FAIR WORK AUSTRALIA

27 July 2011

Mr R Mason
President
The Civil Air Operations Officers' Association of Australia
PO Box 394
PORT MELBOURNE VIC 3207

Email: civilair@civilair.asn.au

Mr David Penman
D Penman & Co

Email: DAVID_STANFORD@UNITE.COM.AU

Dear Mr Mason

**Re: Financial Report of The Civil Air Operations Officers' Association of Australia for the financial year ended 30 June 2010 (FR2010/2535)**

I acknowledge receipt of the financial report of The Civil Air Operations Officers' Association of Australia for the year ended 30 June 2010. The documents were lodged with Fair Work Australia on 15 December 2010.

The financial report has now been filed.

I make the following comments to assist you when you next prepare a financial report. You are not required to take any further action in respect of the report lodged.

**Donations, Grants or Loans**

I have noted that a loan totalling $4,140 was made in 2010 (note 20(d)). Under subsection 237(1) of the RO Act there are certain steps that need to be taken if an individual loan exceeds $1000.

Under section 237(1) of the RO Act, if an individual donation, grant or loan exceeds $1000 a statement showing the relevant particulars of each must be lodged with Fair Work Australia. The statement must be signed by an officer of the Branch and must show the amount of each loan, the purpose for which it was made, the security given for the loan and, unless it was made to relieve a member of the organisation or their dependants from severe financial hardship, the name and address of the person to whom the donation was made. A sample statement is located on the Fair Work Australia website. Please ensure immediate lodgement of this Statement.

**References to legislation**

The Designated Officer's Certificate refers to the RAO Schedule. There is no longer a Schedule to the Act.

In future years please ensure that the Designated Officer's Certificate refer to the relevant provisions of the current legislation:

- *Fair Work (Registered Organisations) Act 2009*
- *Fair Work (Registered Organisations) Regulations 2009.*

The Reporting Guidelines previously issued by the Industrial Registrar continue to apply under the above legislation.

**Auditor's Opinion**

The term "true and fair view" was used in the superseded legislation. Subsection 257(5) of the Fair Work (Registered Organisations) Act 2009 sets out the matters upon which an auditor is required to make an opinion. In particular an opinion is required on whether the general purpose financial report is presented fairly in accordance with applicable Australian Accounting Standards and other requirements of the RO Act. The following wording in the auditor's opinion would satisfy the requirements:

> *In our opinion the general purpose financial report is presented fairly in accordance with applicable Australian Accounting Standards and the requirements imposed by Part 3 of Chapter 8 of the Fair Work (Registered Organisations) Act 2009*.

**General purpose financial report**

**General purpose financial report to be prepared on accrual basis**

Section 252 of the *Fair Work (Registered Organisations) Act 2009* (the RO Act) places obligations upon organisations to *keep* financial records. Under section 252(4) an organisation may *keep* the financial records for its membership subscriptions on a cash basis.

This is distinct from the obligation under section 253 to *prepare* a general purpose financial report (GPFR). Section 253 requires that '…a reporting unit must cause a general purpose financial report to be *prepared*, in accordance with the Australian Accounting Standards, from the financial records kept under subsection 252(1) in relation to the financial year…'. Please note that paragraph 27 of Australian Accounting Standard 101 states that 'an entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting'.

In future the GPFR should be prepared on an accrual basis as required by section 253 of the RO Act and the relevant Australian Accounting Standard (AASB 101(27)). It is further noted that this will result in a change of accounting policy that will need to be disclosed in accordance with AASB 108 (Accounting Policies, Changes in Accounting Estimates and Errors). You may need to discuss this with your auditor.

Should you wish to discuss the matters raised in this letter, or if you require further information on the financial reporting requirements of the Act, I may be contacted on (03) 8661 7822 or by email at margaret.williams@fwa.gov.au.

Yours sincerely

MARGARET WILLIAMS
Organisations and Research

CIVIL AIR
AIR TRAFFIC CONTROL
AUSTRALIA

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15 December 2010

Industrial Registrar
Fair Work Australia
GPO Box 1994S
MELBOURNE VIC 3001

Dear Sir,

**RE: ASSOCIATION FINANCIAL STATEMENTS AND ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2010.**

In accordance with Section 268 of the Fair Work Act 2009, please find attached a pdf copy of the Association's Financial Statements, Annual Accounts and Operating Report for the financial year ended 30th June 2010.

