



Royal Flying Doctor Service

SOUTH EASTERN SECTION

Financial Report

2019/20



2019/20 Snapshot

Close to
53,000
occasions of care provided

More than
4,200
clinics and health services delivered

760 dental clinics
conducted in 47 locations

Fully equipped health clinics
opened in Tilpa and Louth

Rapid COVID-19 response
including set-up of respiratory clinics and new flight
routes to transport clinicians to rural areas

Mental health and wellbeing
centre opened in Broken Hill

World-class complex,
with training and aeromedical facilities and Visitor
Experience tourist attraction, completed in Dubbo

Royal Flying Doctor Service

South Eastern Section

Our mission is to deliver improved health outcomes to remote, rural and regional communities.

The Royal Flying Doctor Service (South Eastern Section) (RFDSSE) was founded to bring high quality medical care and health services to people living, working and travelling in the outback. We serve communities across western and far-west New South Wales and support the delivery of services to parts of Victoria for RFDS Victoria Support and Tasmania for RFDS Tasmania Section. Our mission is to provide improved access supporting better health outcomes to remote, rural and regional communities.

Distance to facilities and isolation mean that communities we serve generally have poorer health outcomes compared to those in metropolitan areas. In particular, these communities have less access to primary health and emergency medical services and dental care, mental health treatment and to care for complex or acute conditions.

While our emergency aeromedical services remain an important part of how we serve remote communities, increasingly we are providing a broader range of services to meet needs. Our services now include primary health clinics, mobile dental care

services, telehealth GP consultations, mental health services and counselling, and alcohol and other drugs services.

In a disrupted year, shaped in the latter half by the global COVID-19 pandemic, the RFDSSE met the challenges to service head on, bringing respiratory clinics to regions in need, and continuing to deliver primary healthcare services across the network through clinics well as through telehealth consultations. We also launched our new medical and flight training facilities and the Visitor Experience at our Dubbo Base supporting enhanced education outcomes as well as engagement with the public.

By delivering more healthcare to more people who need it, the Royal Flying Doctor Service (South Eastern Section) is closing the healthcare gap between Australians living in rural and remote areas and those living in cities.



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Message from the President



E.R. Sandow

Ruth Sandow
President
Royal Flying Doctor Service
(South Eastern Section)

2020 has been an incredibly challenging year for all, as well as for the Royal Flying Doctor Service (South Eastern Section). Early in the year we faced terrible bushfires and now, the devastating economic, social and health impacts of COVID-19.

I would first like to express my gratitude to all employees of the Royal Flying Doctor Service (South Eastern Section) and our partners for their commitment and willingness to support the service in this difficult period. Above all, I would like to thank those who are on the frontline of our response to this situation. Their courage and determination, in these complex times, are exemplary.

During the COVID-19 pandemic the needs of our communities has been as great as ever. In addition to providing the certainty that the Flying Doctor will be there in a medical emergency, our primary health, mental health and dental services are increasingly in demand. We continued to deliver broad-ranging, high quality healthcare services and worked to close the healthcare gap and improve the health outcomes of those living in our regional, rural and remote communities.

The Flying Doctor has also played a critical role in the broader health system's response to COVID-19, which forced regional airlines to reduce their flight schedules. We were able to step up and provide flights for the Western NSW Local Health District and Murrumbidgee Local Health District in transporting their medical staff.

With commonwealth support we have been able to open and facilitate testing clinics across the network as well as a dedicated respiratory clinic in Broken Hill. These clinics enable testing and diagnoses of respiratory cases, including COVID-19, influenza and pneumonia.

Even in the face of COVID-19 there has been a lot to celebrate.

The 2019/20 financial year has again shown a strong financial performance. This has enabled the South Eastern Section to introduce new services and build new facilities as part of our mission to improve access supporting better health outcomes for remote, rural and regional communities. We have invested \$4.4 million in health programs, an increase on the \$3.1 million contributed in the 2018/19 financial year. These health programs include our services to the North West of NSW, as well as mental health, alcohol and other drug, primary health and dental health services to people living in this region.

Thanks to the support of the Broken Hill Women's Auxiliary and the Silver City Bush Treadlers, our rapidly expanding Mental Health, Alcohol and Other Drugs Team moved to our new Broken Hill Wellbeing Place. This centre provides an accessible space to engage with individuals and communities as early as possible in the cycle of health and wellbeing, with the aim to prevent mild and moderate mental ill health from becoming severe, and reduce reliance on emergency mental health care, including retrievals.

Another significant achievement was the opening of state of the art remote clinics – one in the community of Tilpa and another in Louth. A third clinic building for Innamincka is

finished and we now await the removal of border restrictions to put it in place. The new clinics were made possible thanks to a generous gift from one of our longstanding donors. The new buildings provide consultation rooms along with mental health and dental rooms.

Doctors, dentists, nurses and other health practitioners working at the clinics now have access to the specialised equipment they need to deliver a broad range of vital health services. Telehealth facilities will also enable those unable to get into town to access specialist appointments. As someone who lives in one of the most isolated places in New South Wales, I know these clinics are paramount to the health of outback people.

In September 2019 we opened our Multi-Purpose Aeromedical, Aviation Training and Tourism complex at Dubbo base. It reflects our commitment to training, quality and safety excellence and gives us the capacity to deliver high quality training courses for our staff that reflect industry best practice and exceed regulatory requirements. These new training facilities were made possible partially thanks to a very generous bequest and a generous gift from one of our longstanding donors. The new Dubbo Visitor Experience showcases the Flying Doctor's rich and living history through photography, interactive exhibits, a cinematic experience and even augmented reality displays.

The Visitor Experience was made possible thanks to an extremely generous contribution of \$2 million from the Dubbo Support Group. We would also like to thank Dubbo City Council, the NSW Government and other generous supporters for providing land and vital funding. Proceeds from the Visitor Experience are used to help fund Royal Flying Doctor Service (South Eastern Section) services.

I'd also like to take this opportunity to acknowledge our joint patrons, Her Excellency, the Honourable Margaret Beazley AO QC, and her husband Dennis Wilson. They are wonderful advocates and supporters of our service who continue to promote the vital work of the Flying Doctor and recognise the hard work and generosity of our donors, supporters and volunteers.

Through our enduring and positive relationships across the network I am proud to say that we as a service listen to the concerns of the community and wherever possible, respond to their needs and I am very proud of the way our service is adapting to meet the challenges of COVID-19. In summary, a productive year for the South Eastern Section, as we continue to strive to deliver improved healthcare outcomes for remote, rural and regional communities.

Thank you again for your commitment, trust, and ongoing support and interest in the work of the Royal Flying Doctor Service.

Please stay healthy and safe. We look forward to seeing you in person in 2021.

Treasurer's Report

The Royal Flying Doctor Service (South Eastern Section) again delivered a solid financial performance for the year.



Anthony MacRae
Treasurer
Royal Flying Doctor Service
(South Eastern Section)

At 30 June 2020 we recorded a surplus of \$5.832million after depreciation of \$11.204million and an impairment of \$0.679 million which is discussed below. This result is above the budgeted position whilst delivering our strategic plan of investing significantly in new and expanded services.

Revenue for the year was \$90.7million with most revenue derived from government contracts, which accounted for 38% of our total revenue. The growth in this revenue stream is due to the full year of the NSW Non-Emergency Patient Transport service with surpluses from all government contracts directed toward supporting our remote and rural services.

Operating grants from Commonwealth and State governments are up 6% on the prior year and totalled \$23million for 2019/20. These funds are a major contributor to our traditional services and included funding to prepare for a surge in COVID-19 evacuations as well as a contribution to the expansion in mental health services that we provide from our bases.

Fundraising in 2019/20 was strong and resulted in receipts of \$27.4million from donations and bequests, which makes up 30% of our total revenue. This is a testament to the dedicated and ongoing support we receive from the community for the services provided. The investment in new fundraising strategies in prior years continued in 2019/20 and are expected to provide a sustainable return in future years. Further it is also worth noting our source of fundraising ratios have commenced to come back in line with prior years.

