
THE
RAAF WELFARE RECREATIONAL COMPANY
ANNUAL REPORT 2015 - 2016

THE
RAAF WELFARE RECREATIONAL COMPANY

Annual Report

For the period

1 July 2015 to 30 June 2016

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RWRC
Brindabella Park (BP29-2-163)
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Department of Defence
CANBERRA BC ACT 2610

RAAF WELFARE RECREATIONAL COMPANY

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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 2016. 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*. Responsible Minister's during the reporting period were The Hon Stuart Robert MP, The Hon Darren Chester MP and The Hon Robert McCormack MP.

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.
Group Captain	Susan Stothart – Director, Senior Officer Management Personnel Branch – Air Force. Director since 18 February 2015.
Wing Commander	Peter Mark Gilbert – Commanding Officer No 28 Squadron. Director since 21 November 2011.
Squadron Leader	Kim Michelle Samin, OAM – Deputy Director Operations – Personnel Branch - Air Force. Director since 22 August 2001.
Flight Lieutenant	Julie Anne Higgs – Strategic Communications OPSO. Director since 13 September 2011.
Wing Commander	Bruce Francis Perry – Staff Officer – Personnel Branch -Air Force. Director since 13 September 2011.
Squadron Leader	Peter Donald Alomes, OAM. Appointed on 25 February 2016 as Alternate to Wing Commander Perry for the period of his deployment (March 2016 to 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

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 PGPA Rule also requires that the report must include an outline of the actions taken to remedy any non-compliance.

The Accountable Authority reports that there were no instances of non-compliance during the reporting period.

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 objectives and comprised 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 2015/2016 the RWRC Board met 5 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	5	5
Group Captain S. Stothart		5	4
Wing Commander P. M. Gilbert	Chair Audit Committee	5	4
Wing Commander (Res) B.F. Perry		3	1
Squadron Leader K.M. Samin		3	3
Flight Lieutenant J.A Higgs		5	5
Squadron Leader Peter Alomes	Secretary	2	2

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

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
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
Squadron Leader K.M. Samin: Non Executive Director		Nil
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

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, BP29-2-163, 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

Staff supporting the operations of the RWRC are employed by the Commonwealth (Department of Defence) and, as such, fall within the policies and procedures of the Department of Defence for WHS purposes.

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 2016.

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 2015.

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
(Managers of Ambassador
apartments on the Gold Coast,
QLD)

Signed in accordance with a resolution of the Directors.



A.R.B. ELFVERSON
Air Commodore
Chairman of RWRC

29 September 2016



P.D. ALOMES
Squadron Leader
Secretary / CFO RWRC

29 September 2016

PERFORMANCE STATEMENT

We, as members of, and on behalf of the Accountable Authority of the RAAF Welfare Recreational Company, have elected to present a 2015/2016 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.



A.R.B. ELFVERSON
Air Commodore
Chair
RAAF Welfare Recreational Company

29 September 2016



P.D. ALOMES
Squadron Leader
Secretary
RAAF Welfare Recreational
Company

29 September 2016

PERFORMANCE STATEMENT 2015/2016

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><i>Marrakai</i> – 75% (Darwin)</p>	<p>Ambassador: 66% occupancy achieved</p> <p>Tuscany: 48% occupancy achieved</p> <p>Marrakai: 79% occupancy achieved (lease concluded January 2016)</p>	<p>The occupancy level at <i>Ambassador</i> held the increase recorded in 14/15 as holiday conditions for the past two years have not been as volatile as in previous years. Occupancy at <i>Tuscany</i> continues to disappoint however; the commercial market is also somewhat subdued. The poor outcome vindicates the decision to rationalise asset holdings at Merimbula. Nonetheless, the occupancy decline recorded in 14/15 was addressed and recovered by 6% to 13/14 levels. Changes to conditions of service over the years have resulted in the reasons for the <i>Marrakai</i> leased apartment being no longer valid. As such, and after consultation, the lease was not extended. A pleasing 79% occupancy was recorded during the lease period.</p>
Performance Measure 2	Achievement	Analysis
<p>Achieve a cash neutral operational outcome for recreational facilities</p>	<p>Ambassador: Income up 3.64%, expenses up 5.90% and an increased negative outcome due to ‘one-off’ expenses.</p> <p>Tuscany: Outcomes improved which validates the Board decision to rationalise loss making holdings. Prior year cash loss of \$0.030m was reduced to \$0.019m.</p> <p>Marrakai: The ‘cash’ loss of \$0.06 was disappointing for the lease period but a significant improvement on the prior year loss of \$0.022</p>	<p>The overall ‘cash’ loss on holiday facility operations, whilst disappointing, was not unexpected. Decisions taken and implemented have improved outcomes during 15/16; albeit ‘one off’ expenses at <i>Ambassador</i> impacted negatively. The Board anticipates 16/17 outcomes will positively reflect a full year impact of earlier decisions and it is anticipated the entity will be close to achieving a cash neutral operational outcome.</p>

Performance Measure 3	Achievement	Analysis
<i>Demonstrate majority occupancy of Air Force personnel</i>	All facilities reflected reduced occupancy by Air Force personnel; offset by increases other eligible user categories.	Whilst Air Force members remained the highest user group, there was and is no ready explanation for the reduction in numbers using the holiday facilities. Statistics will be monitored during 16/17.

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 15/16 was \$0.111m; a small but welcome decrease on the 14/15 recorded loss of \$0.130m.	As anticipated, the operational outcome has improved during 15/16 despite unexpected expenses and will continue this trend during 16/17 as decisions taken and implemented by the Board have a full year to impact.
Performance Measure 2	Achievement	Analysis
<i>Property valuations are accurate</i>	A formal valuation has been completed for the <i>Ambassador</i> apartments. A desk top valuation exercise was completed for <i>Tuscany</i> apartments as a formal valuation was conducted at 30 June 2015.	A formal valuation of the <i>Ambassador</i> apartments has for the first time in a number of years provided a welcome increase of some \$0.430m in the value of the asset. The <i>Tuscany</i> property value remains as reflected in the 2015 valuation due to the sombre nature of the market in Southern NSW and surrounds.