The Auditor of the Association were appointed in accordance with Section 256 of the RAO Schedule, and were provided full access to the accounts of the Association in accordance with Section 257 of the RAO Schedule.

On 11 November 2010, the Committee of Management accepted the Reports and Statements in accordance with Section 266 of the RAO Schedule and passed a resolution accepting the Accounts at their meeting on 11 November 2010.

The Accounts were audited and signed off by the Auditor on 11 November 2010.

On 12 November 2010, the Statements were sent free of charge to Civil Air Representatives at all Air Traffic Control work locations. On 15 November 2010, the Statements were published on the Civil Air website (www.civilair.asn.au), for the perusal of all Civil Air members, as required by Section 265 of the RAO Schedule.

On 10 December 2010, a general meeting and National Executive meeting accepted the Reports and Statements in accordance with Section 266 of the RAO Schedule.

I trust the above information is satisfactory and that these Statements meet the requirements of the Workplace Relations Act 1996.

Yours sincerely,

Robert Mason
President

# CIVIL AIR OPERATIONS OFFICERS ASSOCIATION OF AUSTRALIA
# ABN 86 220 435 463
# AND CONTROLLED ENTITY

# ANNUAL FINANCIAL REPORT
# FOR THE YEAR ENDED 30 JUNE 2010

CIVIL AIR
AIR TRAFFIC CONTROL
AUSTRALIA

# CIVIL AIR OPERATIONS OFFICERS ASSOCIATION OF AUSTRALIA
# ABN 86 220 435 463
# AND CONTROLLED ENTITY

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These financial statements cover both Civil Air Officers Association of Australia as an individual entity (parent entity) and the consolidated financial statements for the consolidated entity consisting of Civil Air Officers Association of Australia and its controlled entity. The financial report is presented in the Australian currency.

Civil Air Officers Association of Australia is the association advocating for the professional, technical and industrial needs of Australian Air Traffic Controllers and Air Traffic Control Support Staff. The association is registered under the Fair Work (Registered Organisations) Act 2009 and is domiciled in Australia.

*The principal place of business is:*
1st Floor
214 Graham Street
PORT MELBOURNE VIC 3207

The financial report was authorised for issue by the committee of management on 11 November 2010. The committee of management have the power to amend and reissue the financial report.

# CIVIL AIR OPERATIONS OFFICERS ASSOCIATION OF AUSTRALIA
# ABN 86 220 435 463
# AND CONTROLLED ENTITY
# OPERATING REPORT

Your committee of management present their report on the Civil Air Operations Officers Association of Australia and its controlled entity for the financial year ended 30 June 2010.

**Committee of management:**

The names of the committee of management in office at any time during or since the end of the financial year are:

| | | |
|---|---|---|
| President | Mr Robert Mason | |
| Vice President Technical | Mr Andrew Boon | Resigned 1 May 2010 |
| Vice President Technical | Mr Duncan Auld | Appointed 1 May 2010 |
| Vice President Professional | Mr Michael Ireland | |
| Vice President Finance | Mr Stuart Maxwell | |
| Vice President Communication | Mr David Perks | |
| Vice President Administrative | Mr James Walsh | |

The Committee of management have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Operating results**

The consolidated profit of the consolidated group for the financial year after providing for income tax and eliminating minority equity interests amounted to $ 345,641 (2009 : $ 47,179 ).

**Review of operations**

A review of the operations of the consolidated group during the financial year and the results of those operations found that during the year, the consolidated group continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

**Significant changes in state of affairs**

No significant changes in the state of affairs of the consolidated group occurred during the financial year.

**Principal activities**

The principal activities of the consolidated group during the financial year were the protection and improvement of employment conditions for its members.

No significant change in the nature of these activities occurred during the year.

**After balance date events**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

**Union details**

The number of employees at 30 June 2010 was 6 (2009: 7)

The number of members at 30 June 2010 was 994 (2009: 1,035).