Funds raised from donations and bequests were used to support aeromedical services from our traditional bases, equipment and capital needs. Donations continue to fund many of our healthcare services including the TOOTH oral health program, oral health enhancements from our Broken Hill base, a practice nurse in Broken Hill, additional mental health practitioner positions in Broken Hill and Dubbo, and support for our network patients following hospital discharge in Broken Hill. As mentioned above, the additional Commonwealth and State revenue specifically for mental health will be supplemented by donor funds to meet an ever-increasing mental health need in the bush, during these extremely hard times for our farmers and rural communities. In 2019/20 the Service contributed \$4.4million towards these programs, up from \$3.1million in 2018/19.

Our expenditure for the year was \$84.857million, an increase of 4.6% over the previous year. This was mainly due to an increase in total employment costs associated with the new and expanding services in the following areas:

- Mental health programs, in particular drought support programs and;
- Health and Aviation Quality & Safety programs.

Overall, our financial position is strong which has underpinned our ability to continue to invest in services and programs.

The 2019/20 financial accounts have been adjusted to show the adoption of *AASB 15* and *AASB 16*. In practical terms, *AASB 15* requires the Service to only recognise revenue in the accounts as the revenue is expended while *AASB 16* requires the Service to account for Leases greater than 12 months as an asset and a financial liability.

The impact of *AASB16* is shown in the Statement of Financial Position as

- a non-current asset based on the lease cost over the term of the lease; and
- as both a current and non-current liability shown as a lease liability.

The lease expense incurred in the 2019/20 financial year has been reclassified from an administration expense to a depreciation right-of-use of asset expense in the Statement of Comprehensive Income and Interest unwinding on lease liabilities as a financial expense in Note 4.

AASB 15 has resulted in an increase in unearned income in the liabilities section of the Statement of Financial Position and funds will be held in this account until expended.

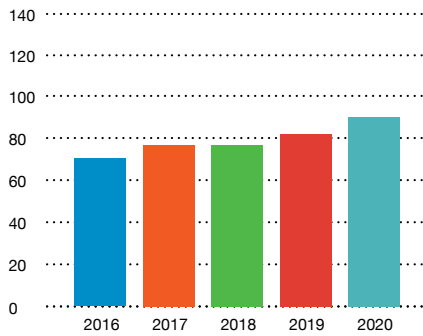
During 2019/20, we expended \$16.7million on assets. This investment was in replacing two clinic buildings in both Louth and Tilpa and a new clinic to be established at Innamincka. Expenditure on aircraft was associated with engine overhauls and the aircraft upgrade program to enable the Service to have aircraft that comply with the new CASA standards.

Taking all this into account, our liquidity position remains strong, holding Cash and Investments, including term deposits of \$68million as at 30 June 2020. These funds will be kept in reserve to ensure our services remain sustainable and continue to grow.

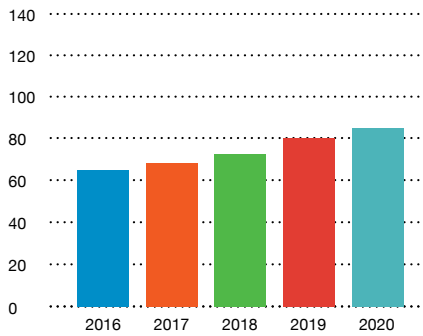
It is my view that the Royal Flying Doctor Service (South Eastern Section) is in a good position to execute its strategy, funding vital additional services, and carrying out its operational and service obligations.

Key financial data **over five years**

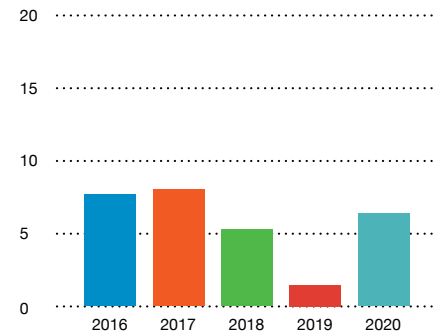
TOTAL REVENUE (\$ million)



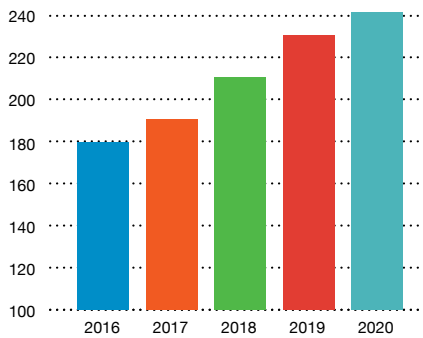
TOTAL EXPENDITURE (\$ million)



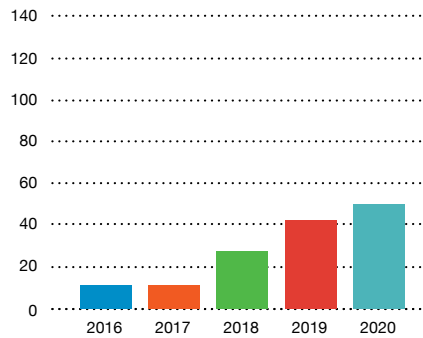
SURPLUS (\$ million)



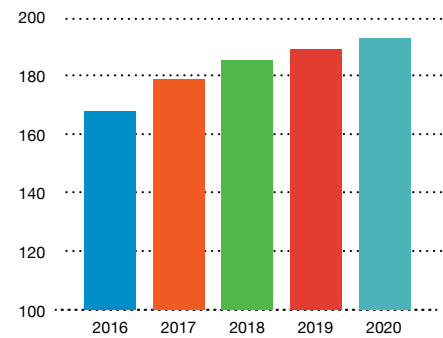
TOTAL ASSETS (\$ million)



TOTAL LIABILITIES (\$ million)

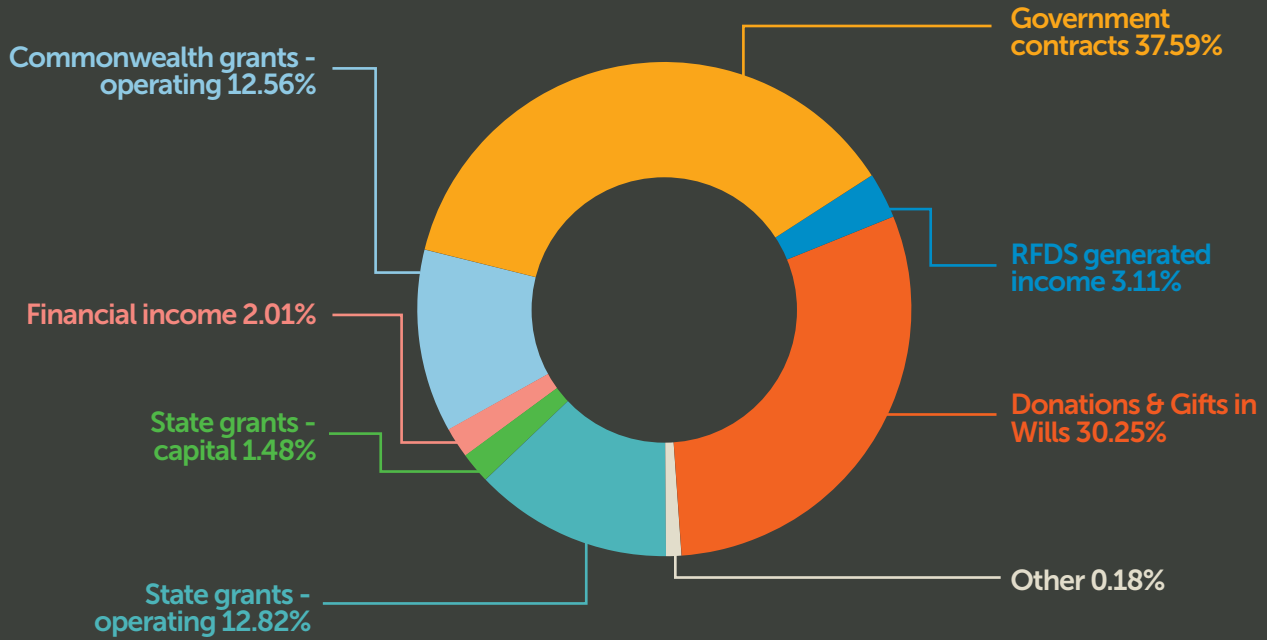


TOTAL EQUITY (\$ million)