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 whilst values at <i>Ambassador</i> (Gold Coast) apartments increased after formal valuation by some \$0.430m or 11.5%.</p> <p>Investment income was down due unavoidable delays in establishing a revised investment construct.</p>	<p>Property. Despite a negative operational outcome for holiday facilities, improved land and building values resulted in an overall positive return on net assets of 3.82%.</p> <p>Investment. Once the revised investment construct was established it was agreed that a six month stabilisation period apply followed by a performance review. Once the review is completed (November 2016), the investment construct will be completed in its entirety and improved outcomes are expected to follow.</p>

TRUST VALUE

Performance Measure 1	Achievement	Analysis
<i>Discontinue leasing at Ambassador and review lease at Marrakai (Darwin)</i>	The leases for the privately owned apartments at <i>Ambassador</i> (Gold Coast) and the <i>Marrakai</i> (Darwin) have not been extended.	Whilst discontinuing leases will assist to mitigate expenses, improvements in investment outcomes and recreational facility returns along with asset rationalisations will add to Trust value in the coming years. FY16/17 will reflect the full year impact not incurring lease costs.

ADMINISTRATIVE OBJECTIVES

Performance Measure 1	Achievement	Analysis
<i>Annual Report provided to Minister by 15 October</i>	The Secretariat is on track to provide a draft copy of the 2015/2016 Report by 15 October.	The entity will comply with provisions that require the responsible Minister to be provided a copy of the Annual Report by the end of October.

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 2015/2016 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. Nonetheless, outcomes have improved and will continue to do as a result of a full year impact of past decisions taken and implemented. The improved operational outcome for FY15/16 will therefore be built upon and improved during FY16/17.

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.

A revised 'active' investment construct will be fully realised in the second half of FY16/17 and, markets permitting, the business entity will begin to see the full benefits of a measured and thorough process in establishing the new portfolio.

Whilst the operational outcome for the entity was a disappointing loss of (\$110 720), the overall worth of the entity shows a pleasing increase of \$504 467 due to increased asset revaluations of the *Ambassador Apartments* (and associated adjustments) on the Gold Coast.

RAAF WELFARE RECREATIONAL COMPANY**DIRECTORS' DECLARATION**

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

The Directors of the Company declare that:

1. The attached consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position of the Company as at 30 June 2016 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.

Signed in accordance with a resolution of the Directors.

Dated at Canberra this 29 day of September 2016.

On behalf of the Directors

Director

Director



Air Commodore Andrew Elfverson
Chairperson, Board of Directors
RAAF Welfare Recreational Company
Department of Defence
Russell Offices
PO Box 7901
Russell ACT 2601

**RAAF WELFARE RECREATIONAL COMPANY FINANCIAL REPORT 2015-16
AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my audit of the financial report of the Royal Australian Air Force Welfare Recreational Company and consolidated entities for the year ended 30 June 2016, to the best of my knowledge and belief, there has 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

Sean Benfield
Audit Principal
Delegate of the Auditor-General

Canberra
29 September 2016



INDEPENDENT AUDITOR'S REPORT

To the members of the Royal Australian Air Force Welfare Recreational Company

I have audited the accompanying financial report of the Royal Australian Air Force Welfare Recreational Company, which comprises the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position as at 30 June 2016, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended, Notes to and Forming Part of the Consolidated Financial Statements comprising a Summary of Significant Accounting Policies and other explanatory information, and the Directors' Declaration of the consolidated entity comprising the Royal Australian Air Force Welfare Recreational Company and the entities it controlled at the years end or from time to time during the financial year.

Opinion

In my opinion, the financial report of the Royal Australian Air Force Welfare Recreational Company 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 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that

gives a true and fair view 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*.

Australian National Audit Office



Sean Benfield
Audit Principal
Delegate of the Auditor-General

Canberra
29 September 2016

RAAF WELFARE RECREATIONAL COMPANY

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2016

	Notes	Consolidated	
		2016 \$	2015 \$
Continuing operations			
Sale of goods and rendering of services	3A	351,411	368,526
Interest	3B	59,027	129,089
Other revenue	3C	42,469	38,866
Fair Value Movement in Investments	3D	32,721	8,498
Total revenue		<u><u>485,628</u></u>	<u><u>544,979</u></u>
Employee benefits	4A	42,469	38,866
Supplier	4B	458,128	555,975
Depreciation	4C	72,349	80,479
Loss on available for sale assets	4D	23,402	-
Total expenses		<u><u>596,348</u></u>	<u><u>675,320</u></u>
Loss for the year from continuing operations		<u><u>(110,720)</u></u>	<u><u>(130,341)</u></u>
Other Comprehensive Income			
Items not subject to subsequent reclassification to profit or loss			
Revaluations of land and buildings		615,187	143,284
Other comprehensive income for the year		<u><u>615,187</u></u>	<u><u>143,284</u></u>
Total comprehensive income / (loss) for the year attributable to owners of the Company		<u><u>504,467</u></u>	<u><u>12,943</u></u>

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

RAAF WELFARE RECREATIONAL COMPANY

Consolidated Statement of Financial Position as at 30 June 2016

		Consolidated	
	Notes	2016 \$	2015 \$
ASSETS			
Financial assets			
Cash and cash equivalents	6A	1,128,776	1,397,530
Trade and other receivables	6B	23,585	14,085
Other Investment	6C	1,753,928	1,215,842
Assets held for sale	7E	629,154	378,480
Total financial assets		<u>3,535,443</u>	<u>3,005,937</u>
Non-financial assets			
Land and buildings	7A,C	4,779,761	4,771,598
Property, plant and equipment	7B,C	34,952	45,952
Other non-current assets	7D	41,797	46,544
Total non-current assets		<u>4,856,510</u>	<u>4,864,094</u>
Total assets		<u>8,391,953</u>	<u>7,870,031</u>
LIABILITIES			
Current liabilities			
Trade payables	8A	(27,253)	(22,496)
Other payables	8B	(13,635)	(18,172)
Total current liabilities		<u>(40,888)</u>	<u>(40,668)</u>
Non-current liabilities			
Provisions			
Other provisions	9	(1,874)	(1,874)
Total provisions		<u>(1,874)</u>	<u>(1,874)</u>
Total liabilities		<u>(42,762)</u>	<u>(42,542)</u>
Net assets		<u>8,349,191</u>	<u>7,827,489</u>
EQUITY			
Reserves		3,835,191	3,220,004
Retained earnings		4,514,000	4,607,485
Total equity		<u>8,349,191</u>	<u>7,827,489</u>

