAL WELFARE TRUST FUND

The RAAF Welfare Recreational Company, as Trustee for the RAAF Central Welfare Trust Fund, has a right of indemnity from the Fund's assets. Details of the underlying assets and liabilities are as follows:

	2017	2016
	\$	\$
ASSETS		
Financial assets		
Cash and Cash Equivalents	712,823	1,128,776
Trade and Other Receivables	21,719	23,585
Other Investment	2,783,688	1,753,928
Assets Held for Sale	597,479	629,154
Total financial assets	<u>4,115,709</u>	<u>3,535,443</u>
Non-financial assets		
Land and Buildings	4,162,514	4,779,761
Plant and Equipment	20,141	34,952
Other Non-Financial Assets	35,745	41,797
Total non-financial assets	<u>4,218,400</u>	<u>4,856,510</u>
Total assets	<u>8,334,109</u>	<u>8,391,953</u>
LIABILITIES		
Current liabilities		
Trade Payables	28,202	27,253
Other Payables	8,670	13,635
Total current liabilities	<u>36,872</u>	<u>40,888</u>
Non-current liabilities		
Provisions		
Other Provisions	1,874	1,874
Total provisions	<u>1,874</u>	<u>1,874</u>
Total liabilities	<u>38,746</u>	<u>42,762</u>
Net assets	<u>8,295,362</u>	<u>8,349,191</u>

The above assets of the Fund are not directly available to meet any liabilities incurred by the Company acting in its own right.

3 CONTINGENT LIABILITIES

Quantifiable Contingencies

The Company held no quantifiable contingencies as at 30 June 2017 (2016: Nil).

Unquantifiable Contingencies

The Company held no unquantifiable contingencies as at 30 June 2017 (2016: Nil).

Significant Remote Contingencies

The Company held no significant remote contingencies.

ACCOUNTING POLICY

Contingent Liabilities

Contingent liabilities are not recognised in the statement of financial position. They may arise from uncertainty as to the existence of a liability or represent liability in respect of which the amount cannot be reliably measured. Contingent liabilities are disclosed when settlement is greater than remote. The Trust has no contingent liabilities in either the current or preceding reporting period.

RAAF WELFARE RECREATIONAL COMPANY

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2017

4 KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The Directors of the RAAF Welfare Recreational Company during the financial year were as follows:

Name	Appointed	Resigned
AIR COMMODORE Phillip Theodoor Tammen, AM	25 January 2017	
AIR COMMODORE Andrew Ronald Brooks Elfverson	17 June 2013	25 January 2017
GROUP CAPTAIN Susan Stothart	18 February 2015	21 August 2017
WING COMMANDER Peter Mark Gilbert	28 November 2011	
WING COMMANDER Bruce Francis Perry	13 September 2011	
SQUADRON LEADER Sally Maynard	25 January 2017	
FLIGHT LIEUTENANT Julie Anne Higgs	13 September 2011	25 January 2017
SQUADRON LEADER Peter Donald Alomes, OAM	25 February 2016	30 October 2016
FLIGHT LIEUTENANT Jennifer Jones	25 January 2017	

Directors act in a honorary capacity therefore no income was received or due or receivable by any Director of the RAAF Welfare Recreational Company during the financial year 2016-17:

- a. from the RAAF Welfare Recreational Company or any related party in connection with the management of the RAAF Welfare Recreational Company, or
- b. from the RAAF Welfare Recreational Company in connection with the management of a related party.

5 RELATED PARTY DISCLOSURES

The entity is an Australian Government controlled entity. Related parties to this entity are Directors, Key Management Personnel including the Minister for Defence Personnel and Chief of Air Force, the RAAF Central Welfare Trust Fund and other Australian Government entities.

DIRECTORS

The names of each person holding the position of Director of the Company during the financial year are:

AIR COMMODORE	Phillip Theodoor Tammen, AM
AIR COMMODORE	Andrew Ronald Brooks Elfverson
GROUP CAPTAIN	Susan Stothart
WING COMMANDER	Peter Mark Gilbert
WING COMMANDER	Bruce Francis Perry
SQUADRON LEADER	Sally Maynard
FLIGHT LIEUTENANT	Julie Anne Higgs
SQUADRON LEADER	Peter Donald Alomes, OAM
FLIGHT LIEUTENANT	Jennifer Jones

RELATED PARTY TRANSACTIONS

Directors who utilised holiday accommodation declared such use and paid the rates applicable to all other eligible users. During the year, the Chief of Air Force has authorised the appointment of new Directors and terminated the appointments of outgoing Directors. The Minister for Defence Personnel approved the tabling of the 15/16 Annual Report. One Board meeting was held at Ambassador Apartments (Gold Coast). No accommodation fees were incurred and no allowances or expenses were claimed or paid by the Trust to Directors for attendance.

The Company acts solely as trustee for the RAAF Central Welfare Trust Fund. Also refer to Overview a., b. and c.

	2017 \$	2016 \$
6 AUDITORS' REMUNERATION		
Amounts received or due and receivable for:		
Audit of financial statements	<u>10,000</u>	<u>15,500</u>
Auditors remuneration is paid from Trust funds.	<u>10,000</u>	<u>15,500</u>

7 RAAF WELFARE RECREATIONAL COMPANY DETAILS

Department of Defence
Brindabella Park (BP29-2-206)
CANBERRA ACT 2610