Where our funding comes from

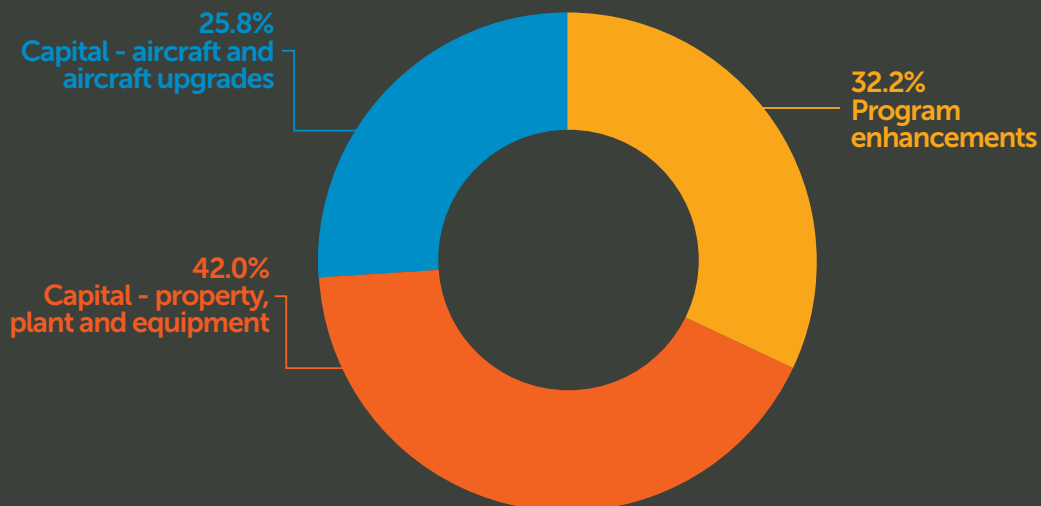
To 30 June 2020



Where our donor funding is applied

To 30 June 2020

(After fundraising costs have been met)





Our service reach >

Our aeromedical crews are on standby 24/7, 365 days a year.

Key

- Frequently visited primary (emergency) evacuation locations
- RFDS clinics including fly-in clinics, mobile dental clinics and alcohol and other drugs services
- Interhospital transfers including Air Ambulance locations
- RFDS bases and healthcare facilities
- Rural Aerial Health Service
- Rural Women's GP Service clinics
- Contracted Aeromedical Service Delivery



Governance

In a year marked by challenges presented by the spread of COVID-19, the Board of Directors of the Royal Flying Doctor Service South Eastern (RFDS SE) Section has overseen the coordinated organisational response to support rural and remote communities through the crisis alongside delivery of expanded healthcare services as planned.

Role and responsibility

The Board is accountable to Members and stakeholders for the performance of the organisation and ensures it meets its constitutional, legal and fiduciary responsibilities as a charitable, not-for-profit organisation.

The Board monitors and guides the performance and management of the RFDS SE Section on behalf of Members, by whom it is elected, and to whom it is responsible. The Board Charter clearly defines the matters that are reserved for the Board and those that the Board has designated to management.

Strategy

The Board continues to oversee the strategic and business development of the RFDS SE Section to sustain, improve and increase the delivery of its core traditional services, including emergency evacuations and primary healthcare; and to increase contract service opportunities to support provision of traditional services.

The Board works with the RFDS Federation Office to identify and advocate for appropriate Commonwealth funding contributions.

The Board subcommittees provide increased oversight of aviation regulation, medical and health services, and have a special focus on quality and safety in audit and risk areas. The Regional Advisory sub-committee continues to build and strengthen relationships with the communities we serve.

Sub-Committees of the Board for 2019/20

Sub-Committee	Members
Audit & Risk Committee	<ul style="list-style-type: none"> Ms Elizabeth Johnstone - Chair Dr Saranne Cooke Mr Tony MacRae Mrs Ruth Sandow Mr Greg Sam Mr Peter Miranda
Medical & Health Services Advisory Committee	<ul style="list-style-type: none"> Professor David Lyle - Chair Mrs Joan Treweeke Mrs Ruth Sandow Mrs Sanchia Treloar Mr Sam Jeffries – Indigenous Community Representative Mr Paul Martin – Consumer Representative Dr Andre Nel – Far Western LHD GM Health Services Development – Secretariat Chief Medical Officer Manager, Governance Engagement and Development Senior Health and Medical Managers (as required) Mr Greg Sam (ex officio)
Regional Advisory Committee	<ul style="list-style-type: none"> Mrs Sanchia Treloar - Chair Mr Terry Clark Mrs Joan Treweeke Mrs Ruth Sandow Mrs Pat Doolan Mrs Julie McClure GM Health Services – Secretariat GM Marketing & Fundraising Community Engagement Officer Manager, Governance Engagement and Development Mr Greg Sam (ex officio)
Aviation Committee	<ul style="list-style-type: none"> Mr Alex Scamps - Chair Mr Tony MacRae Mr Greg Sam Mrs Brooke Curtin Mr Ranath Fernando GM Aviation Strategic Advisor Service Development, Aviation GM Base Operations & Service Delivery Quality & Safety Manager or delegate Head of Flight Operations or Deputy Engineering Manager Head of Flight Training and Part 142 or Deputy Airworthiness Manager or delegate

Board of Directors



Our Board members live in NSW, Victoria and South Australia and represent a unique mix of skills and experience.



Left to right: Mrs (Elaine) Ruth Sandow (President), Mr Alex Scamps (Vice President), Mr Tony MacRae (Treasurer), Mr Terry Clark, Dr Saranne Cooke, Ms Elizabeth Johnstone, Professor David Lyle, Mrs Sanchia Treloar, Mrs Joan Treweeke OAM, Mrs Brooke Curtin.

Elaine (Ruth) Sandow

President

Member, Audit & Risk Committee; Regional Advisory Committee; Medical & Health Services Advisory Committee; RFDS Federation Board. Former registered nurse; resident grazer in the SE Section Network area; Founding Member and Chairperson of the Milparinka Heritage and Tourism Association Inc.

Mr Alex Scamps BE (Elec Hons) ME (Aero) Grad Cert Fin. MBA ATPL

Vice President

Chairman, Board Aviation Committee. Head of Fleet Operations, Flight Operations: Qantas. Former roles include: Manager Boeing Fleet Operations and B737 Captain: Qantas Airways; LOSA Auditor; Chief Operating Officer Network Aviation.; CASA approvals for AOC CEO, Part 145 CEO and Part 42 CEO; General Manager Flight Operations and Chief Pilot Network Aviation; Technical Pilot Airbus A330; and Instructor Boeing 747 and 767.

Anthony Michael MacRae

Treasurer

Member, Audit & Risk Committee and Board Aviation Committee. General Manager Banking: My State Limited. Former roles include: General Manager Third Party Distribution at Westpac Banking Corporation; State General Manager, Commercial Banking NSW at Westpac Banking Corporation; Acting CEO RAMS; Head of Broker Business and Head of Operations and IT at RAMS Financial Group Pty Ltd; Head of Sales at PMI Mortgage Insurance Ltd; Operations & Direct Sales Director at Virgin Money; and Business Consultant/Project Director at AXA/Ipac.