**CIVIL AIR OPERATIONS OFFICERS ASSOCIATION OF AUSTRALIA**
**ABN 86 220 435 463**
**AND CONTROLLED ENTITY**

## OPERATING REPORT (Continued)

### Right of members to resign

In accordance with Rule 14 of the Association:

(a) A member may resign from membership by written notice addressed and delivered to the President.
(b) A notice of resignation from membership takes effect:
(i) where the member ceases to be eligible to become a member of the Association:
(a) on the day on which the notice is received by the Association; or
(b) on the day specified in the notice, which is a day not earlier than the day when the member ceases to be eligible to become a member;
whichever is the later; or
(ii) in any other case
(a) at the end of 14 days after the notice is received by the Association; or
(b) on the day specified in the notice
whichever is the later
(c) Any dues payable but not paid by a former member in relation to a period before the members resignation took effect, may be sued for and recovered in the name of the Association, in a court of competent jurisdiction, as a debt due to the Association
(d) A notice delivered to the President shall be taken to have been received by the Association when it was delivered.
(e) A notice of resignation that has been received by the Association is not invalid because it was not addressed and delivered in accordance with sub-rule (a).
(f) A resignation from membership is valid even if it is not affected in accordance with this rule if the member is informed in writing by or on behalf of the Association that the resignation has been accepted."

### Superannuation trustees

As far as the committee of management believes or is aware, at 30 June 2010, the following person held positions as a trustee of a superannuation trust by virtue of their office or membership of the union:

George Fishlock is a director of AvSuper Pty Ltd which is the Trustee of AvSuper

Signed in accordance with a resolution of the committee of management:

Robert Mason - President

Dated: 11/11/10

**CIVIL AIR OFFICERS ASSOCIATION OF AUSTRALIA**
**ABN 86 220 435 463**
**AND CONTROLLED ENTITY**

# STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

| | Note | Consolidated | | Parent entity | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | | $ | $ | $ | $ |
| **Revenue from continuing operations** | 4 | **1,955,147** | 1,981,082 | **1,884,530** | 1,939,818 |
| **Expenses** | | | | | |
| Affiliation fees | | **(28,091)** | (39,250) | **(28,091)** | (39,250) |
| Bank charges | | **(5,627)** | (13,622) | **(5,627)** | (13,622) |
| Meeting and conferences | | **(1,020)** | (5,950) | **(1,020)** | (5,950) |
| Depreciation | | **(76,256)** | (74,948) | **(22,849)** | (31,651) |
| Donations and gifts | | **(560)** | (2,799) | **(560)** | (2,799) |
| Insurances | | **(28,431)** | (32,249) | **(28,431)** | (32,249) |
| Legal and professional | | **(57,651)** | (376,355) | **(55,151)** | (373,855) |
| Meals | | **(13,931)** | (26,659) | **(13,931)** | (26,659) |
| Member expenses | | **(3,746)** | (19,118) | **(3,746)** | (19,118) |
| Office expenses | | **(31,653)** | (48,460) | **(31,653)** | (48,460) |
| Property expenses | | **(69,710)** | (50,467) | **-** | - |
| Rent and occupancy | | **(34,976)** | (33,751) | **(89,976)** | (88,751) |
| Computer expenses | | **(7,226)** | (22,938) | **(7,226)** | (22,938) |
| NCF and death benefits paid | 6 | **(443,045)** | (392,911) | **(443,045)** | (392,911) |
| Salaries and related expenses | 7 | **(669,854)** | (602,212) | **(669,854)** | (602,212) |
| Telephone and internet | | **(29,151)** | (24,209) | **(29,151)** | (24,209) |
| Accommodation | | **(17,158)** | (36,389) | **(17,158)** | (36,389) |
| Travel and parking | | **(91,420)** | (131,616) | **(91,420)** | (131,616) |
| | 5 | **(1,609,506)** | (1,933,903) | **(1,538,889)** | (1,892,639) |
| **Surplus for the year** | | **345,641** | 47,179 | **345,641** | 47,179 |
| **Surplus attributable to members** | | **345,641** | 47,179 | **345,641** | 47,179 |
| **Other comprehensive income** | | **-** | - | **-** | - |
| **Total comprehensive income for the year attributable to members** | | **345,641** | 47,179 | **345,641** | 47,179 |
| **Total comprehensive income consists of:** | | | | | |
| - Necessitous fund | 15 | **380,266** | 306,106 | **380,266** | 306,106 |
| - Ongoing operations | | **(34,625)** | (258,927) | **(34,625)** | (258,927) |
| | | **345,641** | 47,179 | **345,641** | 47,179 |

