
THE
ROYAL AUSTRALIAN AIR FORCE
WELFARE TRUST FUND
ANNUAL REPORT 2013 - 2014

The Services Trust Funds Act 1947

THE
ROYAL AUSTRALIAN AIR FORCE
WELFARE TRUST FUND

Annual Report

For the period

1 July 2013 to 30 June 2014

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ISSN 0728-6996

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The Secretary to the Trustees
RAAF Welfare Trust Fund
Department of Defence
F4-2-120
PO Box 7933
CANBERRA BC ACT 2610

TRUSTEES
OF THE
ROYAL AUSTRALIAN AIR FORCE
WELFARE TRUST FUND

Chaplain (Air Commodore) **K. RUSSELL** (Chair of Trustees)

*

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Chaplain (Air Commodore) **R.D. THOMPSON**

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Air Commodore **K.N. BIRRER AO**

*

Group Captain **C. WALLIS**

*

Warrant Officer – Air Force **M.G. PENTREATH CSM**

*

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ROYAL AUSTRALIAN AIR FORCE WELFARE TRUST FUND

SIXTY SIXTH ANNUAL REPORT

REPORT OF OPERATIONS

Assistant Minister for Defence

Dear Minister

This report of operations by the Trustees of the Royal Australian Air Force Welfare Trust Fund (RWTF) is for the year ended 30 June 2014. The report is accompanied by the Financial Statements for the period and other information which are to be read as part of this report.

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Enabling Legislation

The RWTF was established by the *Services Trust Funds Act 1947*. The Act provides that the Trustees shall, subject to and in accordance with the regulations, apply the Fund in providing benefits for members of the Defence Forces who have served in, or in association with, the Royal Australian Air Force and to the dependants of such members.

Responsible Minister

The RWTF operates within the Defence portfolio, reporting to the Assistant Minister for Defence (the Minister), the Hon Stuart Robert MP, at the date of this report.

Ministerial Directions and Other Statutory Requirements

There were no Ministerial directions issued to the RWTF during the period under review.

RWTF is subject to the following general policies:

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

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

RWTF has complied with the above-mentioned general policies of the Australian Government.

Commonwealth Authorities and Companies Act 1997

The RWTF also complies with the requirements of the *Commonwealth Authorities and Companies Act 1997* with respect to:

- Reporting to Ministers and Parliament;
- Contents of Annual Report;
- Audit of the RWTF'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.

Statutory Powers of Direction

The Minister may, by instrument in writing published in the Gazette, authorise the Trustees to administer other property. This authority was not exercised during the year.

Organisational Structure

The RWTF is a Commonwealth statutory authority within the General Government Sector and is managed by Trustees who are appointed by the Minister. The RWTF head office is located in Canberra ACT and a network of regional agents, generally located at each RAAF Base, is used to facilitate the provision of benefits to eligible persons on a nation-wide basis. Assistance to RAAF personnel based overseas is also available.

Review of Operations and Future Prospects

Operations were in accordance with the RWTF's statutory objects and comprised of the provision of benefits to serving and ex-serving members of the RAAF and their dependants. There were no significant changes in the RWTF's state of affairs or principal activities during the financial year.

In the opinion of the Trustees, 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 RWTF's operations, the results of those operations, or the RWTF's state of affairs in future financial years after this financial year.

Reviews by Outside Bodies

RWTF Annual Reports are subject to review by the Senate Foreign Affairs, Defence and Trade Legislation Committee. The Committee has not provided any adverse comment in relation to the RWTF's annual reports.

The RWTF financial statements are subject to audit by the Australian National Audit Office. The audit report is detailed at pages 16 and 17.

Board Committees

Audit Committee

The RWTF has established an audit committee in accordance with the CAC 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 RWTF's internal control framework;
- ensuring that RWTF has appropriate risk identification and management practices in place;
- improving the objectivity and reliability of financial reporting;
- ensuring that RWTF has adequate procedures on matters of audit independence; and
- assisting the Board to comply with all governance and other obligations.

The Committee is comprised of the following persons:

- Air Commodore K. Birrer AO - Trustee and Chairman of the Committee;
- Vacant (member of the Executive Sub-Group (Air Force) - Resource Plan – Air Force; and
- Mr B. Perry - Deputy Director Non-Public Moneys (Air Force) – Director General Personnel – Air Force.

The Audit Committee is not required to hold formal meetings however the charter of the Committee sets out the conduct and reporting requirements for internal reviews of various aspects of Fund management and operations. The charter of the Audit Committee was reviewed and updated in March 2010 in order to ensure that the committee was better able to meet its primary objectives.

Risk Management and Fraud Control

The Trustees 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 RWTF does not receive any funding from the Commonwealth and therefore does not need to apply the promulgated *Commonwealth Fraud Control Guidelines* (Guidelines). However, the Trustees have adopted the Guidelines as best practice standards for fraud control and have implemented fraud control arrangements commensurate with the RWTF's activities. The RWTF participated in Comcover's (the Commonwealth's insurable risk managed fund) 2013 Risk Management Benchmarking Programme. The RWTF Risk Management and Fraud Control Plan was reviewed and updated in June 2012. The Fund's risk register was approved by the Board in August 2012.

Work Health and Safety

Health and Safety Management Arrangements (HSMAs) have been developed in consultation with employees of the RWTF. The HSMAs take into consideration the unique arrangements whereby the RWTF is accommodated within a secure Defence facility and is subject to Defence accommodation standards and work health and safety arrangements. There were no notifiable incidents during the period under review nor were there any investigations conducted by Comcare with the RWTF.

Protective Security

The Trustees consider that an appropriate protective security environment is fundamental to good business and management practice. Accordingly, the Trustees have developed and implemented a security plan that is appropriate to the RWTF's functions and the security risks it faces. The RWTF's protective security plan was reviewed and updated in June 2012.

Commonwealth Disability Strategy

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

Paid Parental Leave

In compliance with Government policy, the RWTF has registered with Centrelink as an employer in respect to the Government's Paid Parental Leave scheme. This registration covers RWTF employees.

RWTF Board of Trustees

All members of the Board are appointed by the Minister. The Board comprises serving members of the RAAF whose appointments within the RAAF, in the main, relate to personnel and welfare issues. Additionally, the Board comprises:

- a Chairman appointed by the responsible Minister; and
- a Deputy Chairman appointed by the Board.

During 2013-2014 the RWTF Board met four times. These meetings were held in Canberra.

Board Member's Attendance at Meetings

Name	Special Responsibilities	Number of Possible Attendances	Number Actually Attended
K. Russell	Chair of Trustees	4	4
R.P. Rodgers	Deputy Chair	4	4
R.D. Thompson		4	3
K.N. Birrer	Chair of Audit Committee	4	4
A.M. Frank	(Trustee elect)	1	1
C. Wallis		4	4
J. O'Dea *		3	0
M. Pentreath **		4	2

* Absence due to maternity leave

** Absent on official RAAF duty

Board members

Chaplain (Air Commodore) Kevin Russell

Chaplain (Air Commodore) Russell was appointed to the RWTF board as Chair of the Board on 22 January 2013. He was born in Nottingham, England in 1957 and migrated with his parents to Sydney in 1964. He was educated in French's Forest, Sydney.