Terry Clark

Director

Member, Regional Advisory Committee. Resident of the SE Section Network area; President, RFDS Dubbo Support Group since 2003; Former roles include: Director Dubbo Tourism Association; Member Dubbo Tourism Advisory Committee.

Elizabeth Johnstone LLB MA (Hons) BA (Hons) FAICD

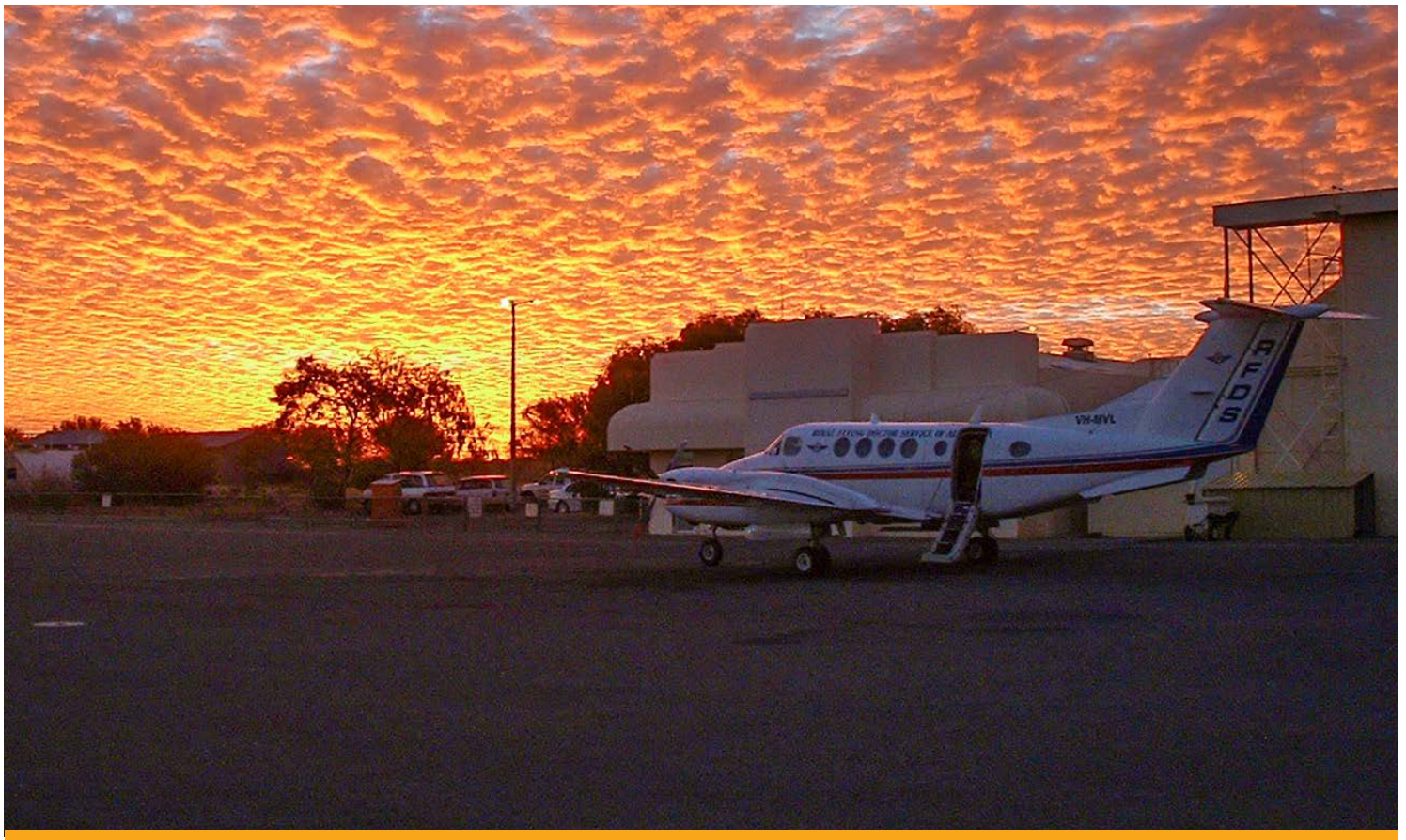
Director

Chair, Audit & Risk Management Committee. Senior Consultant, DLA Piper. Fellow, Australian Institute of Company Directors; Current directorships: Chair of ASX Compliance Governance Board; Chair of CEO Circle and Future Circle. Former roles include: Partner and Practice Head (Company Law and Governance) Blake Dawson now Ashurst; Chairman KinCare; Director, ASX Compliance Board; Auditing and Assurance Standards Board; Australian Press Council; Institute of Compliance and Sydney Writers' Festival. Prior BPW/Qantas Business Woman of the Year.

Professor David Lyle MB BS PhD FAFPHM

Director

Chair, Medical & Health Services Advisory Committee. Professor and Head of the Broken Hill University Department of Rural Health (BH UDRH), University of Sydney. David is a public health physician who worked as a medical epidemiologist with the NSW Health Department before moving to Broken Hill in 1995 to set up the BH UDRH. He has a strong research and health service development background.



Joan Treweeke OAM LLB

Director

Member, Medical & Health Services Advisory Committee and Regional Advisory Committee. Resident SE Section Network area. Current directorships: Board Member Western NSW Local Health District; President, Royal Far West and Contact Inc; Former roles include: President/Vice President RFDS SE Section; Board Member Far West Medicare Local; Vice President ICPA NSW, and Walgett Shire Councillor. Experienced in leadership and governance roles in education, community services and natural resource management for both government and non - government organisations in rural and remote NSW.

Sanchia Treloar

Director

Chair, Regional Advisory Committee; Member, Medical & Health Services Advisory Committee. Resident grazier in the SE Section Network area. Current roles include: RFDS Broken Hill Women's Auxiliary; Broken Hill School of the Air P&C; Cockburn Progress Association; and ICPA North East SA & Broken Hill branches.

Dr Saranne Cooke PhD FCPA MComLaw MBus(Mkt) BCom GAICD FAMI CPM

Director

Member, Audit & Risk Committee. Current roles include: Deputy Chancellor, Charles Sturt University; Board Member, Racing NSW; Director, Western NSW Primary Health Network; Director, Leading Age Services Australia; Director, Fisheries Research & Development Corporation; Trustee Director, HESTA Superannuation; Chair, Western NSW AICD Committee; Chair, Diocesan Finance Council (Catholic Diocese of Bathurst). Saranne has a wealth of experience as a regionally based non-executive director and chair across multiple industries. Saranne has lived and worked almost all her life in regional NSW, with her previous executive career spanning financial, marketing, strategy, legal and information technology disciplines.

Ms Brooke Curtin MAICD

Associate Director

Member, Board Aviation Committee. Current roles include: Non Executive Director, Mildura Airport PTY LTD; Board Member, Royal Australian College of Surgeons Urology Training Board. Brooke has experience as a Navigator in the Air Force (similar to a co-pilot role) where she flew Super King Airs, and as Senior Aviation Adviser to the Minister for Transport. Brooke has significant business and government experience ranging from experience in not-for-profits to global private sector companies, government organisations and with federal members of parliament.

Director's Report

For the year ended 30 June 2020

1. The Directors present their report together with the financial report of the Royal Flying Doctor Service of Australia (South Eastern Section) ("the Service"), for the financial year ended 30 June 2020 and the auditor's report thereon.

The names of Board members holding office at any time during or since the end of the financial year were: Mrs. JH Treweeke, Mr. T Clark, Mr A. MacRae, Mrs. E.R. Sandow, Mrs. E.M Johnstone, Mr. D. Lyle, Mr A Scamps, Mrs S. Treloar, Dr S Cooke. Mrs B Curtin has been appointed as an Associate Director of the Board, Associate Directors have no voting rights and are not subject to any of the obligations of a Director. Particulars of Directors' qualifications, experience and special responsibilities are set out on page 12 - 13 of the Financial Report.

2. The principal activity of the Service during the financial year was the provision of aeromedical services.

There were no changes in the nature of the activities during the period.