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

# CIVIL AIR OFFICERS ASSOCIATION OF AUSTRALIA
# ABN 86 220 435 463
# AND CONTROLLED ENTITY

## BALANCE SHEETS
## AS AT 30 JUNE 2010

| | Note | Consolidated | | Parent entity | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | | $ | $ | $ | $ |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 8 | **4,515,482** | 4,005,072 | **2,367,501** | 1,920,239 |
| Trade and other receivables | 9 | **22,670** | 5,574 | **14,186** | - |
| **Total current assets** | | **4,538,152** | 4.010,646 | **2,381,687** | 1,920,239 |
| **Non-current assets** | | | | | |
| Receivables | 10 | - | - | **3,618,493** | 3,614,353 |
| Property, plant and equipment | 11 | **1,129,581** | 1,166,493 | **53,892** | 69,441 |
| Investment properties | 12 | **1,613,534** | 1,645,579 | **-** | - |
| **Total non-current assets** | | **2,743,115** | 2,812,072 | **3,672,385** | 3,683,794 |
| **Total assets** | | **7,281,267** | 6,822,718 | **6,054,072** | 5,604,033 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 13 | **193,566** | 76,150 | **185,036** | 76,130 |
| Provisions | 14 | **201,108** | 205,616 | **201,108** | 205,616 |
| **Total current liabilities** | | **394,674** | 281,766 | **386,144** | 281,746 |
| **Total liabilities** | | **394,674** | 281,766 | **386,144** | 281,746 |
| **Net assets** | | **6,886,593** | 6,540,952 | **5,667,928** | 5,322,287 |
| **EQUITY** | | | | | |
| Reserves | 15 | **3,336,639** | 2,961,373 | **2,117,974** | 1,742,708 |
| Retained earnings | 16 | **3,549,954** | 3,579,579 | **3,549,954** | 3,579,579 |
| **Total equity** | | **6,886,593** | 6,540,952 | **5,667,928** | 5,322,287 |

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

**CIVIL AIR OFFICERS ASSOCIATION OF AUSTRALIA**
**ABN 86 220 435 463**
**AND CONTROLLED ENTITY**

## STATEMENTS OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2010

| Consolidated | Reserves $ | Accumulated surplus $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2008 | 2,655,267 | 3,838,506 | 6,493,773 |
| Total comprehensive income for the year | | 47,179 | 47,179 |
| Transfers to and from reserve | 306,106 | (306,106) | - |
| Balance at 30 June 2009 | 2,961,373 | 3,579,579 | 6,540,952 |
| **Balance at 1 July 2009** | **2,961,373** | **3,579,579** | **6,540,952** |
| **Total comprehensive income for the year** | **-** | **345,641** | **345,641** |
| **Transfers to and from reserve** | **375,266** | **(375,266)** | **-** |
| **Balance at 30 June 2010** | **3,336,639** | **3,549,954** | **6,886,593** |

| Parent Entity | Reserves $ | Accumulated surplus $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2008 | 1,436,602 | 3,838,506 | 5,275,108 |
| Total comprehensive income for the year | - | 47,179 | 47,179 |
| Transfers to and from reserve | 306,106 | (306,106) | - |
| Balance at 30 June 2009 | 1,742,708 | 3,579,579 | 5,322,287 |
| **Balance at 1 July 2009** | **1,742,708** | **3,579,579** | **5,322,287** |
| **Total comprehensive income for the year** | **-** | **345,641** | **345,641** |
| **Transfers to and from reserve** | **375,266** | **(375,266)** | **-** |
| **Balance at 30 June 2010** | **2,117,974** | **3,549.945** | **5,667,928** |