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

RAAF WELFARE RECREATIONAL COMPANY

Consolidated Statement of Changes in Equity for the period ended 30 June 2016

	Retained earnings		Asset revaluation reserve		Total Equity	
	Consolidated		Consolidated		Consolidated	
	2016	RCWTF 2016	2016	RCWTF 2016	2016	RCWTF 2016
Opening balance	\$	\$	\$	\$	\$	\$
Balance at 01 July 2015	4,607,485	4,607,485	3,220,004	3,220,004	7,827,489	7,827,489
Prior year adjustment	4,607,485	4,607,485	3,220,004	3,220,004	7,827,489	7,827,489
	17,235	17,235	-	-	17,235	17,235
Profit (loss) for the year	4,624,720	4,624,720	3,220,004	3,220,004	7,844,724	7,844,724
Other comprehensive income	(110,720)	(110,720)	-	-	(110,720)	(110,720)
Total comprehensive income for the year	-	-	615,187	615,187	615,187	615,187
	(110,720)	(110,720)	615,187	615,187	504,467	504,467
Balance at 30 June 2016	4,514,000	4,514,000	3,835,191	3,835,191	8,349,191	8,349,191

For the period ended 30 June 2015

	Retained earnings		Asset revaluation reserve		Total Equity	
	Consolidated		Consolidated		Consolidated	
	2015	RCWTF 2015	2015	RCWTF 2015	2015	RCWTF 2015
Opening balance	\$	\$	\$	\$	\$	\$
Balance at 01 July 2014	4,737,826	4,737,826	3,076,720	3,076,720	7,814,546	7,814,546
Profit (loss) for the year	4,737,826	4,737,826	3,076,720	3,076,720	7,814,546	7,814,546
Other comprehensive income	(130,341)	(130,341)	-	-	(130,341)	(130,341)
Total comprehensive income for the year	-	-	143,284	143,284	143,284	143,284
	(130,341)	(130,341)	143,284	143,284	12,943	12,943
Balance as at 30 June 2015	4,607,485	4,607,485	3,220,004	3,220,004	7,827,489	7,827,489

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

RAAF WELFARE RECREATIONAL COMPANY

Consolidated Cash Flow Statement for the period ended 30 June 2016

	Notes	Consolidated	
		2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from:			
Sale of goods and rendering of services		342,807	359,958
Interest		23,250	36,580
Distribution from managed fund - AMP		17,645	95,234
Refund of imputation credits		5,770	4,497
Net GST received		17,256	24,511
Total cash received		<u>406,728</u>	<u>520,780</u>
Payments to:			
Suppliers		(467,177)	(500,988)
Grants paid		-	-
Total cash used		<u>(467,177)</u>	<u>(500,988)</u>
Net cash (used in) / generated by operating activities	10	<u>(60,449)</u>	<u>19,792</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Received			
Proceeds from loan repayments		5,862	5,862
Proceeds from sale of property		293,452	300,643
Proceeds from investments		(503,000)	-
Net cash (used in) / generated by investing activities		<u>(203,686)</u>	<u>306,505</u>
Cash used for:			
Loans to related entities		-	-
Payments for property, plant and equipment		(4,619)	(2,256)
Payments for investments		-	(95,234)
Total cash used		<u>(4,619)</u>	<u>(97,490)</u>
Net cash used from (used in) investing activities		<u>(208,305)</u>	<u>209,015</u>
Net increase / (decrease) in cash and cash equivalents		(268,754)	228,807
Cash and cash equivalents at the beginning of the reporting period		1,397,530	1,168,723
Cash and cash equivalents at the end of the reporting period	6A	<u>1,128,776</u>	<u>1,397,530</u>

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

RAAF WELFARE RECREATIONAL COMPANY**Table of Contents - Notes**

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RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements

for the year ended 30 June 2016

NOTE 1- OVERVIEW

(a) Objective of the RAAF Welfare Recreational Company (RWRC)

The RWRC is an Australian Government Commonwealth controlled entity. It is a not-for-profit entity. The objective of the RWRC is 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.

The RWRC does not receive nor is reliant on Australian Government funding.

(b) Basis of Preparation

The financial reports have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which fair value basis of accounting has been applied.

The statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board section 97 of the *Public Governance, Performance and Accountability Act 2013*.

(c) Significant Account Judgements and Assumptions

Revaluation of Land and Buildings

When formal valuations of Land and Buildings are not conducted, the Board reviews current market values through electronic mediums and informal enquiries to determine if there has been a material shift in local market values. Where there is no material shift, values remain unadjusted. Where those investigations reveal a material shift in values, a formal valuation is then conducted.

In the process of applying the accounting policies listed in this note, the RWRC has made a judgement that have the most significant impact on the amounts recorded in the financial report: the fair value of land and buildings has been taken to be market value of similar properties as determined by an independent valuer.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(d) Basis of Consolidation

The consolidated financial report comprise the financial report of the RWRC and subsidiary RAAF Central Welfare Trust Fund for the year ended 30 June 2016.

AASB 127 (Consolidated and Separate Financial Statements) requires a parent entity that is in a group to present consolidated financial reports that consolidate its investments in controlled entities in accordance with AASB 127. The parent and subsidiaries apply consistent accounting policies and the effects of all transactions and balances between the entities are eliminated in full. The financial reports of the subsidiaries are prepared for the same period as the parent entity.

The consolidated financial report incorporates the assets and liabilities of all subsidiaries controlled by RWRC as at 30 June 2016 and the results of the controlled entity for the year then ended.

(e) Australian Accounting Standards and Interpretations

Adoption of AASB 127 - Consolidated and Separate Financial Statements

In prior years, separate financial reports were prepared for the RWRC and its Trustee entity - The RAAF Central Welfare Trust Fund (RCWTF). The RWRC now presents these statements as consolidated financial reports. This reduces duplicated information and presents more clearly the overall financial position of the entity.

The RWRC is the Trustee of the RCWTF. The principal activity of the RWRC was to act as Trustee to the fund. The Company does not, and did not carry out any business activity of its own behalf and did not earn a profit nor incur a loss during the year.

RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements for the year ended 30 June 2016 (Continued)

NOTE 1- OVERVIEW (CONTINUED)

Corporations Regulation 2M.3.01 requires the following disclosures in relation to the parent entity:

Current Assets of the Parent Entity:	nil
Total Assets of the Parent Entity:	nil
Current Liabilities of the Parent Entity:	nil
Total Liabilities of the Parent Entity:	nil
Total Equity of the Parent Entity:	nil

As indicated, the entity did not and does not conduct business in its own right and therefore did not generate income or incur expenses. As such, no profit or loss was recorded. Additionally, the RWRC has no contingent liabilities, did not provide guarantees and has not entered into contract's in its own right for the acquisition of property, plant or equipment.

Comparative information is reflected in the financial report and notes.

Changes in Accounting Policy and Disclosures

No accounting standard has been adopted earlier than the application date as stated in the standard.

Other new standards/revised standards/interpretations/amending standards that were issued prior to the sign off date and are applicable to the current reporting period did not have a financial impact, and are not expected to have a future financial impact on the RWRC.

Accounting Standard Requirements and Interpretations issued but not yet effective

All new standards/revised standards/interpretations/amending standards that were issued prior to the sign off date and are applicable to the future reporting period are not expected to have a future financial impact on the RWRC.

(f) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Revenue from rental accommodation is recognised on a proportional basis taking into account the period for which rent is received.

Revenue from the sale of goods is recognised upon delivery of goods to the customer.

Revenue from managed investment funds are recognised as and when distributions are declared by the fund manager.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

Resources Received Free of Charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources free of charge are recorded as either revenue or gains depending on their nature.

(g) Gains / Losses

Sale of Assets

Gains from disposal of assets are recognised when control of the asset has passed to the buyer. Fair value gains arising from remeasuring investments held at fair value are recognised through profit and loss.

(h) Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements for the year ended 30 June 2016 (Continued)

NOTE 1- OVERVIEW (CONTINUED)

(i) Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a) cash on hand; and
- b) demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(j) Financial Assets

The RWRC classifies its financial assets in the following categories:

- a) available-for-sale financial assets; and
- b) loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value of non financial assets are recognised directly in reserves (equity).

Other Investments at Fair Value through Profit and Loss

Assets in this category are classified as current assets. Other investments at fair value through the profit and loss are stated at fair value, with any resultant gain or loss recognised through profit and loss. The net gain or loss recognised in the profit and loss incorporates unrealised gains and losses at year end on other investments.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

(k) Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Other Financial Liabilities

Supplier and other payables are recognised at amortised costs. Liabilities are recognised to the extent that the goods and services have been received (and irrespective of having been invoiced).

(l) Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in Note 11. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote. The RWRC has no contingent assets or contingent liabilities in either the current or preceding reporting period.

(m) Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$250, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

Fair values for each class of asset are determined as shown below:

<i>Asset class</i>	<i>Fair value measurement</i>
Land	Market selling price
Buildings excluding leasehold improvements	Market selling price
Plant and equipment	Depreciated replacement cost

RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements for the year ended 30 June 2016 (Continued)

NOTE 1- OVERVIEW (CONTINUED)

Following initial recognition at cost, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. It is the policy of the RWRC to have land and buildings independently valued progressively every three to five years. The key assumptions to determine the fair value of the properties are provided in Note 5.

Revaluation adjustments were made on a class basis. Any relevant increment was credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets were recognised directly in the surplus/deficit except to the extent that the reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the RWRC using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and all necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are:

Class of Asset	Depreciation Rate	Prior Year
Buildings	2%	2%
Furniture & Fittings	15 – 20 %	15 – 20 %

Impairment

All assets were assessed for impairment at 30 June 2016. Where indications of impairment exists, all asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than it's carrying amount.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(n) Taxation

The RWRC is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- a) where the amount of GST incurred is not recoverable from the Australian Taxation Office: and
- b) for receivables and payables.

(o) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) Losses from Loan Re-measurement

In accordance with AASB 139, the decision to provide a loan at no interest rate represents income foregone by the lender. The income foregone (or financial loss) should be recognised at the time of the decision to make the loan rather than over the life of the loan. Therefore the accounting standard requires that the loss be recognised at the time that the loan is made. After initial recognition, the loan should be treated consistent with a commercial loan (as represented by the recognition of interest revenue over the remaining life of the loan).

In accounting terms, AASB 139 requires that:

1. Financial assets issued at less than at market rate are required to be discounted to their fair value, with the difference between the issue price and the fair value (that is, the financial loss for interest foregone) being recognised as a loss in the statement of comprehensive income and as a reduction in the value of the loan receivable.
2. Over the life of the loan, a notional interest income is recognised as interest revenue in the statement of comprehensive income and an increase in the loan receivable.

RAAF WELFARE RECREATIONAL COMPANY**Notes to and Forming Part of the Consolidated Financial Statements
for the year ended 30 June 2016 (Continued)****(q) Events After the Reporting Period**

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the RWRC.

Note 2 Prior Year Adjustment

An entry of \$17 235 has been applied to Equity to correct the application of the land component value of against buildings and write back of depreciation in giving effect to transactions reflecting an asset sale during financial year 2014/2015.

RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements for the year ended 30 June 2016 (Continued)