3. The total surplus for the year was \$5,831,942 (2019 \$1,603,355).

4. The Service is a company not for gain, limited by guarantee.

5. The Service is subject to environmental regulation. The National Greenhouse and Energy Reporting Act 2007 requires the Service to report its annual greenhouse gas emissions and energy use. The Service has implemented systems and processes for the collection and calculation of the data required and submitted its 2018/19 report to the Greenhouse and Energy Data Officer on 31 October 2019.

6. Since the end of the financial year the Directors are not aware of any matter or circumstances, not otherwise dealt with in this report or the accounts, that has significantly affected or may significantly affect the operations of the Service, the results of those operations or the state of affairs of the Service in subsequent financial years.

7. No Director of the Service since the end of the previous financial year has received or become entitled to receive a benefit by reason of a contract made by the Service or by a related corporation with the Director or with a firm of which they are a member or with a company in which they have a substantial financial interest.

8. The Service has been impacted by the COVID-19 pandemic during the financial year under review. Please see this document and year in review report for further information.

9. A review of the operations of the Service is contained in the Annual Report. The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Service during the financial year are:

	Board of Directors	
	Held	Attended
Mrs Ruth Sandow	8	8
Mrs Joan Treweeke	8	8
Mr Terry Clark	8	8
Ms Elizabeth Johnstone	8	7
Mr Anthony MacRae	8	8
Mr David Lyle	8	8
Mrs Sanchia Treloar	8	8
Mr Alexander Scamps	7	7
Dr Saranne Cooke	8	8

	Audit & Risk Committee	
	Held	Attended
Mrs Ruth Sandow	5	4
Ms Elizabeth Johnstone	5	4
Mr Anthony MacRae	5	5
Dr Saranne Cooke	3	3

10. Company Secretary - Mr. Greg Sam was appointed to the position of company secretary in 2014. Mr Sam has over twenty years of experience in corporate governance and health services management.

11. During the financial year, the Service paid a premium to insure the directors and officers of the Service and its Australian based subsidiaries and the general managers of the Service. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Service, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Service.

12. The Lead Auditor's Independence Declaration is set out on page 15 and forms part of the directors' report for the financial year ended 30 June 2020.

For and on behalf of the Board in accordance with a resolution of the Board

Ruth Sandow,
President
26 August 2020

Anthony MacRae
Treasurer
26 August 2020

Lead auditor's independence declaration



Auditor's Independence Declaration

As lead auditor for the audit of Royal Flying Doctor Service of Australia (South Eastern Section) for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Australian Charities and Not-for-Profits Commission Act 2012* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to be 'M. T. Lojszczyk', written in a cursive style.

M. T. Lojszczyk
Partner
PricewaterhouseCoopers

Adelaide
26 August 2020

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Liability limited by a scheme approved under Professional Standards Legislation.

Statement of Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenue	2	59,930,696	58,543,070
Other revenue	2	28,935,779	21,581,036
		88,866,475	80,124,106
Administration		9,426,862	8,705,173
Aviation costs		14,241,622	15,199,500
Amortisation of engines	8	2,596,593	2,565,172
Depreciation	8	11,203,791	10,445,887
Depreciation right-of-use of assets		236,043	-
Impairment of asset	8	679,199	942,309
Employment costs	3	39,172,806	37,244,996
Facilities costs		1,878,353	1,422,975
Marketing expenses		4,173,299	2,932,503
Loss on disposal/retirement of property, plant & equipment		2,977	572,931
Other expenses		260,000	254,583
Surplus from operating activities		4,994,930	(161,923)
Net financial income	4	837,012	1,765,278
SURPLUS FOR THE YEAR BEFORE INCOME TAX		5,831,942	1,603,355
Income tax expense	1(f)	-	-
SURPLUS FOR THE YEAR		5,831,942	1,603,355
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Change in fair value of available for sale investments		(302,654)	783,869
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,529,288	2,387,224

The adoption by the Service of AASB 16 in the 2019/20 financial year has resulted in the reclassification of leases in the Statement of Comprehensive Income from an administration expense to be shown above as depreciation right-of-use assets and, in Note 4 Net financial income, interest unwinding on lease liabilities. Right-of-use assets are shown as assets in the Statement of Financial Position while the commitment is classified as current or non current liability based on the term of the lease as required by the Standard. The Statement of Cashflow has been adjusted to show the lease payment of principal as a payment separate to payments to employees and suppliers (inclusive of GST)

Statement of Changes in Equity

For the year ended 30 June 2020

	Notes	Asset Revaluation Reserve	Investment Fair value Reserve	Total Reserves	Retained Earnings	Total
		\$	\$	\$	\$	\$
Balances at 1 July, 2018		7,002,015	2,350,706	9,352,721	175,096,821	184,449,542
Other comprehensive income		-	783,869	783,869	-	783,869
Surplus for the year		-	-	-	1,603,355	1,603,355
Balances at 30 June, 2019		7,002,015	3,134,575	10,136,590	176,700,176	186,836,766
Balances at 1 July, 2019		7,002,015	3,134,575	10,136,590	176,700,176	186,836,766
Other comprehensive income		-	(302,654)	(302,654)	-	(302,654)
Surplus for the year		-	-	-	5,831,942	5,831,942
Balances at 30 June, 2020	10,11	7,002,015	2,831,921	9,833,936	182,532,118	192,366,054

Statement of Financial Position

For the year ended 30 June 2020

	Notes	2020	2019
		\$	\$
Assets			
Cash and cash equivalents	5	27,114,372	12,009,806
Term deposits (greater than 90 days) and fixed interest funds		3,214,672	12,000,000
Trade and other receivables	6	5,137,319	7,510,472
Inventories	7	6,744,956	6,049,656
Total current assets		42,211,319	37,569,934
Property, plant and equipment	8	156,148,711	154,346,406
Right-of-use assets		6,269,196	-
Financial assets at fair value through other comprehensive income		19,489,139	17,483,100
Fixed interest funds		18,242,724	19,962,118
Total non current assets		200,149,770	191,791,624
TOTAL ASSETS		242,361,089	229,361,558
Liabilities			
Trade and other payables		5,818,021	6,488,576
Employee benefits	9	8,161,435	6,685,664
Unearned income		5,545,521	1,703,422
Financial liabilities		3,535,662	3,743,889
Lease liability		755,264	-
Total current liabilities		23,815,903	18,621,551
Employee benefits	9	433,784	489,209
Financial liabilities		20,214,554	23,414,032
Lease liability		5,530,794	-
Total non current liabilities		26,179,132	23,903,241
TOTAL LIABILITIES		49,995,035	42,524,792
NET ASSETS		192,366,054	186,836,766
Equity			
Reserves	10	9,833,936	10,136,590
Retained earnings	11	182,532,118	176,700,176
TOTAL EQUITY		192,366,054	186,836,766

Statement of Cash Flows

For the year ended 30 June 2020

	Notes	2020	2019
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from government grants (inclusive of GST)		25,451,274	24,686,562
Receipts from contracts (inclusive of GST)		46,493,602	36,034,976
Receipts from fundraising		25,474,335	16,638,988
Receipts from customers (inclusive of GST)		1,126,638	1,131,388
Payments to employees and suppliers (inclusive of GST)		(75,737,244)	(70,383,463)
NET CASH FLOWS FROM OPERATING ACTIVITIES		22,808,605	8,108,451
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from capital grants (inclusive of GST)		1,346,579	3,922,534
Proceeds from sale of property, plant and equipment		307,287	382,985
Payments for property, plant and equipment	8	(16,718,642)	(37,528,876)
Interest received	4	120,608	631,017
Dividends received		1,635,737	1,946,109
Transfers from / (to) term deposits		1,954,579	1,954,815
Transfers from / (to) investment portfolio		6,241,450	(1,415,972)
Settlement of foreign exchange contracts		65,275	478,671
Bequest of Investments		1,954,579	635,646
NET CASH FLOWS FROM INVESTING ACTIVITIES		(3,092,548)	(28,993,071)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(922,977)	(811,849)
Lease payment of principal		(280,809)	-
Proceeds from borrowings		-	14,828,981
Repayment of borrowings		(3,407,705)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		(4,611,491)	(6,867,488)
NET INCREASE/(DECREASE) IN CASH HELD		15,104,566	(33,021,812)
Cash and cash equivalents at the beginning of the year		12,009,806	18,877,294
Cash and cash equivalents at the end of the year	5	27,114,372	12,009,806

Notes to and forming part of the Financial Statements

For the year ended 30 June 2020

1. Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Reporting entity

The Royal Flying Doctor Service of Australia (South Eastern Section), ("the Service"), is domiciled in Australia. The address of the Service's registered office is Broken Hill Airport, Broken Hill NSW 2880. The financial report of the Service is for the financial year ended 30 June 2020. The Service is a company not for gain, limited by guarantee.