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

## CIVIL AIR OFFICERS ASSOCIATION OF AUSTRALIA
## ABN 86 220 435 463
## AND CONTROLLED ENTITY

## STATEMENTS OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2010

| | Note | Consolidated | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2010 $ | 2009 $ | 2010 $ | 2009 $ |
| **Cash flows from operating activities** | | | | | |
| Membership fees received | | **1,909,394** | 1,892,739 | **1,909,394** | 1,892,739 |
| Receipts from tenants | | **71,735** | 64,439 | **-** | - |
| Distributions received | | **-** | - | **73,510** | 134,295 |
| Payments to suppliers and employees | | **(1,632,514)** | (2,004,719) | **(1,604,928)** | (1,990,908) |
| Interest received | | **169,094** | 206,829 | **80,725** | 84,851 |
| **Net cash inflow from operating activities** | 22 | **517,709** | 159,288 | **458,701** | 120,977 |
| **Cash flows from investing activities** | | | | | |
| Payment for property, plant and equipment | | **(7,299)** | (73,549) | **(7,299)** | (15,500) |
| **Net cash (outflow) from investing activities** | | **(7,299)** | (73,549) | **(7,299)** | (15,500) |
| **Cash flows from financing activities** | | | | | |
| Loan repayments received | | - | - | **-** | 110,705 |
| Loans made to related party | | - | - | **(4,140)** | - |
| **Net cash (outflow) from financing activities** | | - | - | **(4,140)** | 110,705 |
| **Net increase in cash and cash equivalents** | | **510,410** | 85,739 | **447,262** | 216,182 |
| Cash and cash equivalents at beginning of financial year | | **4,005,072** | 3,919,333 | **1,920,239** | 1,704,057 |
| **Cash and cash equivalents at end of financial year** | 8 | **4,515,482** | 4,005,072 | **2,367,501** | 1,920,239 |

The above statements of cash flows should be read in conjunction with the accompanying notes.

## 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial report includes separate financial statements for Civil Air Officers Association of Australia as an individual entity (parent entity) and the consolidated entity consisting of Civil Air Officers Association of Australia and its controlled entity.

### (a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the requirements of the Fair Work (Registered Organisations) Act 2009.

*Compliance with IFRS*

The consolidated financial statements of the Civil Air Officers Association of Australia group and the separate financial statements of Civil Air Officers Association of Australia also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). A statement of compliance with IFRS cannot be made due to the entity applying the not for profit sector requirements contained in AIFRS.

*Early adoption of standards*
The group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2009:

-AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

-AASB 8 *Operating Segments*

This includes applying the revised pronouncements to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* There was no other impact on the current or prior year financial statements.

*Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

*Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

*Financial statement presentation*

The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. There has been no effect on the group's presentation of its financial statements.

## 1: Summary of significant accounting policies (continued)

### (b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Civil Air Officers Association of Australia ("company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Civil Air Officers Association of Australia and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding or unit holding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Civil Air Officers Association of Australia.

### (c) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group and specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major operating activities net of the amount of goods and services tax (GST) as follows:

*Membership fees*
Membership fees are recognised only when received, rather than on an accruals basis due to the uncertainty of receipts from members. Membership fees identifiable as being received in advance for next year are recorded as such in the balance sheet.

*Interest income*
Interest income is recognised on a time proportion basis using the effective interest method.

*Other revenue*
Other revenue is recognised when the right to receive the revenue has been established.

## 1: Summary of significant accounting policies (continued)

### (d) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### (e) Income tax

No provision for income tax has been raised as the entity is exempt from income tax under Section 50-5 of the Income Tax Assessment Act 1997.

### (f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting period.

### (g) Cash and cash equivalents

For the purposes of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, 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, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

## 1: Summary of significant accounting policies (continued)

### (i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollected are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### (j) Investment in other financial assets

***Classification***
The group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting period.

The group does not hold any investments in the following categories: financial assets at fair value through profit or loss and held-to-maturity investments.

*(i) Available-for-sale financial assets*
Available-for-sale financial assets, comprising principally marketable equity securities which include shares and unit holdings, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

*(ii) Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

## 1: Summary of significant accounting policies (continued)

**(j) Investment in other financial assets (continued)**

***Recognition and derecognition***
Regular purchases and sales of investments are recognised on trade-date - the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are carried at fair value through profit and loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

**Subsequent measurement**
Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the group’s right to receive payments is established.

Details on how the fair value of financial instruments is determined are disclosed in note 21.

***Impairment***
The group assesses at each balance date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

If there is evidence of impairment for any of the group’s financial assets carried at amortised cost, the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset’s original effective interest rate. The loss is recognised in profit or loss.