In 1982 he commenced studies towards becoming a minister in the Anglican Church. His first Church appointment was as assistant minister at Richmond, NSW, in 1986. During this time he became interested in ministry within the military context.

Chaplain Russell joined the RAAF towards the end of 1987 and has served as Anglican Chaplain at RAAF Edinburgh, Pearce, Richmond, East Sale and Williamtown. While at Williamtown, he spent some time in East Timor. Between 2003 and 2007, Chaplain Russell served as Director Chaplaincy - Training Command and later Air Force Training Group. During this time, he completed his Master of Ministry and published a book entitled *Pastoral Support for Military Chaplains*. While Chaplain Russell was in this position, considerable change occurred within the career structure of military chaplains and, for the first time, specific ministry training was introduced on an ADF wide basis for military chaplains. Chaplain Russell was in the position to influence the development of this training from an Air Force perspective.

In 2008, Chaplain Russell was appointed to the role of Director Chaplaincy – Air Command. He also took on the additional role of Anglican Head of Denomination. He was collated Archdeacon on 6 April 2008 and, as such, leads and represents the Anglican component of Air Force Chaplaincy.

As Director Chaplaincy - Air Command, he was responsible for the day to day support of Base chaplains, particularly preparing them for operational deployment, advising Director-General Chaplaincy Services - Air Force and the Principal Chaplains Committee - Air Force on chaplaincy needs from both a raise, train and sustain perspective and Headquarters Joint Operational Command deployment perspective. Chaplain Russell is also Archdeacon to the Air Force and the Anglican Head of Denomination for Air Force. As such, he is the advisor to the military Anglican Bishop on Air Force pastoral matters. He was posted to the appointment of Director General Chaplaincy Services – Air Force on promotion to the rank of Air Commodore in January 2013.

Chaplain (Air Commodore) Royce Thompson

Th. L. (Ridley College, Melb Uni), Grad Dip Ed (SA Uni), Cert Computer Business App (EGCC of TAFE), Cert 4 in Training and Assessment (East Vic Workforce RTO), Grad Dip Adv Chap Cse (US Navy, NETC, RI, USA), MA (Hum Devel spec Org & Mgt) (Salve Regina College, Newport, RI USA), DMin (Fuller Theological Seminary, Pasadena CA, USA).

Chaplain (Air Commodore) Thompson was appointed to the RWTF Board on 14 May 2000. He served as Deputy Chairman of the Board from 8 September 2000 to 10 January 2002 and then as Chairman of the Board until 15 October 2008.

He studied Theology from 1972 to 1974 at Ridley College, Melbourne University. Ordained Deacon in 1975 and Priest in 1976 he was appointed Assistant Curate at St John's Bentleigh. In 1977 he was appointed Bush Church Aid Missioner to the 100,000 sq mile Parish of Kununurra - Wyndham in North West Australia. In 1978 he graduated from the Missionary Aviation Fellowship Flying School in Ballarat returning to NW Aust. as a Flying Padre. In 1982 he was commissioned, as a Chaplain, in the Australian Regular Army and assigned to 6 Battalion, Airborne Infantry, in Qld. He transferred to the RAAF in 1986. In 1988, he was posted to the US Navy Chaplains School, at the US Navy War College, in Newport RI USA. He graduated from the Advanced Chaplains Course Class of 1989 and completed a Masters Degree at Salve Regina University. He was promoted to Chaplain (Wing Commander) in 1994 and Chaplain (Air Commodore) in 1996 when he assumed the post of Command Chaplain for Logistic and Training Commands. In 1996 the Anglican Primate appointed him as Archdeacon to the Air Force. From 1997 until 2002 he was the Director General Chaplaincy Services Air Force in Canberra with responsibility for the RAAF Chaplaincy program and the management of the full time and part time Anglican, Roman Catholic and Protestant Clergy. In 2002 he was awarded a Doctor of Ministry from Fuller Theological Seminary, Pasadena, California. In 2004 he retired from the Permanent Air Force and moved to the RAAF Specialist Reserve. Since leaving full time Defence ministry he has done a number of 'Intentional Interregnum Ministries.' He has served as Acting Dean of Goulburn, Locum at Christ Church Queanbeyan, Acting Dean of Hobart in the Diocese of Tasmania and Acting Rector of St John's Canberra. Beyond Defence he has an interest in Rural and Remote ministry serving on the Federal Executive of Bush Church Aid (BCA) and Chair of their NSW /ACT Regional Committee. From early 2007 he has been appointed by BCA to work with the Archbishop of Sydney and the Provincial Bishops of NSW on a Strategy for the support of the Church affected by Climate Change in the Province of NSW. He now works for BCA seeking to develop their 'Open Gate' Program. In 2003 he was invited to become the inaugural honorary Chaplain to the Australian Bravery Association. In 2005 he was appointed as an Academic Associate of Charles Sturt University working as an Associate Lecturer at St Mark's National Theological Centre in Pastoral Theology, Introduction to Christian Ministry. He is currently serving on the Boards of The Bush Church Society Aid, Dunorkney Nominees Pty Ltd and Thompson Pastoral Care Pty Ltd.

Air Commodore Ken Birrer AO

Air Commodore Birrer was appointed to the RWTF Board on 10 January 2002.

He served as Deputy Chairman of the Board from 10 January 2002 to 26 November 2008 and is a former Chairman of the RAAF Welfare Recreational Company and a former director of the Army and Air Force Canteen Service. He joined the RAAF in 1969 and was commissioned as an Air Electronics Officer, flying in P3 Orion maritime patrol aircraft. He served several operational, instructional and supervisory tours in this role, including a tour on exchange with the Royal Air Force flying Nimrod aircraft. Air Commodore Birrer was first posted to personnel in 1986, and has since served in a variety of personnel posts, including education and training, career management, and as director-general personnel for Air Force from 2002 to mid 2005. He also served as Commanding Officer, Base Squadron East Sale, where he was made a Member of the Order of Australia (AM). He continues to serve in the Air Force Reserve, where he is responsible for several personnel projects. Air Commodore Birrer is a graduate of the United States Air Force Air War College. He was made an Officer of the Order of Australia on 26 January 2011.

Air Commodore Birrer is the Chair of the Audit Committee.

Air Commodore Robert Rodgers CSM FAHRI

Air Commodore Rodgers was appointed to the RWTF Board on 30 September 2010 and appointed Deputy Chairman on 24 February 2011.