NOTE 3: OWN SOURCE REVENUE	2016 \$	2015 \$
NOTE 3A: Sale of Goods and Rendering of Services	Consolidated	
Sale of goods in connection with		
Related parties	351,411	362,765
External parties	-	5,761
Total sale of goods	351,411	368,526
Total sale of goods and rendering of services	351,411	368,526
NOTE 3B: Interest		
Deposits and managed fund	57,177	126,935
Fair value interest amortisation	1,850	2,154
Total interest	59,027	129,089
NOTE 3C: Other Revenue		
Resources received free of charge - services	42,469	38,866
Total other revenue	42,469	38,866
NOTE 3D: Gains in Fair Value Movements on Investments		
Fair Value Movement in Investments	32,721	8,498
	32,721	8,498
Total Revenue	485,628	544,979
NOTE 4: EXPENSES	2016 \$	2015 \$
NOTE 4A: Employee benefits		
Wages and salaries	(42,469)	(38,866)
Total employee benefits	(42,469)	(38,866)
NOTE 4B: Suppliers		
Goods and services supplied or rendered		
Property expenses	(429,815)	(530,809)
Head office expenses	(28,313)	(25,166)
Grants	-	-
Total goods and services supplied or rendered	(458,128)	(555,975)
Goods supplied in connection with		
Related parties	-	-
External parties	(458,128)	(555,975)
Total goods supplied	(458,128)	(555,975)
Total goods and services supplied or rendered	(458,128)	(555,975)
Total suppliers	(458,128)	(555,975)
NOTE 4C: Depreciation		
Property, plant and equipment	(13,765)	(17,223)
Buildings	(58,584)	(63,256)
Total depreciation	(72,349)	(80,479)
NOTE 4D: Gain / (loss) on Sale of Assets		
Land and Buildings		
Proceeds from sale	302,273	-
Carrying value of asset sold	(315,000)	-
Selling expenses	(10,675)	-
Total losses from asset sales	(23,402)	-

RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements for the year ended 30 June 2016 (Continued)

NOTE 5: FAIR VALUE MEASUREMENTS

The following tables provide an analysis of assets that are measured at fair value.
The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets that the entity can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
Level 3: Unobservable inputs for the asset

NOTE 5A: Fair Value Measurements, Valuation Techniques and Inputs Used

	Fair value measurements at the end of the reporting period		For levels 2 and 3 fair value measurements			
	2016 \$	2015 \$	Category (level 1, 2, or 3)	Valuation technique	Inputs used	Range (weighted average)
Non-financial assets						
Land	1,681,438	1,595,241	Level 2	Market comparables	Sales price of comparable land size. Long-term land appreciation rate.	
Buildings on freehold land	3,098,323	3,176,357	Level 2	Market comparables	Sale of comparable apartments in geographic location.	
Other property, plant and equipment	34,952	45,952	Level 3	Depreciated replacement cost	Asset replacement cost reduced by depreciation and obsolescence.	
Total non-financial assets	4,814,713	4,817,550				
Total fair value measurements in the statement of financial position	4,814,713	4,817,550				

1. No change in valuation technique occurred during the period.
2. Fair value measurements - highest and best use differs from current use for non-financial assets.
The highest and best use of all non-financial assets are the same as their current use.
No change in valuation technique occurred during the period.

3. Recurring and non-recurring Level 3 fair value measurements - valuation process
The significant unobservable inputs used in the fair value measurement of the entity's plant and equipment is the ATO depreciation rate guide of the different Assets.

A reconciliation of other property, plant and equipment has been included in note 7.
There have been no transfers between level 1 and level 2 during the reporting period.

RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements for the year ended 30 June 2016 (Continued)

	Consolidated	
	2016	2015
NOTE 6: FINANCIAL ASSETS	\$	\$
NOTE 6A: Cash and Cash Equivalents		
Cash on hand or on deposit	1,128,776	1,397,530
Total cash and cash equivalents	<u>1,128,776</u>	<u>1,397,530</u>
NOTE 6B: Trade and Other Receivables		
Goods and Services:		
Goods and services - external parties	3,205	6,131
Accrued interest	10,266	4,051
Total receivables for goods and services	<u>13,471</u>	<u>10,182</u>
Other receivables:		
GST receivable from the Australian Taxation Office	10,114	3,903
Total other receivables	<u>10,114</u>	<u>3,903</u>
Total trade and other receivables (net)	<u>23,585</u>	<u>14,085</u>
Receivables are expected to be recovered in:		
No more than 12 months	23,585	14,085
Total trade and other receivables (net)	<u>23,585</u>	<u>14,085</u>
Receivables are aged as follows:		
Not overdue	23,585	14,085
Total receivables (gross)	<u>23,585</u>	<u>14,085</u>
NOTE 6C: Other Investments		
AMP Managed Investment Portfolio	-	1,215,842
Colonial First State	1,481,720	-
Vanguard ETF	272,208	-
Total other investments	<u>1,753,928</u>	<u>1,215,842</u>
Total other investments are expected to be recovered in:		
More than 12 months	1,753,928	1,215,842
Total other investments	<u>1,753,928</u>	<u>1,215,842</u>
NOTE 7. NON-FINANCIAL ASSETS		
NOTE 7A: Land and Buildings		
Land:		
Fair value	1,681,438	1,595,241
Total land	<u>1,681,438</u>	<u>1,595,241</u>
Buildings on freehold land:		
Fair value	3,108,562	3,313,198
Accumulated depreciation	(10,239)	(136,841)
Total buildings on freehold land	<u>3,098,323</u>	<u>3,176,357</u>
Total land and buildings	<u>4,779,761</u>	<u>4,771,598</u>
NOTE 7B: Property, Plant and Equipment		
Other property, plant and equipment:		
Fair value	272,503	293,137
Accumulated depreciation	(237,551)	(247,185)
Total other property, plant and equipment	<u>34,952</u>	<u>45,952</u>
Total property, plant and equipment	<u>4,814,713</u>	<u>4,817,550</u>
Revaluation of non-current assets		

All revaluations were conducted in accordance with the revaluation policy stated at Note 1(m). On 30 June 2016 an independent valuer, Corbetts Valuers of Southport QLD, conducted revaluations of the Ambassador apartments.

Revaluation increment for land was \$208 333 (2015: nil).

Revaluation increments include \$221 667 for buildings on freehold land (2015: \$143 284 for Tuscan apartments).

A revaluation increment of \$430 000 was transferred to the asset revaluation reserve by asset class and included in the equity section of the balance sheet.

RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements for the year ended 30 June 2016 (Continued)

NOTE 7C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment 2016 - Consolidated

	Land	Buildings	Total land and buildings	Other property, plant and equipment	Total
	\$	\$	\$	\$	\$
As at 1 Jul 2015					
Gross book value	1,595,241	3,313,198	4,908,439	293,137	5,201,576
Accumulated depreciation		(136,841)	(136,841)	(247,185)	(384,026)
Net book value 1 July 2015	1,595,241	3,176,357	4,771,598	45,952	4,817,550
Additions:					
By purchase	-	-	-	4,619	4,619
Revaluations and impairments recognised in other comprehensive income	208,333	221,667	430,000	-	430,000
Depreciation expense	-	(58,584)	(58,584)	(13,765)	(72,349)
Assets held for sale	(122,136)	(507,018)	(629,154)	-	(629,154)
Disposals:					
Other	-	-	-	(25,253)	(25,253)
Write back accumulated depreciation	-	184,341	184,341	23,399	207,740
Other	-	81,561	81,561	-	81,561
Net book value 30 June 2016	1,681,438	3,098,323	4,779,761	34,952	4,814,713
Net book value as of 30 June 2016 represented by:					
Gross book value	1,681,438	3,108,562	4,790,000	272,503	5,062,503
Accumulated depreciation	-	(10,239)	(10,239)	(237,551)	(247,790)
Net book value 30 June 2016	1,681,438	3,098,323	4,779,761	34,952	4,814,713

Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment 2015 - Consolidated

	Land	Buildings	Total land and buildings	Other property, plant and equipment	Total
	\$	\$	\$	\$	\$
As at 1 Jul 2015					
Gross book value	1,717,200	3,169,914	4,887,114	315,897	5,203,011
Accumulated depreciation		(73,585)	(73,585)	(253,245)	(326,830)
Net book value 1 July 2015	1,717,200	3,096,329	4,813,529	62,652	4,876,181
Additions:					
By purchase	-	-	-	2,256	2,256
Revaluations and impairments recognised in other comprehensive income	-	143,284	143,284	-	143,284
Depreciation expense	-	(63,256)	(63,256)	(17,223)	(80,479)
Assets held for sale	(121,959)		(121,959)	-	(121,959)
Disposals:					
Other	-	-	-	(25,016)	(25,016)
Accumulated depreciation	-	-	-	23,283	23,283
Net book value 30 June 2015	1,595,241	3,176,357	4,771,598	45,952	4,817,550
Net book value as of 30 June 2015 represented by:					
Gross book value	1,595,241	3,313,198	4,908,439	293,137	5,201,576
Accumulated depreciation	-	(136,841)	(136,841)	(247,185)	(384,026)
Net book value 30 June 2015	1,595,241	3,176,357	4,771,598	45,952	4,817,550

	Consolidated	
	2016	2015
	\$	\$
NOTE 7D: Other non-current assets		
Prepayments	25,614	26,350
Loan	12,617	16,628
Security Deposits	3,556	3,556
Shares in DEFBANK	10	10
Total other non-current assets	41,797	46,544

RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements for the year ended 30 June 2016 (Continued)

		Consolidated	
		2016	2015
		\$	\$
NOTE 7D:	Total other non-current assets - are expected to be recovered in:		
(continued)	No more than 12 months	33,004	31,101
	More than 12 months	8,793	15,443
	Total other non-current assets	<u>41,797</u>	<u>46,544</u>

No indicators of impairment were found for other non-financial assets.

NOTE 7E Assets Held for Sale

Six apartments were purchased in 1996 from the proceeds of the sale of the Headquarters Support Command Officer's and Sergeant's Messes. Due to declining occupancy within the hospitality industry generally, and being experienced by the Company, the Board have decided to sell the six apartments in a graduated process.

		2016			2015
		\$	\$	\$	\$
		Buildings	Land	Total	
Tuscany apartments	Fair value of apartments	507,864	122,136	630,000	382,037
	Less: Accumulated depreciation	(846)	-	(846)	(3,557)
	Carrying amount	<u>507,018</u>	<u>122,136</u>	<u>629,154</u>	<u>378,480</u>

RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements for the year ended 30 June 2016 (Continued)

		Consolidated	
		2016	2015
		\$	\$
NOTE 8:	PAYABLES		
NOTE 8A:	Suppliers		
	Trade creditors and accruals	(27,253)	(22,496)
	Total supplier payables	<u>(27,253)</u>	<u>(22,496)</u>
	Supplier payables expected to be settled within 12 months:		
	External parties	(27,253)	(22,496)
	Total	<u>(27,253)</u>	<u>(22,496)</u>
	Total supplier payables	<u>(27,253)</u>	<u>(22,496)</u>
NOTE 8B:	Other Payables		
	Prepayments received/unearned income	(13,635)	(18,172)
	Total other payables	<u>(13,635)</u>	<u>(18,172)</u>
	Total other payables are expected to be settled in:		
	No more than 12 months	(13,635)	(18,172)
	Total other payables	<u>(13,635)</u>	<u>(18,172)</u>
NOTE 9:	PROVISIONS		
	Other Provisions		
	Provision for AVM B.A. Eaton Memorial	(1,874)	(1,874)
	Total other provisions	<u>(1,874)</u>	<u>(1,874)</u>
	Other provisions are expected to be settled in:		
	More than 12 months	(1,874)	(1,874)
	Total other provisions	<u>(1,874)</u>	<u>(1,874)</u>

RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements for the year ended 30 June 2016 (Continued)

NOTE 10: CASH FLOW RECONCILIATION

Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement

	Consolidated	
	2016	2015
	\$	\$
Cash and cash equivalents as per:		
Cash flow statement	1,128,776	1,397,530
Statement of financial position	1,128,776	1,397,530
Discrepancy	<u>-</u>	<u>-</u>

Reconciliation of deficit on continuing operations to net cash from operating activities:

Deficit on continuing operations	(110,720)	(130,341)
Adjustments for non-cash items		
Depreciation/amortisation	72,349	80,479
Loss on disposal of assets	23,402	72,455
Fair Value	(1,850)	(2,154)
Resources received free of charge - goods	42,469	38,866
Resources received free of charge - services	(42,469)	(38,866)
Investment income from Colonial First State	(35,087)	(8,498)
Changes in assets/liabilities		
(Increase)/decrease in net receivables	(1,880)	3,241
(Increase)/decrease in prepayments	736	929
Increase/(decrease) in supplier payables	(7,399)	3,682
Net cash from operating activities	<u>(60,449)</u>	<u>19,792</u>

Note 11: Contingent Assets and Contingent Liabilities

Quantifiable Contingencies

The RAAF Welfare Recreational Company held no quantifiable contingencies as at 30 June 2016 (2015: Nil).