**(k) Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

## 1: Summary of significant accounting policies (continued)

### (l) Property, plant and equipment

Property, plant and equipment is carried at historical cost less any accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated to allocate cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

| Class of fixed asset | Depreciation rate/useful lives | Depreciation basis |
|---|---|---|
| Land and buildings | 2.5% | Diminishing Value |
| Building improvements | 7.5% to 20% | Diminishing Value |
| Computer equipment | 33% | Diminishing Value |
| Motor vehicles | 18.75% | Diminishing Value |
| Furniture and fittings | 33% | Diminishing Value |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount at the end of the reporting period is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss .When revalued assets are sold; it is group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

### (m) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the entity. Investment property is carried at deemed cost as is allowed by AASB 140.

Investment property is carried at historical or deemed cost less any accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of items.

Depreciation is calculated to allocate cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

| Class of fixed asset | Depreciation rate | Depreciation basis |
|---|---|---|
| Buildings | 2.5%- 20% | Diminishing Value |

## 1: Summary of significant accounting policies (continued)

### (n) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### (o) Employee benefits

*(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*(iii) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value

## 1: Summary of significant accounting policies (continued)

### (p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the balance sheet are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from, or payable to the ATO as classified as operating cash flow. Commitments and contingencies are disclosed inclusive of GST.

### (q) Comparative figures

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

### (r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Association's assessment of the impact of these new standards and interpretations is set out below.

**AASB 2009-8 *Amendments to Australian Accounting Standards – group Cash-Settled Share based Payment Transactions [AASB 2]*** (effective from 1 January 2010)
The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The amendment will have no impact on the group.

**AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]*** (effective from 1 February 2010)
In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment will have no impact on the group

**AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*** (effective from 1 January 2013)
AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is not likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010.

## 1: Summary of significant accounting policies (continued)

### (r) New accounting standards and interpretations (continued)

**Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards*** (effective from 1 January 2011)
In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The amendment will have no impact on the group.

**AASB Interpretation 19 *Extinguishing financial liabilities with equity instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19*** (effective from 1 July 2010)
AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. The amendment will have no impact on the group.

**AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement*** (effective from 1 January 2011)
In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The amendment will have no impact on the group.

## 2: Critical accounting estimates and judgements

Estimates and judgments 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 group and that are believed to be reasonable under the circumstances.

**(a) Critical accounting estimates and assumptions**

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Impairment*
The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised for goodwill for the year ended 30 June 2010.

**(b) Critical judgments in applying the entity's accounting policies**

*Employee entitlements*
Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:
- future increases in wages and salaries
- future on-cost rates; and
- experience of employee departures and period of service

## 3: Information to be provided to members or general manager

In accordance with the requirements of the Fair Work (Registered Organisations) Act 2009, the attention of members is drawn to the provisions of subsection (1), (2) and (3) of section 272 which read as follows:

(1) a member of a reporting unit, or a the General Manager, may apply to the reporting unit for specified prescribed information in relation to the reporting unit to be made available to the person making the application.

(2) the application must be made in writing and must specify the period within which, and the manner in which, the information is to be made available. The period must not be less than 14 days after the application is given to the reporting unit.

(3) a reporting unit must comply with an application made under subsection (1).

## 4: Revenue

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **From continuing operations** | $ | $ | $ | $ |
| *Service revenue* | | | | |
| membership fees | **1,630,589** | 1,710,411 | **1,630,589** | 1,710,411 |
| rent | **55,758** | 53,581 | **-** | - |
| | **1,686,347** | 1,763,992 | **1,630,589** | 1,710,411 |
| *Other revenue* | | | | |
| interest | **169,094** | 206,829 | **80,725** | 84,851 |
| distributions received | **-** | - | **73,510** | 134,295 |
| legal fee provision reversed | **75,000** | - | **75,000** | - |
| other revenue | **24,706** | 10,261 | **24,706** | 10,261 |
| | **1,955,147** | 1,981,082 | **1,884,530** | 1,939,818 |

## 5: Expenses

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| The surplus for the year includes the following specific expenses: | | | | |
| *Depreciation of non-current assets* | | | | |
| Investment property | **32,045** | 25,978 | | |
| Buildings | **12,500** | 12,500 | **-** | - |
| Building improvements | **8,863** | 4,819 | **-** | - |
| Furniture and fixtures | **8,818** | 13,172 | **8,818** | 13,172 |
| Motor vehicles | **4,795** | 5,901 | **4,795** | 5,901 |
| Computers | **9,235** | 12,578 | **9,235** | 12,578 |
| Total depreciation | **76,256** | 74,948 | **22,849** | 31,651 |