He joined the RAAF in 1985 as Special Duties Administration. After completing his Officer Training Course, he was posted to No 37 Squadron in Richmond, NSW. In 1986 he was employed as a Ground Defence Officer and then on promotion to Flying Officer in 1988, he was posted to RAAF College as an instructor. He was promoted to Flight Lieutenant in 1989 and subsequently served as Administrative Officer Base Squadron Darwin and Officer Manager Project 5276 in Canberra before being promoted to Squadron Leader in 1995. He then served in various positions including Personal Staff Officer to Assistant Chief of Air Force Personnel and Resource Management. He also served as Senior Administrative Officer at RAAF Williamtown and then as Staff Officer Doctrine Air and Staff Officer Plans within the ADF Warfare Centre. In 1998 he attended the RAAF Command and Staff Course and subsequently took up appointment within the Directorate of Personnel Officers for which he was awarded an Australian Day Medallion.

In 2000 he was promoted to Wing Commander and posted to the RAAF Staff College as a Directing Staff member. In 2000 he was selected to establish the Air Force Adaptive Culture Team which he led until 2003. During this time he also established and led the Air Force Communication and Branding Cell. He was appointed Commanding Officer of the RAAF School of Post Graduate Studies in 2003. In 2005 he was posted as a Deputy Director Ground Operations Air Force within the Directorate of Personnel. In 2006 he was awarded a Conspicuous Service Medal and was also deployed to the Middle East Area of Operations as the J09 Theatre Senior Military Public Affairs Officer. He was then promoted to Group Captain in late 2006 and took up the appointment of Director Personnel Air Force. Group Captain Rodgers was then posted to RAAF College in December 2009 to take up the appointment of Commandant. He was promoted to Air Commodore in November 2010 and took up the appointment of Director General Personnel – Air Force.

Group Captain Catherine Wallis

Group Captain Wallis was appointed to the Board on 15 June 2013.

Group Captain Catherine Wallis joined the Royal Australian Air Force in February 1997 as a Legal Officer in the Undergraduate Scheme. She graduated from Officer Training School in 1999 and was posted as Legal Officer 322 Combat Support Wing, RAAF Tindal and then Legal Officer Headquarters Combat Support Group, RAAF Amberley.

In 2004 Group Captain Wallis deployed as the legal advisor to the Air Component on Operation Catalyst. Also in 2004, she was seconded to the US Army Center for Law and Military Operations in Charlottesville, Virginia, where she was responsible for developing legal lessons learned from operations in Afghanistan and Iraq.

In 2006 Group Captain Wallis was awarded a Fleet Commander Commendation in recognition of her service as Counsel Assisting the Sea King Board of Inquiry into the deaths of nine Australian Defence Force personnel killed in a helicopter accident while providing humanitarian assistance in Indonesia.

From 2008-2009 Group Captain Wallis worked with the United States Air Force as the Chief, Coalition Operations in the Directorate of Operations and International Law at the Pentagon, Washington DC. For this role she was awarded a United States Meritorious Service Medal.

In 2010 Group Captain Wallis returned to Defence Legal in Canberra. In 2011 she served as the Chief of Staff, Australian Defence Force Legal Service, for which she was recognised with an Air Force Commendation. Group Captain Wallis is currently serving in the appointment of Director Corporate and Community Relations – Air Force.

Group Captain Wallis holds a Bachelor of Arts, Bachelor of Laws (Honours 1st class), Master of Laws, Master of International Security Studies and a Graduate Diploma in Military Law.

Warrant Officer – Air Force Mark Pentreath CSM

Warrant Officer – Air Force Pentreath was appointed to the RWTF Board on 1 December 2011.

Warrant Officer Pentreath joined the Australian Regular Army in April 1981 and graduated from Training Squadron, 7th Signal Regiment in June 1982 as an Operator Signaller. After postings to 7th Signal Regiment, Joint Telecommunications Unit Melbourne and the Joint Telecommunications School as an instructor, He transferred to the Royal Australian Air Force as a Signals Operator (Linguist) (SIGSOP(L)) in March 1992. As a SIGSOP(L), He saw postings to the Defence Signals Directorate, Joint Telecommunications School, 462SQN and DD-IS Air Force Headquarters as the SIGSOP Senior Mustering Advisor.

Between 1999–2002, Warrant Officer Pentreath was posted to the Australian Defence Force Academy as a Divisional SNCO and Squadron Sergeant Major Air Force Squadron. It was during this tour that he was awarded an Australia Day Medallion in recognition of his contribution to the development of Officer Cadets at the Academy. He has seen operational service in both Iraq and Afghanistan in 2004 and 2007 respectively. In recognition of his performance in the Cryptologic Services Group Baghdad, he was awarded a Chief of Defence Force commendation by General Cosgrove in September 2004.

Warrant Officer Pentreath remustered to the Executive Warrant Officer mustering in April 2008 and then served as the Group Warrant Officer for the Aerospace Operational Support Group (AOSG). He graduated from the Australian Command and Staff College in 2010 after completing the Foundation Studies and Air Force Single Service components. He was awarded a Conspicuous Service Medal for meritorious service to AOSG on Australia Day 2011. Warrant Officer Pentreath has also held the position of Group Warrant Officer, Air Force Training Group. On 7 November 2011 he was appointed Warrant Officer of the Air Force.

Warrant Officer Allana Frank

Warrant Officer Allana Frank was appointed to the RWTF Board on 1 March 2014.

Warrant Officer Frank enlisted in the RAAF in 1985 as a Clerk Administrative and, since completing initial employment training has had a number of postings including 3 Squadron, Aircraft Research & Development Unit, RAAF Electronic Warfare Operational Support Unit, Defence Recruiting Hobart, No 3 & 6 Hospital, No 82 Wing, Combat Support Group and Air Command.

Warrant Officer Frank has seen operational service in both East Timor and Iraq. She lists her career highlights as being part of No 6 Hospital, the first RAAF Hospital deployed in 2001/2 as the United Nations Military Hospital to East Timor. Another highlight was being deployed to Baghdad in the Force Logistics Element in 2005 and being in country for the first free election.

Warrant Officer Frank was awarded the Australia Day Medallion in 2007 in recognition of her performance at No 3 Hospital. She also acted as Squadron Warrant Officer at No 3 Hospital in 2010.

Warrant Officer Frank has recently completed a posting of three years as the Senior Mustering Adviser for the RAAF Personnel Capability Specialist (Clerks) mustering. Currently Warrant Officer Frank is posted to Air Force Headquarters – Directorate of Coordination as the Air

Force Visits Coordinator for all foreign visitors one star and below to Air Force establishments.

Warrant Officer Frank has been accepted for commissioning into the Personnel Capability Officer Specialisation in January 2015.

Freedom of Information Procedures and Initial Contact Points

Requests for access to documents of the Trustees should be directed to the Trustees of the RAAF Welfare Trust Fund, Department of Defence, F4-2-120, PO Box 7933, CANBERRA, BC ACT, 2610.