(b) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the ACNC Act 2012. The Service is a not-for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

The financial statements of the Service comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the AASB. The financial statements were approved by the Board of Directors on 26 August 2020.

(ii) Historical cost convention

The financial statements have been prepared on the historical cost basis except for the following which are stated at their fair value:

- financial instruments classified as fair value through other comprehensive income and foreign exchange contracts; and
- freehold land and buildings.

(iii) Accounting estimates

The Service makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- valuation of property, plant and equipment, refer to note 8 for further details
- depreciation and amortisation of property, plant and equipment, refer to note 8 for further details
- employee benefits, refer to note 9 for further details

(iv) Reclassification

When the presentation or classification of items in the financial report is amended, comparative amounts are reclassified to ensure comparability.

(c) New and amended standards and interpretations

(i) New and amended standards adopted by the Service as at 1 July 2019

The Service applied the following new standards and amendments to accounting standards mandatory for the first time for the financial year beginning 1 July 2019:

- AASB 15 Revenue from contracts with customers
- AASB 1058 Income for not-for-profit entities
- AASB 16 Leases

The Service undertook a detailed review of its revenue contracts that were entered into during the transition period and concluded that there were no adjustments required to net profit or opening retained earnings on transition. The adoption of AASB 15 and AASB 1058 did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

The Service has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The accounting policy for leases can be found at note 1(k).

(ii) New standards and interpretations not yet adopted

Certain new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Service have not been early adopted by the Service.

(d) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Foreign currency translation

(i) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Service's functional currency and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(f) Income Tax

The Service is exempt from Income Tax.

(g) Investments

Investments and other financial assets

(i) Classification From 1 July 2018, the Service classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Service's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Service has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Service commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Service has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Service measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Service subsequently measures all equity investments at fair value. Where the Service's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Service's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Significant Accounting Policies (continued)

(iv) Impairment

From 1 July 2018, the Service assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Service prior to the end of the financial year which are unpaid. Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30 day terms. Trade and other payables are unsecured.

(i) Interest bearing liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Borrowings are classified as current liabilities unless the Service has an unconditional right to defer settlement of the liability for at least 12 months.

The bank loans are secured by the rights to the aircraft asset of MSZ recognised in the financial statements, that revert to the lender in the event of default.

(j) Impairment

(i) Testing for impairment

The carrying amounts of the Service's assets, other than inventories (see note 7) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income unless an asset has previously been valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation in equity with any excess recognised through the Statement of Comprehensive Income.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity is recognised in the profit and loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit and loss.

(ii) Reversals of impairment

Impairment losses are reversed where there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of a receivable carried at after the impairment loss was recognised. An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Derecognition of financial assets and liabilities

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Service retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full to a third party; or
- the Service has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

(k) Leases

(i) Treatment before adoption of AASB 16

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Service as the lessee recognises a leased asset and a corresponding lease liability on the statement of financial position as property, plant and equipment and financial liabilities respectively. The leased asset is initially measured at fair value and is recorded as property, plant and equipment. Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss, over the term of the lease using the rate implicit in the lease that is the rate that exactly discounts the future lease payments to the fair value of the asset at the beginning of the period.

In subsequent periods, the lease liability is accounted for similarly to a financial liability using the effective interest method. The leased asset is accounted for similarly to a purchased asset and depreciated.

(ii) Treatment after adoption of AASB 16

AASB 16 came into effect for periods beginning on or after 1 January 2019. The Service adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. On adoption of AASB 16, the Service recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117 Leases. These liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at date of initial application. Each lease payment is allocated between the liability and finance cost. The finance cost (Note 4) is charged to the statement of comprehensive income over the lease period so as to produce a constant rate of interest on the remaining balance of the liability at each period. For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied

after that date. The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules has always been applied. Right-of-use assets are depreciated over the shorter of assets useful life and the lease term on a straight-line basis.

The Service elected to implement the following transition practical expedients:

- Exclude lease arrangements with a short remaining term (less than 12 months) from the date of initial application
- Apply a single discount rate to a portfolio of lease with reasonably similar characteristics
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.59%. The Service has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Service relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

	2019
	\$
Measurement of lease liabilities	
Operating lease commitments disclosed at 30 June 2019	2,158,993
Less: leases not recognised as a liability (short-term and low value leases)	(197,962)
Discounted using the incremental borrowing rate as at the date of initial application	(499,689)
Lease liability recognised as at 1 July 2019	1,461,342
Of which are:	
Current lease liabilities	112,329
Non-current lease liabilities	1,349,013

The adoption of AASB 16 affected the following items in the statement of financial position on 1 July 2019:

- right-of-use assets - increase by \$1,461,342
- lease liabilities - increase by \$1,461,342
- there was no net impact on retained earnings on 1 July 2019.

2. Revenue

	2020	2019
	\$	\$
Revenue		
Government grants - commonwealth	11,387,668	10,035,305
Government grants - state	11,627,438	11,601,293
Government contracts - services	32,010,206	31,655,889
Other health contracts - services	2,080,953	3,086,470
Cost recoveries - services	1,960,501	1,492,182
Merchandising	863,930	671,931
	59,930,696	58,543,070
Other revenue		
Capital grants - state	1,346,579	2,922,534
Capital grants - commonwealth	-	1,000,000
Bequests	11,600,658	7,044,150
Donations	15,828,256	10,230,484
Other income	160,286	383,868
	28,935,779	21,581,036
TOTAL REVENUE	88,866,475	80,124,106

(i) Services rendered

Revenue from services rendered is recognised in the Statement of Comprehensive Income when the performance obligations have been satisfied.

(ii) Grants

Government and capital grants from funding bodies are recognised over time as revenue when the performance obligations attached to the grants have been fulfilled. In the cases where the performance obligations are not filled, the grant received is recognised as deferred income. Grants that compensate the Service for expenses incurred are recognised as revenue in the State of Comprehensive Income on a systematic basis in the same periods in which the expenses are incurred.

(iii) Donations & bequests

Donations without contractual obligations represents monies received into the Service's bank account. Donations with contractual obligations are recognised over time when the performance obligations attached to the donation have been fulfilled. In the cases where the performance obligations are not filled, the donation received is recognised as deferred income. Bequests and gifts received in the form of properties or investments are taken into account when received at their market value.

(iv) Merchandising

Revenue from merchandising is recognised in the Statement of Comprehensive Income on sale of goods.