## 5: Expenses (continued)

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| *Defined contribution superannuation expense* | **60,725** | 45,171 | **60,725** | 45,171 |
| *Rental expenses relating to operating leases* | | | | |
| Minimum lease payments | **-** | - | **55,000** | 55,000 |

## 6: Necessitous circumstances fund and death benefit payments

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| NCF payments | **443,045** | 362,911 | **443,045** | 362,911 |
| Death benefits paid | **-** | 30,000 | **-** | 30,000 |
| | **443,045** | 392,911 | **443,045** | 392,911 |

The NCF payments represent Loss of Licence Compensation payments made to members during the year.

## 7: Salaries and related expense

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Honorariums | **18,000** | - | **18,000** | - |
| Salaries - staff | **483,140** | 470,055 | **483,140** | 470,055 |
| Superannuation - staff | **60,725** | 45,171 | **60,725** | 45,171 |
| Allowances | **9,151** | 4,700 | **9,151** | 4,700 |
| Movement in employee benefit provisions - staff | **70,491** | 46,672 | **70,491** | 46,672 |
| Other employee related expenses | **28,347** | 35,614 | **28,347** | 35,614 |
| | **669,854** | 602,212 | **669,854** | 602,212 |

## 8: Current assets - Cash and cash equivalents

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Cash in hand | **100** | 100 | **100** | 100 |
| Cash at bank | **538,245** | 487,301 | **249,427** | 182,431 |
| Cash at bank – NCF account | **2,117,974** | 1,737,708 | **2,117,974** | 1,737,708 |
| Term deposit | **1,859,163** | 1,779,963 | **-** | - |
| | **4,515,482** | 4,005,072 | **2,367,501** | 1,920,239 |

### (a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statements cash flows as follows:

| | | | | |
|---|---|---|---|---|
| Balances as above | **4,515,482** | 4,005,072 | **2,367,501** | 1,920,239 |
| Bank overdrafts | **-** | - | **-** | - |
| Balances per statements of cash flows | **4,515,482** | 4,005,072 | **2,367,501** | 1,920,239 |

### (b) Interest rate risk exposure

The group's and the parent entity's exposure to interest rate risk is discussed in note 21. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

## 9: Current assets - Trade and other receivables

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Prepayments | **13,486** | - | **13,486** | - |
| Other receivables | **9,184** | 5,574 | **700** | - |
| | **22,670** | 5,574 | **14,186** | - |

### (a) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

### (b) Fair value

Due to the short-term nature of the current receivables, their carrying amount is assumed to approximate their fair value.

### (c) Risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The fair value of securities held for certain trade receivables is insignificant as is the fair value of any collateral sold or repledged. Refer to note 21 for more information on the risk management policy of the group and the credit quality of the group's trade receivables.

## 10: Non-current assets – Receivables

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| Loans to related parties | **-** | - | **3,618,493** | 3,614,353 |
| | **-** | - | **3,618,493** | 3,614,353 |

**(a) Impaired trade receivables**

None of the non-current receivables are impaired or past due but not impaired.

**(b) Fair value**

Due to the nature of the non-current receivables, their carrying amount is assumed to approximate their fair value.

**(c) Risk exposure**

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 21 for more information on the risk management policy of the group and the credit quality of the group's trade receivables.

## 11: Non-current assets - Property, plant and equipment

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| **Land and buildings** | | | | |
| **Land and buildings** | | | | |
| At deemed cost | **1,162,000** | 1,162,000 | - | - |
| Less accumulated depreciation | **(135,068)** | (122,568) | - | - |
| | **1,026,932** | 1,039,432 | - | - |
| **Building improvements** | | | | |
| At cost | **85,706** | 85,706 | - | - |
| Less accumulated depreciation | **(36,949)** | (28,086) | - | - |
| | **48,757** | 57,620 | - | - |
| **Total property** | **1,075,689** | 1,097,052 | - | - |
| **Computers and equipment** | | | | |
| At cost | **59,368** | 54,004 | **59,368** | 54,004 |
| Less accumulated depreciation | **(41,750)** | (32,930) | **(41,750)** | (32,930) |
| | **17,618** | 21,074 | **17,618** | 21,074 |
| **Motor vehicles** | | | | |
| At cost | **48,434** | 48,434 | **48,434** | 48,434 |
| Less accumulated depreciation | **(27,656)** | (22,861) | **(27,656)** | (22,861) |
| | **20,778** | 25,573 | **20,778** | 25,573 |
| **Furniture and fittings** | | | | |
| At cost | **60,346** | 142,964 | **60,346** | 142,964 |
| Less accumulated depreciation | **(44,850)** | (120,170) | **(44,850)** | (120,170) |
| | **15,496** | 22,794 | **15,496** | 22,794 |
| **Total plant and equipment** | **53,892** | 69,441 | **53,892** | 69,441 |
| **Total property plant and equipment** | **1,129,581** | 1,166,493 | **53,892** | 69,441 |