Indemnities and Insurance Premiums for Officers

The RWTF has taken out insurance coverage with Comcover for Directors and Officers Liability, Fraud and Fidelity and General Liability. The premium paid for financial year 2013-2014 was \$11,648.86. Where applicable, the insurance cover is provided for all Trustees, staff and voluntary workers. The RWTF also provided Workers' Compensation insurance cover through Comcare at a cost of \$1,520.00.

Assistance Provided

Since its inception in 1947, the RWTF has provided assistance totalling almost \$221 million to eligible persons.

Bad and Doubtful Debts

The amount written off for the year was \$6,085 which consisted of \$5,472 in bad and doubtful debts and \$613 in deceased member accounts. On a turnover of loans of \$13,545,000 accounts written-off represented 0.04%.

Loans - The following table shows the number of loans approved during the last three years:

	2013-2014	2012-2013	2011-2012
Number of Loans Approved	3776	3,661	3,819
Total Value of Loans Approved	\$13,545,000	\$12,830,800	\$13,000,504

The following table shows the analysis of loan funds for the year ended 30 June 2014:

LOAN TYPE	AMOUNT	% OF TOTAL LOANS
Home Improvement	\$741,500	5%
General (Emergency)	\$433,900	3%
Professional Development	\$117,500	1%
Long Service General	\$493,400	4%
Group Life Insurance	\$11,758,700	87%
TOTAL	\$13,545,000	100.00%

The following types of loans are available to eligible members:

Home Improvement Loan. Home Improvement Loans are available to help a member build or buy a home or to furnish a home with new or second hand furniture. The maximum value of this loan is currently \$3,700.

General Loan. General Loans are normally available to meet temporary circumstances such as emergency housekeeping expenses, family medical or dental expenses, pressing household bills or fares for travel or compassionate leave. There is no arbitrary limit on the amount of a General Loan.

Professional Development Loan. Professional Development Loans are available to assist members with education and study expenses. The maximum value of this loan is currently \$3,700.

Long Service General Loan. Long Service General Loans are available to members who have completed 10 years of service in the RAAF and may be used for any worthwhile purpose. The maximum value of this loan is currently \$3,700.

Group Life Insurance Scheme Loan. Group Life Insurance Scheme Loans are available to financial members of the Group Life Insurance Scheme and may be used for any worthwhile purpose. The maximum value of this loan is currently \$4,000.

The following table shows the breakdown of loans approved by rank. The Trustees were pleased to note that 64% of loans approved were directed to the lower paid members of the RAAF (junior ranks up to Corporal).

RANK	NUMBER OF LOANS APPROVED	% OF TOTAL LOANS APPROVED
Aircraftsman(w) / Leading Aircraftsman(w)	1,526	40.4%
Corporal	879	23.3%
Sergeant	455	12%
Flight Sergeant	148	3.9%
Warrant Officer	61	1.6%
Officer Cadet	10	0.3%
Pilot / Flying Officer	212	5.6%
Flight Lieutenant	325	8.6%
Squadron Leader and above	160	4.3%
TOTAL	3,776	100%

RWTF Group Life Insurance Scheme

The Trustees administer the scheme for serving PAF members. Members of the RAAF Reserve who are serving on continuous full-time service for periods of six-months or more are also eligible to join the scheme for the period of full-time service. The scheme provides, upon the death of a financial member, a lump sum payment to that member's nominated beneficiary, where possible within 48 hours. The Trustees, dependent upon availability of funds, are able to make loans to financial members of the scheme. Member contributions have remained at \$1 per fortnight since the inception of the scheme in 1989; however the death benefit has increased from an initial benefit of \$5,000 to the present level of \$15,000. The scheme has 9,389 contributors as at 30 June 2014. This represents approximately 66% of permanent RAAF members and, in market terms, represents a very good take up of the scheme by RAAF members. During the period under review the RWTF paid \$45,000 in benefits to the nominated beneficiaries of deceased RAAF members.

RWTF Educational Sponsorship Scheme

The Trustees administer an educational sponsorship scheme to assist dependants of RAAF members who have died in full-time service to complete one or more years of secondary school or, in the case of a spouse, training that is essential to a successful return to the workforce.

Grants of up to \$1,000 at a time may be paid for a dependant's schooling. The purpose of the grant is to help pay for schooling for one secondary school year or, in the case of an adult, assist in funding a course necessary to enable a return to the work force. A grant of \$234 was approved during the period under review.

General Grants

The RWTF provided grants totalling \$9,050 for the following purposes:

- \$3,000 to assist a medically discharged member experiencing severe financial strain.
- \$200 to assist a member being medically discharged due to Post Traumatic Stress Disorder (PTSD) with yard clean-up costs.
- \$1,600 to assist a spouse to accompany a member whilst he was undergoing a PTSD course.
- \$350 to assist a member being medically discharged with house cleaning costs on vacation of married quarter.
- \$400 for the purchase of Easter eggs for Australian and international allies deployed at RAAF Base Pearce during Operation Southern Indian Ocean.
- \$3,500 to assist RAAF establishments with costs incurred in holding Christmas Treat functions for dependant children

Base Welfare Grants Scheme

In June 2013 the Board introduced a Base Welfare Grants Scheme. The purpose of the scheme is to provide grants of funds to bases to support the welfare and amenity available to Air Force personnel and their dependants and, incidentally, any other Service or Australian Public Service personnel who may be co-located with the Air Force members.

The scheme is intended to be flexible in terms of the forms of welfare that could be supported, and the amount which the RWTF in its discretion could provide. During 2013-14 \$69,700 was approved for distribution to bases across Australia.

The following table provides a summary of the Base Welfare Grants Scheme distribution of funds.

RAAF Base	Amount Provided	Purpose of Grant
Amberley	\$8,700	Purchase of goal sets for the Hockey Club New uniforms for the Amberley Brass Band Replacement safety equipment for the Water Ski Club Catering costs for 452SQN and 1SQN Unit Family Days Financial assistance to the Children's Christmas Function Assistance to the Target Shooting and Flying Clubs
Butterworth Malaysia	\$3,000	Assist in the installation of an outdoor shade canopy for the playground at the RAAF Hostel Penang
Darwin	\$6,500	Assist in the purchase of outdoor fitness work stations
Edinburgh	\$6,400	Welfare store equipment replacement Repairs to the Water Ski Club boat Purchase of safety equipment for the Water Ski Club
Pearce Learmonth	\$9,000	Refurbishment of the communal outdoor function area Refurbishment of multi-user welfare equipment Equipment for Learmonth recreational room Purchase of camping and outdoor equipment Refurbishment of Learmonth communal outdoor function area
Richmond	\$8,000	Refurbish and upgrade Canary Cottage recreation facility Update the Airmen's Club BBQ area
Tindal	\$10,300	Upgrade the Cinema candy store Purchase bench seating for the football oval Replace worn and irreparable welfare equipment
Townsville	\$7,400	Purchase of marquee / BBQ setup for member use Update entertainment area for the Fishing Club Provide entertainment equipment for the Wirraway Club
Wagga	\$1,000	Purchase a coffee machine for the Middleton VC Club
Williamstown	\$1,400	Funding for information sessions to Defence families
Williams	\$8,000	Resurface tennis courts Install shade sail for Williams Golf Club