Unquantifiable Contingencies

The RAAF Welfare Recreational Company held no unquantifiable contingencies as at 30 June 2016 (2015: Nil).

Significant Remote Contingencies

The RAAF Welfare Recreational Company held no significant remote contingencies.

NOTE 12: RELATED PARTY DISCLOSURES

(a) The directors of the Trustee Company, the RAAF Welfare Recreational Company, who held office during the financial year were:

AIR COMMODORE	Andrew Ronald Brooks Elfverson
GROUP CAPTAIN	Susan Stothart
WING COMMANDER	Peter Mark Gilbert
WING COMMANDER	Bruce Francis Perry
SQUADRON LEADER	Kim Michelle Samin, OAM
FLIGHT LIEUTENANT	Julie Anne Higgs
SQUADRON LEADER	Peter Donald Alomes, OAM

RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements for the year ended 30 June 2016 (Continued)

(b) Transactions with Directors

No income was received or due or receivable by any director of the Trustee company:
 - from the RWRC or any related party in connection with the management of the RWRC
 - from the RWRC in connection with the management of a related party

NOTE 13: REMUNERATION OF AUDITORS	2016	2015
	\$	\$
Fair value of the services provided		
Financial statement audit services were provided to the RWRC	<u>15,500</u>	<u>12,500</u>
Total	<u><u>15,500</u></u>	<u><u>12,500</u></u>

No other services were provided by the ANAO.

RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements for the year ended 30 June 2016 (Continued)

NOTE 14: FINANCIAL INSTRUMENTS

NOTE 14A: Categories of Financial Instruments

	2016	2015
	\$	\$
Current Assets		
Loans and receivables:		
Cash on hand or on deposit	1,128,776	1,397,530
Trade and other receivables	23,585	14,085
Other investments Colonial and Vanguard	1,753,928	1,215,482
Total	<u>2,906,289</u>	<u>2,627,097</u>
Carrying amount of current assets	<u>2,906,289</u>	<u>2,627,097</u>
Current Liabilities		
Current liabilities measured at amortised cost:		
Trade creditors	(27,253)	(22,496)
Total	<u>(27,253)</u>	<u>(22,496)</u>
Carrying amount of current liabilities	<u>(27,253)</u>	<u>(22,496)</u>

NOTE 14B: Net Income and Expense from Current Assets

	2016	2015
Loans and receivables		
Interest revenue	10,266	4,051
Net gain from loans and receivables	<u>10,266</u>	<u>4,051</u>
Net gain from current assets	<u>10,266</u>	<u>4,051</u>

NOTE 14C: Fair Value of Financial Instruments

	Carrying Amount 2016	Fair value 2016	Carrying Amount 2015	Fair value 2015
Financial Liabilities				
Trade creditors	(27,253)	(27,253)	(22,496)	(22,496)
Total	<u>(27,253)</u>	<u>(27,253)</u>	<u>(22,496)</u>	<u>(22,496)</u>

RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements for the year ended 30 June 2016 (Continued)

NOTE 14D: Credit Risk

The RWRC was exposed to minimal credit risk as receivables were cash and trade receivables.

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired	Not past due nor impaired
	2016	2015
	\$	\$
Cash and cash equivalent	1,128,776	1,397,530
Receivables from goods and services	23,585	14,085
Other investments	1,753,928	1,215,842
Total	2,906,289	2,627,457

NOTE 14E: Liquidity Risk

The RWRC's financial liabilities are payables. The exposure to liquidity risk is based on the notion that the RWRC will encounter difficulty in meeting its obligations associated with financial liabilities. This was highly unlikely due to internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

Maturities for non-derivative current liabilities 2016

	within 1 year \$	Total \$
Trade creditors	(27,253)	(27,253)
Total	(27,253)	(27,253)

Maturities for non-derivative current liabilities 2015

	within 1 year \$	Total \$
Trade creditors	(22,496)	(22,496)
Total	(22,496)	(22,496)

RAAF WELFARE RECREATIONAL COMPANY

Notes to and Forming Part of the Consolidated Financial Statements for the year ended 30 June 2016 (Continued)

NOTE 14F: Market Risk

The RWRC held basic financial instruments that do not expose the RWRC to certain market risks, such as 'Currency Risk' and 'Other price risk'.

Sensitivity Table - Market Risk (Interest Rate Movement)
Risk to which the Trust was exposed as at 30 June 2016

Moneys held as at 30 June	Risk Variable	Change in risk variable %	Effect on Profit and Loss 2016 \$
Decrease in Interest Rate		-1%	(11,288)
Increase in Interest Rate		1%	11,288

Risk to which the Trust was exposed as at 30 June 2015

Moneys held as at 30 June	Risk Variable	Change in risk variable %	Effect on Profit and Loss 2015 \$
Decrease in Interest Rate		-1%	(13,975)
Increase in Interest Rate		1%	13,975

Note 15: Foreign Exchange Risk

The RWRC holds two Exchange Traded Funds (ETFs) held in AUD totalling \$272 207. An ETF is an investment vehicle that combines key features of traditional managed funds and individual stocks. They are open ended funds which like index managed funds, represent portfolios of securities that track specific indexes. The amount held in ETFs represents 3.26% of net financial assets. Dividends are distributed on a quarterly basis; expressed in USD but converted to AUD for payment.

The investment manager monitors risk and provides an active management overlay in order to achieve stated objectives and mitigate risk exposure.

The following table shows the impact of a variation of foreign exchange movement on the ETFs holdings:

Moneys held as at 30 June	\$	Change in risk variable	Effect on asset value
Decrease in Interest Rate	272 207	10.90%	(29,670)
Increase in Interest Rate		10.90%	29,670

2015/16 is the first year of investment in Exchange Traded Funds.