3. Employment costs

	2020	2019
	\$	\$
Wages and salaries	32,411,894	30,733,832
Other associated personnel expenses	2,230,489	2,917,657
Contributions to defined superannuation funds	3,110,077	2,832,567
Increase in provisions for employee leave entitlements	1,420,346	760,940
	39,172,806	37,244,996

4. Net financial income / (expense)

	2020	2019
	\$	\$
Interest income	120,607	327,454
Dividend income	1,266,475	1,800,095
Imputation credits	369,261	146,014
Realised gain on foreign exchange	65,275	303,564
Financial income	1,821,618	2,577,127
Interest expense	922,977	811,849
Interest unwinding on lease liabilities	61,629	-
Financial expense	984,606	811,849
NET FINANCIAL INCOME	837,012	1,765,278

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method. Dividend income is recognised in the Statement of Comprehensive Income on the date the Service's right to receive payments is established which in the case of quoted securities is the ex-dividend date. The Service uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from predominately aircraft purchases.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

5. Cash and cash equivalents

	2020	2019
	\$	\$
Cash on hand	2,575	2,509
Cash at bank	15,659,298	9,530,662
Term deposits (less than 90 days)	7,500,000	-
Investment trust	3,952,499	2,476,635
	27,114,372	12,009,806

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Deposits with original maturities of greater than three months are classified as term deposits on the face of the Statement of Financial Position.

6. Trade and other receivables

	2020	2019
	\$	\$
Trade receivables	3,703,878	3,118,490
Prepayments - note 8 (vi)	228,840	3,328,715
Other receivables	1,204,601	1,063,267
TOTAL	5,137,319	7,510,472

Trade and other receivables are stated at their amortised cost less impairment losses.

The recoverable amount of the Service's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted and collectibility of trade receivables is reviewed on an ongoing basis.

The Service applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

8. Property, plant and equipment

	PROPERTY			Aircraft hulls		Aircraft engines	
	Freehold land and buildings	Leasehold land and buildings	WIP				
	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2020							
Cost	19,458,589	20,518,768	3,036,448	135,922,647		28,963,619	
Accumulated depreciation	(1,307,663)	(1,378,389)	-	(63,098,453)		(9,721,763)	
Net carrying amount	18,150,926	19,140,379	3,036,448	72,824,194		19,241,856	
Movement							
Opening net carrying amount	18,588,656	3,469,665	15,166,897	60,100,286		15,216,847	
Additions	48,647	1,721,053	3,036,448	1,469,260		2,952,831	
Disposals and write-offs	-	(483,744)	-	-		(1,489,789)	
Depreciation and amortisation	(486,377)	(249,751)	-	(5,458,293)		(2,596,593)	
Depreciation and amortisation on disposals	-	483,744	-	-		1,463,656	
Impairments	-	-	-	(679,199)		-	
Transfers between classes	-	14,199,412	(15,166,897)	17,392,140		3,694,904	
Closing net carrying amount	18,150,926	19,140,379	3,036,448	72,824,194		19,241,856	
Year ended 30 June 2019							
Cost	19,409,942	5,082,047	15,166,897	117,061,247		23,805,673	
Accumulated depreciation	(821,286)	(1,612,382)	-	(56,960,961)		(8,588,826)	
Net carrying amount	18,588,656	3,469,665	15,166,897	60,100,286		15,216,847	

7. Inventories

	2020	2019
	\$	\$
Aviation stores, at cost	6,589,495	6,130,899
Provision for obsolete aviation stores	(422,726)	(422,726)
Marketing stores, at cost	578,187	341,483
TOTAL	6,744,956	6,049,656

Inventories include aircraft spare parts and souvenirs. Inventories are valued at the lower of cost and current replacement cost. Inventory identified as obsolete is written off in the Statement of Comprehensive Income.

AIRCRAFT			PLANT & EQUIPMENT		TOTAL
Aircraft fit outs	Aircraft rotables	WIP	Plant and equipment	WIP	
\$	\$	\$	\$	\$	\$
34,817,256	1,607,810	325,805	18,705,849	1,469,793	264,826,584
(24,340,668)	(1,095,286)	-	(7,735,651)	-	(108,677,873)
10,476,588	512,524	325,805	10,970,198	1,469,793	156,148,711
10,996,780	836,289	24,098,835	4,078,601	1,793,550	154,346,406
113,800	149,771	-	5,757,039	1,469,793	16,718,642
-	(143,744)	-	(1,305,938)	-	(3,423,215)
(3,319,978)	(338,484)	-	(1,350,908)	-	(13,800,384)
-	8,692	-	1,030,369	-	2,986,461
-	-	-	-	-	(679,199)
2,685,986	-	(23,773,030)	2,761,035	(1,793,550)	-
10,476,588	512,524	325,805	10,970,198	1,469,793	156,148,711
32,017,470	1,601,783	24,098,835	11,493,713	1,793,550	251,531,157
(21,020,690)	(765,494)	-	(7,415,112)	-	(97,184,751)
10,996,780	836,289	24,098,835	4,078,601	1,793,550	154,346,406

8. Property, plant and equipment (continued)

(i) Measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, with the exception of freehold land and buildings, which are stated at fair value less subsequent depreciation for buildings.

Management engage external independent valuer every five years to value the Service's freehold land and buildings. On 30 June 2017, the Service's freehold land and buildings was independently valued by Broken Hill Valuers and National Property Valuers (NSW) to determine the fair value. A revaluation surplus is credited to other reserves in equity.

(ii) Depreciation

With the exception of land, depreciation is calculated using the straight-line method to allocate the cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold buildings, the shorter lease term as follows:

• Buildings	40 to 60 years
• Plant, equipment, furniture and intangibles	3 to 15 years
• Aircraft and related equipment	10 to 20 years
• Aircraft rotables	5 to 10 years
• Motor Vehicles	3 to 10 years

Management estimates the useful lives and residual values of property, plant and equipment based on the expected period of time over which economic benefits from use of the asset will be derived. Management reviews useful life assumptions on an annual basis having consideration to variables, including historical and forecast usage rates, technological advancements and changes in legal and economic conditions.

(iii) Amortisation

Aircraft engines are amortised using the unit-of-production method. Unit-of-production method rates are based on TBO (time between overhaul) hours, which are the minimum performance standard for specified materials, parts and appliances used on civil aircraft.

(iv) Qualifying assets

The Service capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

(v) Deposits paid on aircraft purchased

Cash deposits paid in the previous financial year by the Service when purchasing an aircraft are recorded as a prepayment until the transfer of the aircraft occurs at which time the aircraft is classified as property, plant and equipment at cost.

9. Employee benefits

	2020	2019
	\$	\$
CURRENT		
Salaries and wages accrued	2,692,897	2,147,209
Liability for long service leave	1,539,278	1,368,858
Liability for annual leave	3,929,260	3,169,597
	8,161,435	6,685,664
NON-CURRENT		
Liability for long service leave	433,784	489,209
TOTAL	8,595,219	7,174,873

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of the expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting future cash flows.

The obligations are presented as current liabilities in the statement of financial position if the Service does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

10. Reserves

Asset Revaluation reserve

The revaluation reserve relates to land and buildings measured at fair value in accordance with applicable Australian Accounting Standards.

Investment Fair Value reserve

The fair value reserve includes the cumulative net change of investments at fair value through other comprehensive income until the investment is derecognised through sale. Impairment losses are recognised in the statement of comprehensive income.

11. Retained Earnings

The Service retains earnings in order to provide the necessary funds to support the net assets required to meet its strategic objectives as well as to fund program enhancements such as Oral Health and Mental programs. These net assets include cash retained in order to provide for future capital requirements. Details of capital commitments at 30 June 2020 are set out in note 12.

12. Commitments for expenditure

	2020	2019
	\$	\$
LEASES		
Lease rental not recognised in the financial statements are payable as follows:		
Within one year	331,247	322,371
Total lease commitments	331,247	322,371

The Service leases property under operating leases. These leases generally provide the Service with a right of renewal at which time terms are renegotiated.

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

During the financial year ended 30 June 2020, \$446,460 was recognised as an expense in the Statement of Comprehensive Income in respect to operating leases (2019: \$498,539).

CAPITAL COMMITMENTS		
Budgeted and expected to be incurred within 12 months:		
Land and buildings	550,000	3,010,000
Aircraft	3,780,500	11,367,105
Plant and equipment	2,071,625	3,106,585
Total capital commitments	6,402,125	17,483,690

INTEREST COMMITMENTS		
Interest current	795,141	922,977
Interest non current	1,299,919	2,095,060
Total interest commitment	2,095,060	3,018,037

13. Related parties

Transactions with key management personnel

In addition to its salaries, the Service also provides non-cash benefits to key management personnel, and contributes to a post-employment defined 'contribution superannuation fund on their behalf.