APPRECIATION

The Trustees wish to express appreciation to all persons who assisted the RWTF during the period of this report. The outstanding efforts of Base/Unit Chaplains and other regional representatives have given RAAF members the confidence that the RWTF can provide compassionate, confidential and timely assistance to those in need. Their willingness to take on this secondary duty has enabled the Trustees to keep overheads to the lowest possible. In particular, the Trustees express their sincere appreciation for the services rendered by:

Australian Capital Territory

Chaplain (AIRCDRE) M. Earl
 Chaplain (GPCAPT) N. Williams
 Chaplain (WGDCR) G. Whelband
 Chaplain (SQNLDR) G. Hooper
 Chaplain (FLTLT) R. Kidd
 SQNLDR P. Cranage
 Mr R. Thomson OAM
 Mrs S. Smith
 Mrs A. Ticehurst

Headquarters Air Command

Chaplain (GPCAPT) M. Willis

North Queensland

Chaplain (SQNLDR) W. Melrose
 Chaplain (SQNLDR) C. Barwise
 Chaplain (FLTLT) M. Fraser
 CPL N. Eagles

South Australia

Chaplain (WGCDR) P. Woods
 Chaplain (SQNLDR) D. Vosgerau
 Chaplain (SQNLDR) J. Johns
 Chaplain (SQNLDR) T. Hodgson
 Chaplain (SQNLDR) P. Simmons
 Chaplain (FLTLT) S. Page
 Chaplain (FLTLT) M. Butler
 Chaplain (FLTLT) K. Thoday
 Chaplain (FLTLT) P. Garton

Southern Northern Territory

Chaplain (FLTLT) M. Kleemann
 Chaplain (FLTLT) W. Ross

Northern New South Wales

Chaplain (WGCDR) P. Friend
 Chaplain (SQNLDR) S. Sarazin
 Chaplain (SQNLDR) J. Cox
 Chaplain (FLTLT) J. Grant
 Chaplain (FLTLT) A. Knox
 Chaplain (FLTLT) S. Moore
 SGT J. Badgery
 CPL C. Hunter
 CPL S. McConnell
 LACW N. Mayer

Williams

Chaplain (GPCAPT) A. Knight
 Chaplain (SQNLDR) P. Phillips
 Chaplain (SQNLDR) L. Carey
 Chaplain (FLTLT) P. Owen
 Chaplain (FLTLT) C. Boettcher
 Chaplain (FLTLT) R. Rosinsky

Southern New South Wales

Chaplain (WGCDR) I. Whitley
 Chaplain (SQNLDR) G. Flynn
 Chaplain (FLTLT) J. Healy
 Chaplain (FLTLT) M. Skilbeck

Northern Territory

Chaplain (SQNLDR) Y. Juste-Constant
 Chaplain (FLTLT) M. Dickens

Malaysia

Chaplain (SQNLDR) J. Carroll

Richmond

Chaplain (SQNLDR) G. McConnell
 Chaplain (SQNLDR) M. Jenkins
 Chaplain (SQNLDR) A. Williams
 Chaplain (SQNLDR) D. Hilliard
 Chaplain (FLTLT) W. Szczepaniak
 Chaplain (FLTLT) C. Senini
 Chaplain (FLTLT) J. Friedman
 Ms C. Craig

South Queensland

Chaplain (WGCDR) P. Goodland
 Chaplain (SQNLDR) M. Donaldson
 Chaplain (SQNLDR) R. Paget
 Chaplain (FLTLT) S. Turnbull
 Chaplain (FLTLT) S. Sapun
 Chaplain (FLTLT) A. Robertson
 Chaplain (FLTLT) R. Hensser
 Chaplain (FLTLT) K. O'Sullivan
 Chaplain (FLTLT) D. Kelly
 Chaplain (FLTLT) A. Shumack

Western Australia

Chaplain (SQNLDR) D. Griffiths
 Chaplain (FLTLT) N. Grandin
 Chaplain (FLTLT) A. Morris

East Sale

Chaplain (SQNLDR) B. Grey
 Chaplain (SQNLDR) D. Quilty
 Chaplain (FLTLT) R. Hayman
 Chaplain (FLTLT) T. Killingbeck

CONCLUSION

The Trustees are responsible under section 9 of the CAC Act for the preparation and content of the report of operations in accordance with Finance Minister's Orders. This report of operations is made in accordance with a resolution of the Trustees and is signed for and on behalf of the Trustees.



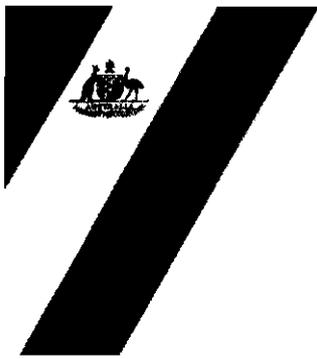
K. RUSSELL
Chaplain (Air Commodore)
Chair of Trustees

19 August 2014



K.N. BIRRER AO
Air Commodore
Chair Audit Committee

19 August 2014



INDEPENDENT AUDITOR'S REPORT

To the Minister for Defence

I have audited the accompanying financial statements of the Royal Australian Air Force Welfare Trust Fund for the year ended 30 June 2014, which comprise: a Statement by the Trustees; the Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

Trustees' Responsibility for the Financial Statements

The trustees of the Royal Australian Air Force Welfare Trust Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Royal Australian Air Force Welfare Trust Fund's preparation of the financial statements that give 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 Royal Australian Air Force Welfare Trust Fund's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the trustees as well as evaluating the overall presentation of the financial statements.

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 followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Royal Australian Air Force Welfare Trust Fund:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Trust financial position as at 30 June 2014 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
19 August 2014

STATEMENT BY TRUSTEES

In our opinion, the attached financial statements for the year ended 30 June 2014 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, as amended.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Royal Australian Air Force Welfare Trust Fund will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Trustees.



K. RUSSELL
(Chaplain) Air Commodore
Chair of Trustees

19 August 2014



K.N. BIRRER AO
Air Commodore
Chair Audit Committee

19 August 2014



R.G. THOMSON OAM
Secretary to the Trustees

19 August 2014

ROYAL AUSTRALIAN AIR FORCE WELFARE TRUST FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2014

	Notes	2014 \$	2013 \$
NET COST OF SERVICES			
Expenses			
Employee benefits	(3A)	179,546	170,790
Suppliers	(3B)	214,715	217,061
Grants	(3C)	78,984	74,185
Write-down and impairment of assets	(3D)	1,453	12,217
Losses from loan re-measurement	(3E)	1,010,664	966,172
Total expenses		1,485,362	1,440,425
 Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	(4A)	730,301	688,968
Interest	(4B)	1,107,163	1,060,330
Total own-source revenue		1,837,464	1,749,298
Total own-source income		1,837,464	1,749,298
 Net (cost of)/contribution by services		 352,102	 308,873
 Total comprehensive income		 352,102	 308,873
 Total comprehensive income attributable to the Australian Government		 352,102	 308,873

The above statement should be read in conjunction with the accompanying notes.