Note 16: RAAF WELFARE RECREATIONAL COMPANY DETAILS

The office of the RWRC is situated at:

Department of Defence
Brindabella Park (BP29-2-163)
CANBERRA ACT 2610

RAAF WELFARE RECREATIONAL COMPANY

Supplementary Information not forming part of the Financial Report for the year ended 30 June 2016

SUMMARY OF OPERATIONS

PROFIT/(LOSS) FROM:

	2016	2015
	\$	\$
HOLIDAY FACILITIES		
Rental Operations - Surfers Paradise	(111,030)	(102,206)
Rental Operations - Marrakai	(6,192)	(21,838)
Rental Operations - Merimbula	(56,795)	(124,305)
RWRC Office	<u>(24,584)</u>	<u>(24,388)</u>
	(198,602)	(272,737)

RAAF CENTRAL WELFARE TRUST FUND OPERATIONS

INCOME

Bank Interest	29,464	31,655
Investment Income	27,712	95,234
Investment Portfolio Movement	32,722	8,498
Fair Value Interest	1,851	2,154
Refundable Imputation Credit	-	5,761
	<u>91,749</u>	<u>143,302</u>

EXPENSES

Advertising	-	(736)
Managed Portfolio Fees	(3,866)	-
Grants	-	(170)
	<u>(3,866)</u>	<u>(906.00)</u>
	87,883	142,396

SURPLUS (DEFICIT) FROM OPERATIONS :

	<u>(110,720)</u>	<u>(130,341)</u>
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**RAAF WELFARE RECREATIONAL COMPANY (Trustee of the)
RAAF CENTRAL WELFARE TRUST FUND**

**SURFERS PARADISE
RENTAL OPERATIONS FOR THE PERIOD
ENDED 30 JUNE 2016**

	2016 \$	2015 \$
INCOME		
Rent Received - Holiday Flats	246,167	237,642
Caretakers Fees	9,032	9,032
Blue Phone	-	7
Miscellaneous Income	388	147
Rental Income -Managers Unit	7,953	7,449
	<hr/>	<hr/>
	263,540	254,277
OPERATING EXPENSES		
Cleaning - Wages, Materials & Pest Control	(56,783)	(54,351)
Fuel & Power	(21,273)	(22,072)
Laundry	(2,109)	(2,366)
Minor Equipment	(2,488)	(1,528)
Repairs and Maintenance	(4,909)	(5,160)
	<hr/>	<hr/>
	(87,563)	(85,476)
ADMINISTRATIVE EXPENSES		
Depreciation - Building	(47,500)	(47,500)
Depreciation - Furn & Fittings (Flats)	(10,216)	(11,123)
Depreciation - Furn & Fittings (Office)	(145)	(158)
General Expenses	(4,102)	(2,046)
Management Fees	(81,447)	(67,399)
Postage and Stationery	(527)	(607)
Rates and Taxes	(45,245)	(43,398)
Telephone	(3,778)	(3,848)
Body Corporate Fees	(60,694)	(61,178)
Rent - Apartment 8	(15,780)	(16,474)
Merchant Credit Card Fees	(4,917)	(4,679)
Computer Expenses	(4,968)	(4,740)
Pay TV Rental	(7,688)	(7,856)
	<hr/>	<hr/>
	(287,008)	(271,006)
OPERATING SURPLUS (DEFICIT)	<u>(111,030)</u>	<u>(102,206)</u>

**RAAF WELFARE RECREATIONAL COMPANY (Trustee of the)
RAAF CENTRAL WELFARE TRUST FUND**

**MARRAKAI
RENTAL OPERATIONS FOR THE PERIOD
ENDED 30 JUNE 2016**

	2016 \$	2015 \$
INCOME		
Rent Received - Holiday Flats	19,807	26,716
	<hr/>	<hr/>
	19,807	26,716
EXPENDITURE		
Cleaning	(1,560)	(3,245)
Fuel & Power	(2,326)	(2,939)
Management Fee	(2,023)	(2,502)
Rent - Apartments	(19,973)	(39,868)
Repairs and Maintenance	(117)	-
	<hr/>	<hr/>
	(25,999)	(48,554)
OPERATING SURPLUS (DEFICIT)	<u>(6,192)</u>	<u>(21,838)</u>

**RWRC OFFICE
OPERATIONS FOR THE PERIOD
ENDED 30 JUNE 2016**

	2016 \$	2015 \$
INCOME		
Bank Interest	-	46
Miscellaneous Income	15	107
Resources Received Free of Charge	42,469	38,866
	<hr/>	<hr/>
	42,484	39,019
EXPENDITURE		
Bank Charges	(504)	(563)
Office Expenses	(627)	(1,075)
General Expenses	(879)	(2,580)
Audit, Accounting Fees	(16,000)	(12,500)
Computer Expenses	(2,600)	(2,178)
Legal Fees	(706)	(2,219)
Insurance	(3,132)	(3,146)
Depreciation - Furn & Fittings (Office)	(150)	(281)
Wages and Salaries	(42,469)	(38,866)
	<hr/>	<hr/>
	(67,068)	(63,407)
OPERATING SURPLUS (DEFICIT)	<u>(24,584)</u>	<u>(24,388)</u>

**RAAF WELFARE RECREATIONAL COMPANY (Trustee of the)
RAAF CENTRAL WELFARE TRUST FUND**

**10-16 MARINE PARADE MERIMBULA
RENTAL OPERATIONS FOR THE PERIOD
ENDED 30 JUNE 2016**

	2016 \$	2015 \$
INCOME		
Rent Received - Holiday Flats	68,049	81,665
	<u>68,049</u>	<u>81,665</u>
OPERATING EXPENSES		
Cleaning - Wages, Materials & Pest Control	(7,072)	(8,545)
Fuel and Power	(5,420)	(8,631)
Pay TV Rental	(1,527)	(2,019)
Repairs and Maintenance	(952)	(2,781)
	<u>(14,971)</u>	<u>(21,976)</u>
ADMINISTRATIVE EXPENSES		
Depreciation - Building	(11,084)	(15,756)
Depreciation - Furn & Fittings (Flats)	(2,666)	(5,075)
Depreciation - Furn & Fittings (Outdoor)	(586)	(586)
Management Fees	(32,558)	(38,220)
Computer Expenses / Commission	(174)	(87)
Linen Cleaning and Replacements	(7,150)	(8,591)
General Expenses	-	-
Rates and Taxes	(9,842)	(14,355)
Body Corporate Fees	(21,711)	(28,869)
Disposal of Asset	(23,402)	(72,456)
Valuation Fees	(700)	-
	<u>(109,873)</u>	<u>(183,994)</u>
OPERATING SURPLUS (DEFICIT)	<u><u>(56,795)</u></u>	<u><u>(124,305)</u></u>