Key management personnel are Greg Sam (Chief Executive Officer), Jenny Beach (General Manager Health Services), Peter Miranda (General Manager Corporate Services), Melanie Mayne-Wilson (General Manager Marketing & Fundraising), Carlie Gross (General Manager People & Culture), Justin Marr (General Manager Aviation), David Charlton (General Manager Strategic Development), Claudio Grasso (General Manager Base Operations & Service Delivery), Jeff Koneman (Flight Operations Manager) and Troy Wild (Engineering Manager).

During the financial year the following key management personnel resigned: Andy Moore, Darrin Ward

	2020	2019
	\$	\$
Total payments to related parties	2,516,278	2,463,544

Other key management personnel transactions

The terms and conditions of the transactions with key management personnel were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

14. Controlled entities

	Country of Incorporation	Ownership Interest	
		2020	2019
		%	%
Parent entity			
Royal Flying Doctor Service of Australia (SE Section)			
Subsidiary			
Royal Flying Doctor Service of Australia (South Eastern Section) New South Wales Operations	Australia	100	100
Royal Flying Doctor Service of Australia (South Eastern Section) Tasmanian Operations	Australia	100	100
Royal Flying Doctor Service of Australia (South Eastern Section) Victorian Operations	Australia	100	100

Principals of consolidation

Consolidated financial statements comprising the Service and the controlled entities are not prepared as the controlled entities' results, assets and liabilities are not material.

15. Information on charitable fundraising activity

	Notes	2020	2019
		\$	\$
Source of fundraising revenue			
Gross income from bequests	2	11,600,658	7,044,150
Gross income from fundraising	2	15,828,256	10,230,484
Gross income all sources		27,428,914	17,274,634
Gross cost marketing & fundraising			
Gross cost of fundraising		5,938,748	4,070,206
Gross cost of marketing		1,154,431	1,323,943
Gross cost marketing & fundraising		7,093,179	5,394,149
Surplus of gross income all sources after deducting gross cost of marketing & fundraising		20,335,735	11,880,485
Source of funds ratios			
Gross fundraising costs to gross income from fundraising		38%	40%
Gross fundraising costs to gross income from all sources		22%	24%
Gross cost marketing & fundraising to gross income all sources		26%	31%
Disbursement of fundraising revenue			
Program enhancements		4,387,161	3,092,489
Capital - aircraft & aircraft upgrades		3,523,962	44,450,929
Capital - property, plant & equipment		5,729,558	2,220,174
Total funds disbursed		13,640,681	49,763,592
Surplus / (deficit) of gross income all sources after deducting funds disbursed		6,695,054	(37,883,107)
Disbursement of funds ratios			
Net surplus / (deficit) percentage to gross income all sources		24%	(219%)
Total funds disbursed to gross cost of marketing & fundraising		192%	923%
Total funds disbursed to gross income all sources		50%	288%

16. Members' guarantee

The Service is incorporated under the Corporations Act 2001 and is a company limited by guarantee. In the event the Service is wound up, the Constitution states that each constitutional member is required to contribute a maximum of \$2.00 each towards meeting any outstanding obligations of the Service. At 30 June 2020, the number of constitutional members was 120 (2019: 125).

17. Contingent liabilities and contingent assets

There are no contingent liabilities or contingent assets as at 30 June 2020.

18. Events occurring after balance date

Outbreaks of COVID-19 continue to impact service delivery and revenue streams however no other events after balance date are expected to effect this financial report.

Directors' Declaration

1. In the opinion of the Directors of the Royal Flying Doctor Service of Australia (South Eastern Section)

- (a) the financial statements and notes set out on pages 16 to 31, are in accordance with the Division 60 of the Australian Charities and Not-For-Profits Commission (ACNC) Act 2012, including:
- (i) giving a true and fair view of the financial position of the Service as at 30 June 2020 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards including the Australian Accounting Interpretation and Division 60 of the ACNC Regulation 2013
- (b) there are reasonable grounds to believe that the Service will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors



Ruth Sandow, President
26 August 2020



Anthony MacRae, Treasurer
26 August 2020

Declaration in Respect of Fundraising Appeals

I, Ruth Sandow Chairman of the Board of Directors of the Royal Flying Doctor Service of Australia (South Eastern Section) declare that in my opinion:

- (a) the financial report gives a true and fair view of the state of affairs with respect to fundraising appeals;
- (b) the provisions of the NSW Charitable Fundraising Act 1991 and the NSW Charitable Fundraising Regulations 2008 and the conditions attached to the authority have been complied with; and
- (c) the internal controls exercised by the Royal Flying Doctor Service of Australia (South Eastern Section) are appropriate and effective in accounting for all income received.



Ruth Sandow, President
26 August 2020

Our opinion

In our opinion:

The accompanying financial report of Royal Flying Doctor Service of Australia (South Eastern Section) (the Service) is in accordance with Division 60 of the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Service's financial position as at 30 June 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2020
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to and forming part of the financial statements, which include a summary of significant accounting policies
- the declaration of the Directors.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Service in accordance with the auditor independence requirements of Division 60 of the *Australian Charities and Not-for-Profits Commission Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the financial report

The Directors of the Service are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Service to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Service or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Report on other legal and regulatory requirements on Charitable Fundraising Act 1991 (NSW) and the NSW Charitable Fundraising Regulations 2008

We have audited the financial report as required by Section 24(2) of the NSW Charitable Fundraising Act 1991. The directors of the Service are responsible for the preparation and presentation of the financial report in accordance with the Charitable Fundraising Act 1991 (NSW) and NSW Charitable Fundraising Regulations 2008. Our responsibility is to express an opinion on the financial report based on our audit.

Auditor's Opinion

In our opinion:

(a) The financial report and associated records have been properly kept, during the financial year ended 30 June 2020, in accordance with:

- (i) Sections 20(1), 22(1-2) and 24(1-3) of the Charitable Fundraising Act 1991 (NSW); and
- (ii) Sections 9(6) and 10 of the NSW Charitable Fundraising Regulations 2008.

(b) Money received as a result of fundraising appeal activities conducted by the Service during the financial year ended 30 June 2020 have been properly accounted for and applied in accordance with the above-mentioned Act and Regulations.



PricewaterhouseCoopers



M. T. Lojszczyk
Partner

Adelaide
26 August 2020

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- Skipper-Jacobs Charitable Trust
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- The Dunn Family Trust Fund

How you can help

With your help, we will be able to continue to deliver healthcare, no matter how remote. More than ever, we are grateful for the generosity of so many individuals, families, volunteers, businesses, workplaces and community organisations. Help us continue to make an impact into the future by making a donation.

Send your donation to:

Royal Flying Doctor Service of Australia
(South Eastern Section)
Reply Paid 3537
SYDNEY NSW 2001

Phone: 1300 669 569

Email: supporter@rfdse.org.au

Donate: flyingdoctor.org.au to make your donation online.



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SOUTH EASTERN SECTION

Bankstown Base

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Bankstown Airport NSW 2200
T: 02 9941 8880

Broken Hill Base and Visitors' Centre

Broken Hill Airport, Airport Rd,
Broken Hill NSW 2880
T: 08 8080 3777

Dubbo Base

RFDS Dubbo Hangar
9R Cooreena Road (Judy Jakins Drive)
Dubbo NSW 2830
T: 02 6841 2555

Dubbo RFDS Visitor Experience

21 Judy Jakins Drive
Dubbo NSW 2830
T: 1800 847 487

Mascot Base

Cnr Ross Smith Ave & Eleventh St,
Sydney Airport
Mascot NSW 2020
T: 02 9941 8880

Sydney Office

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