ROYAL AUSTRALIAN AIR FORCE WELFARE TRUST FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	2014 \$	2013 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	(5A)	2,156,249	2,296,629
Loans and other receivables	(5B)	7,837,538	7,334,851
Total financial assets		<u>9,993,787</u>	<u>9,631,480</u>
Total assets		<u>9,993,787</u>	<u>9,631,480</u>
LIABILITIES			
Payables			
Other payables	6(A)	(5,251)	(5,232)
Total payables		<u>(5,251)</u>	<u>(5,232)</u>
Provisions			
Employee provisions	7(A)	(64,955)	(54,769)
Total provisions		<u>(64,955)</u>	<u>(54,769)</u>
Total liabilities		<u>(70,206)</u>	<u>(60,001)</u>
Net assets		<u>9,923,581</u>	<u>9,571,479</u>
EQUITY			
Parent Entity Interest			
Retained surplus		9,923,581	9,571,479
Total parent entity interest		<u>9,923,581</u>	<u>9,571,479</u>
Total equity		<u>9,923,581</u>	<u>9,571,479</u>

The above statement should be read in conjunction with the accompanying notes.

**ROYAL AUSTRALIAN AIR FORCE WELFARE TRUST FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014**

	Retained Earnings		Total Equity	
	\$ 2014	\$ 2013	\$ 2014	\$ 2013
Opening balance				
Balance carried forward from previous period	9,571,479	9,262,606	9,571,479	9,262,606
Adjusted Opening Balance	9,571,479	9,262,606	9,571,479	9,262,606
Comprehensive Income				
Surplus for the period	352,102	308,873	352,102	308,873
Total Comprehensive Income	352,102	308,873	352,102	308,873
Closing balance as at 30 June	9,923,581	9,571,479	9,923,581	9,571,479

The above statement should be read in conjunction with the accompanying notes.

**ROYAL AUSTRALIAN AIR FORCE WELFARE TRUST FUND
CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2014**

	Notes	2014 \$	2013 \$
OPERATING ACTIVITIES			
Cash received			
Group Life Claims		45,000	75,000
Loan repayments from members		12,284,241	12,230,864
Interest		1,120,270	1,048,294
Other receipts		1,791	2,101
Donations		18,479	51
Debt collection charges recovered		324	472
Member premiums – Group Life Insurance		243,811	247,163
Total cash received		13,713,916	13,603,945
Cash used			
Underwriting - Group Life Insurance		(190,415)	(192,961)
Loans provided to members		(13,345,183)	(12,687,803)
Grants		(78,984)	(74,185)
Audit fees		(9,900)	(10,890)
Insurances		(13,169)	(11,703)
Employees		(168,591)	(166,339)
Group Life claims		(45,000)	(90,000)
Debt collection charges		(291)	(748)
Other payments		(2,763)	(2,250)
Total cash used		(13,854,296)	(13,236,879)
Net cash flows from (used by) operating activities	(8)	(140,380)	367,066
Net increase (decrease) in cash held		(140,380)	367,066
Cash and cash equivalents at the beginning of the reporting period		2,296,629	1,929,563
Cash and cash equivalents at the end of the reporting period	(5A)	2,156,249	2,296,629

The above statement should be read in conjunction with the accompanying notes.

ROYAL AUSTRALIAN AIR FORCE WELFARE TRUST FUND

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1. Objective of the Royal Australian Air Force Welfare Trust Fund (RWTF)

The RWTF is an Australian Government controlled entity. It is a not-for-profit entity. The RWTF was established by the *Services Trust Funds Act 1947*. The Act provides that the Trustees shall, subject to and in accordance with the regulations, apply the Fund in providing benefits for members of the Defence Forces who have served in, or in association with, the Royal Australian Air Force and to the dependants of such members.

The RWTF does not receive nor is it reliant on Government funding.

1.2 Basis of Preparation of the Financial Statements

The Financial Statements are general purpose financial statements and are required by clause 1(b) of Schedule 1 to the Commonwealth Authorities and Companies Act 1997.

The financial statements have been prepared in accordance with:

- a. Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- b. Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with 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 the financial position.

The financial statements are presented in Australian dollars.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the statement of financial position when and only when it is probable that future economic benefits will flow to the RWTF or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Significant Accounting Judgements and Estimates

No accounting assumptions or estimates have been identified that could have a significant impact on the amounts recorded in the financial statements.

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

1.4. New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. All new standards/revised standards/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect on the RWTF's financial statements.

Future Australian Accounting Standard Requirements

All new standards/revised standards/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the future reporting period(s) are not expected to have a future material impact on the RWTF's financial statements.

1.5 Revenue

Revenue from the sale of goods is recognised when:

- a. The risks and rewards of ownership have been transferred to the buyer;
- b. The RWTF retains no managerial involvement nor effective control over the goods;
- c. The revenue and transaction costs incurred can be reliably measured; and
- d. It is probable that the economic benefits associated with the transaction will flow to the RWTF.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- a. The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b. The probable economic benefits associated with the transaction will flow to the RWTF.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 days terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed as at end of reporting period. Allowances are made when collectability of the debt is no longer probable.

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

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 received free of charge are recorded as either revenue or gains depending on their nature.

Other Types of Revenue

A charge is recovered from loan applicants to help defray administrative expenses and to provide growth in the RWTF. These member contributions are recognised as income in the year the loan is made and form part of the outstanding loan amount.

Revenue from Group Life Insurance premiums are recognised on an accruals basis.

Revenue from interest is recognised in the period it is earned.

1.6 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the RWTF is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will apply at the time the leave is taken, including the RWTF's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

Superannuation

The RWTF contributes to employee personal superannuation at the rate of 15.4%. Contributions during the period 1 July 2013 to 30 June 2014 are detailed at Note 3A. Note 3A also includes employee salary sacrifice contributions.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

1.7 Cash

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

- a. Cash on hand;
- 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.

1.8 Financial assets

The RWTF classifies its financial assets in the following categories:

- a. financial assets at fair value through profit or loss;
- b. held-to-maturity investments; and
- c. 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.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets at fair value through profit or loss.

Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets:

- a. have been acquired principally for the purpose of selling in the near future;
- b. are a part of an identified portfolio of financial instruments that the RWTF manages together and has a recent actual pattern of short-term profit taking; or
- c. are derivatives that are not designated and effective as a hedging instrument.

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset. The RWTF has no such instruments.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the RWTF has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

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.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Financial assets held at cost - if there is objective evidence that an impairment loss has been incurred the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

1.9 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'.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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

1.10 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the relevant schedules and notes. 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 RWTF has no contingencies in either the current or the immediately preceding reporting periods therefore a Schedule for such items has not been included in the financial statements.

1.11 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

1.12 Taxation

The RWTF is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). The Australian Taxation Office has advised that the RWTF is a 'financial supply provider', consequently GST is not charged on revenue. The RWTF has no entitlement to input tax credits. Expenses are GST inclusive.

1.13. Competitive Neutrality

The RWTF was established to provide benefits to eligible persons and does not carry out Government business activities on a commercial basis nor operate in a competitive, or potentially competitive, environment. Therefore it is not required to make Australian Income Tax Equivalent payments to the Government.

1.14 Bad and Doubtful Debts

Bad debts are written off during the year in which they are identified.

1.15 Insurance

The RWTF has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through the Government's Comcare Australia.

1.16 Disclosure of Commitments

The RWTF has no commitments in either the current or the immediately preceding reporting periods therefore a Schedule for such items has not been included in the financial statements.

1.17 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 a market interest rate are required to be discounted to their fair value, with the difference between the issue price and the fair value (i.e. 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.

Note 2. EVENTS AFTER THE REPORTING DATE

There have been no events after the reporting date that have the potential to significantly affect the ongoing structure and financial activities of the RWTF.

	2014	2013
	\$	\$
Note 3. EXPENSES		
Note 3A. Employee Benefits		
Wages and salaries	(146,759)	(144,154)
Superannuation	(24,213)	(23,162)
Leave and other entitlements	(8,574)	(3,474)
Total employee benefits	<u>(179,546)</u>	<u>(170,790)</u>
Note 3B. Supplier		
Goods and services		
Audit Fees	(9,900)	(10,890)
Insurances	(13,169)	(11,703)
Miscellaneous Expenses	(940)	(759)
Group Life Insurance Underwriting	(190,415)	(192,961)
Debt Collection Fees	(291)	(748)
Total goods and services	<u>(214,715)</u>	<u>(217,061)</u>
Total supplier expenses	<u>(214,715)</u>	<u>(217,061)</u>

	2014 \$	2013 \$
Note 3C. Grants		
Grants to eligible members	(9,284)	(10,010)
Base Welfare Grants Scheme	(69,700)	(64,175)
Total grants	(78,984)	(74,185)
Note 3D. Write-down and Impairment of Assets		
Revision of accounting estimate	4,632	(8,768)
Provided during the period	(5,472)	(3,302)
Deceased member accounts	(613)	(147)
Total write-down and impairment of assets	(1,453)	(12,217)
Note 3E. Losses from Loan Re-measurement		
Loss from initial recognition of loans and receivables at fair value (refer Note 1.17)	(1,010,664)	(966,172)
Total losses from loan re-measurement	(1,010,664)	(966,172)
Note 4. INCOME		
OWN-SOURCE REVENUE		
Note 4A. Sale of Goods and Rendering of Services		
Member contributions on loans	466,965	441,288
Miscellaneous income	756	85
Member contributions for Group Life Insurance	243,777	247,123
Donations received	18,479	Nil
Collection on-costs recovered	324	472
Total sale of goods and rendering of services	730,301	688,968
Note 4B. Interest		
Bank interest	91,346	92,868
Loan interest (refer Note 1.17)	1,015,817	967,462
Total interest	1,107,163	1,060,330
Note 5. FINANCIAL ASSETS		
Note 5A. Cash and Cash Equivalents		
Cash in bank	1,036,251	868,635
Cash on investment (maturing 3 Aug 14)	1,119,998	1,427,994
Total cash and cash equivalents	2,156,249	2,296,629
Note 5B. Loans and Other Receivables		
Members loans outstanding (refer Note 1.17)	7,840,006	7,328,845
Bank interest accrued	10,008	23,114
Group Life Scheme death benefit	15,000	15,000
Total loans and other receivables (gross)	7,865,014	7,366,959
Less impairment allowance account		
Doubtful debts	(27,476)	(32,108)
Total loans and other receivables (net)	7,837,538	7,334,851
Receivables are expected to be recovered in:		
Not more than 12 months	7,243,105	6,812,288
More than 12 months	594,433	522,563
Total loans and other receivables (net)	7,837,538	7,334,851

	2014 \$	2013 \$
Receivables are aged as follows:		
Not overdue	7,837,538	7,334,851
Overdue by		
- 0 to 30 days	Nil	813
- 31 to 60 days	2,323	622
- 61 to 90 days	2,504	1,100
- more than 90 days	22,649	29,573
Total receivables (gross)	7,865,014	7,366,959

The impairment allowance account is aged as follows:

Overdue by		
- 0 to 30 days	Nil	(813)
- 31 to 60 days	2,323	(622)
- 61 to 90 days	2,504	(1,100)
- more than 90 days	22,649	(29,573)
Total impairment allowance account	27,476	(32,108)

**Reconciliation of the Impairment Allowance Account:
Movements in relation to 2014**

	Loans 2014 \$	Total 2014 \$
Opening balance	(32,108)	(32,108)
Amounts written off	6,085	6,085
Amounts recovered and reversed	Nil	Nil
Increase/decrease recognised in net surplus	(1,453)	(1,453)
Closing balance	27,476	27,476

Movements in relation to 2013

	Loans 2013 \$	Total 2013 \$
Opening balance	(23,340)	(23,340)
Amounts written off	3,449	3,449
Amounts recovered and reversed	Nil	Nil
Increase/decrease recognised in net surplus	(12,217)	(12,217)
Closing balance	(32,108)	(32,108)

	2014 \$	2013 \$
Note 6A. OTHER PAYABLES		
Wages and salaries	(4,550)	(3,884)
Superannuation	(701)	(598)
Other	(Nil)	(750)
Total other payables	(5,251)	(5,232)
Other payables expected to be settled within 12 months	(5,251)	(5,232)
Total other payables	(5,251)	(5,232)

	2014 \$	2013 \$
Note 7A. Employee Provisions		
Leave	(64,955)	(54,769)
Total employee provisions	<u>(64,955)</u>	<u>(54,769)</u>
Employee provisions are expected to be settled in:		
No more than 12 months	(11,736)	(10,602)
More than 12 months	(53,219)	(44,167)
Total employee provisions	<u>(64,955)</u>	<u>(54,769)</u>

Note 8. CASH FLOW RECONCILIATION
Reconciliation of cash and cash equivalents as per
Balance Sheet to Cash Flow Statement

Cash and cash equivalents as per:

Cash Flow Statement	2,156,249	2,296,629
Balance Sheet	2,156,249	2,296,629
Difference	<u>Nil</u>	<u>Nil</u>

Reconciliation of net cost of services to net cash
from operating activities:

Net cost of services	352,102	308,873
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(502,687)	53,092
Increase / (decrease) in employee provisions	10,186	4,436
Increase / (decrease) in payables	Nil	Nil
Increase / (decrease) in other payables	19	665
Net cash from operating activities	<u>(140,380)</u>	<u>367,066</u>

Note 9. REMUNERATION OF AUDITORS

The Auditor-General has audited the 2013-2014 Financial Statements of the RWTF.

The fair value of the services provided for 2013-2014 was \$9,000 (excluding GST). (\$9,000 in 2012-2013).

No other services were provided by the auditors of the financial statements.

Note 10. RESOURCES PROVIDED 'FREE OF CHARGE' TO THE FUND

During the year the following resources were provided free of charge by the Department of Defence:

- a. Office accommodation with computer, telephone, postage and stationery support;
- b. Use of the Australian Defence Force pay system to recover loan repayments from serving RAAF members and to receive RWTF Group Life Insurance Scheme allotments; and
- c. Assistance from Defence Force personnel on an ad-hoc basis.

The above resources cannot be reliably measured and have not been recognised in the financial statements.

Note 11. INVESTMENT OF SURPLUS MONEY

The RWTF is exempt from the provisions of Subsection 18(3) of the *Commonwealth Authorities and Companies Act 1997* by virtue of Part VII Subsection 34(2) of the *Services Trust Funds Act 1947*.

The RWTF's surplus moneys are on deposit with the Defence Bank.

Note 12. ECONOMIC DEPENDENCY

The RWTF receives economic support from the Department of Defence by way of the provision of administrative support, computer and communication facilities and office accommodation for the RWTF's Secretariat. However, the Trustees consider that in the event that the support provided by the Department of Defence was fully or partly withdrawn, the RWTF is in such a position that it could continue to provide benefits, although possibly at a reduced level, to eligible persons.

Note 13. SEGMENT REPORTING

The RWTF operates across Australia and exists to provide benefits to serving and ex-serving members of the RAAF and their dependants.

Note 14. TRUSTEES REMUNERATION

Under Part 2, Section 11 (1) of the *Services Trusts Funds Act 1947*, Trustees are not entitled to receive from the RWTF any remuneration for any work done by them in relation to the administration of the RWTF. Under Part 2, Section 14 of the *Services Trusts Funds Act 1947*, a person who is a Trustee or a dependant of a Trustee shall not receive benefits from the Fund.

No Trustee has received any remuneration or other benefit during their tenure as a Trustee.

Note 15. TRUSTEES OF THE TRUST FUND

The following were Trustees during the period 1 July 2013 to the date of the Report of Operations.

Chaplain (Air Commodore) **K. RUSSELL**
(Appointed 22 January 2013 – appointed Chair of Trustees 22 January 2013)

Chaplain (Air Commodore) **R.D. THOMPSON**
(Appointed 24 May 2000)

Air Commodore **K.N. BIRRER AO**
(Appointed 10 January 2002)

Air Commodore **R.P. RODGERS CSM**
(Appointed 30 September 2010 – Appointed Deputy Chair 24 February 2011)

Group Captain **C. WALLIS**
(Appointed 15 June 2013)

Warrant Officer **J. O'DEA**
(Appointed 30 September 2010) (Appointment terminated 18 February 2014)

Warrant Officer – Air Force **M.G. PENTREATH CSM**
(Appointed 1 December 2011)

Warrant Officer **A.M. FRANK**
(Appointed 1 March 2014)

Note 16. AVERAGE STAFFING LEVELS

	2014	2013
The average staffing levels for the RWTF during the year were:	2	2

Note 17. FINANCIAL INSTRUMENTS

	2014	2013
	\$	\$
Note 17A. Categories of financial instruments		
Financial Assets		
Loans and receivables		
Cash on hand or on deposit	2,156,249	2,296,629
Loans and receivables	7,865,014	7,366,959
Total	<u>10,021,263</u>	<u>9,663,588</u>
Carrying amount of financial assets	<u>10,021,263</u>	<u>9,663,588</u>
Financial Liabilities		
At amortised cost:		
Trade creditors	Nil	Nil
Total	<u>Nil</u>	<u>Nil</u>
Carrying amount of financial liabilities	<u>Nil</u>	<u>Nil</u>

Note 17B. Net Income and Expense from

Financial Assets		
Cash and cash equivalents		
Bank Interest revenue	91,346	92,868
Net gain from cash and cash equivalents	<u>91,346</u>	<u>92,868</u>
Loans and receivables		
Members contributions on loans	466,965	441,288
Loan Interest revenue	1,015,817	967,462
Loss on initial recognition of loans and receivables at fair value	(1,010,664)	(966,172)
Net gain from loans and receivables	<u>563,464</u>	<u>442,578</u>
Net gain from financial assets	<u>563,464</u>	<u>442,578</u>

Note 17C. Net Income and Expense from

Financial Liabilities		
Financial liabilities – at amortised cost		
Trade creditors	Nil	Nil
Net loss from financial liabilities – at amortised cost	<u>Nil</u>	<u>Nil</u>
Net loss from financial liabilities	<u>Nil</u>	<u>Nil</u>

Note 17D. Credit Risk

The RWTF's maximum exposures to credit risk at reporting date is the risk that arises from the potential default on member's loans.

The RWTF has no significant exposures to concentrations of credit risk, except for \$2,156,249 held on deposit with the Defence Bank and members loans outstanding of \$7,840,006.

Under the Australian Government Guarantee Scheme deposits up to \$250,000 are covered by the Financial Claims Scheme. The RWTF manages its risk from loans to RAAF members through use of the Defence Force pay system.

Note 17E. Liquidity Risk

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

Note 17F. Market Risk

The RWTF holds basic financial instruments that do not expose the RWTF to certain market risks. The RWTF is not exposed to 'currency risk', 'other price risk' or 'interest rate risk'.

Note 18. REPORTING OF OUTCOMES

The RWTF was established under the *Services Trust Funds Act 1947* to provide benefits for members of the Defence Forces who have served in, or in association with, the Royal Australian Air Force and to the dependants of such members. The RWTF has a single outcome which is the objective to provide benefits to eligible persons.

Table A: Net Cost of Outcome Delivery

Expenses	2014	2013
	\$	\$
Employee benefits	(179,546)	(170,790)
Suppliers	(214,715)	(217,061)
Grants	(78,984)	(74,185)
Other expenses	(1,010,664)	(966,172)
Impairment of assets	(1,453)	(12,217)
Total	(1,485,362)	(1,440,425)
Income from non-Government sector		
Goods and services	730,301	688,968
Total	730,301	688,968
Other own-source income		
Bank interest	91,346	92,868
Loan interest	1,015,817	967,462
Total	1,107,163	1,060,330
Net cost of outcome delivery	(352,102)	(308,873)