## 11: Non-current assets - Property, plant and equipment (continued)

| Movements - Group | Land and buildings | Building improve-ments | Computers and equipment | Motor vehicles | Furniture and fittings | Total |
|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ |
| **Year ended 30 June 2009** | | | | | | |
| Opening net book amount | 1,051,932 | 39,209 | 18,746 | 31,474 | 35,372 | 1,176,733 |
| Additions – acquisitions | - | 23,230 | 15,500 | - | - | 38,730 |
| Depreciation charge | (12,500) | (4,819) | (13,172) | (5,901) | (12,578) | (48,970) |
| Closing net book amount | 1,039,432 | 57,620 | 21,074 | 25,573 | 22,794 | 1,166,493 |
| **Year ended 30 June 2010** | | | | | | |
| Opening net book amount | **1,039,432** | **57,620** | **21,074** | **25,573** | **22,794** | **1,166,493** |
| Additions – acquisitions | **-** | **-** | **5,362** | **-** | **1,937** | **7,299** |
| Depreciation charge | **(12,500)** | **(8,863)** | **(8,818)** | **(4,795)** | **(9,235)** | **(44,211)** |
| Closing net book amount | **1,026,932** | **48,757** | **17,618** | **20,778** | **15,496** | **1,129,581** |

| Movements - Parent | Computers and equipment | Motor vehicles | Furniture and fittings | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Year ended 30 June 2009** | | | | |
| Opening net book amount | 18,746 | 31,474 | 35,372 | 85,592 |
| Additions – acquisitions | 15,500 | - | - | 15,500 |
| Depreciation charge | (13,172) | (5,901) | (12,578) | (31,651) |
| Closing net book amount | 21,074 | 25,573 | 22,794 | 69,441 |
| **Year ended 30 June 2010** | | | | |
| Opening net book amount | **21,074** | **25,573** | **22,794** | **69,441** |
| Additions – acquisitions | **5,362** | **-** | **1,937** | **7,299** |
| Depreciation charge | **(8,818)** | **(4,795)** | **(9,235)** | **(22,848)** |
| Closing net book amount | **17,618** | **20,778** | **15,496** | **53,892** |

**(a) Land and buildings at valuation**
The valuation basis of land and buildings is the fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The property was valued on 17th June 2006 by Craig Cunningham Property Consultants. The valuation does not take account of subsequent improvements which are recorded at cost.

## 12: Non-current assets – Investment property

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| At deemed cost | **1,871,560** | 1,871,560 | - | - |
| Less accumulated depreciation | **(258,026)** | (225,981) | - | |
| | **1,613,534** | 1,645,579 | - | - |

| | | | | |
|---|---|---|---|---|
| **(a) Amounts recognised in profit and loss for investment properties** | | | | |
| Rental income | **60,578** | 58,581 | - | - |
| Direct operating expenses from property that generated rental income. | **(75,370)** | (57,759) | - | - |
| Direct operating expenses from property that did not generate rental income | **-** | - | - | - |
| | **(14,792)** | 822 | - | - |

| | | | | |
|---|---|---|---|---|
| **(b) Leasing arrangements** | | | | |
| Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows: | | | - | - |
| Within one year | **123,618** | 91,739 | - | - |
| Later than one year but not later than five years | **198,844** | 60,775 | - | |
| Later than five years | **20,287** | - | - | - |
| | **342,749** | 152,514 | - | - |

| | | | | |
|---|---|---|---|---|
| **Movements** | | | | |
| Opening net book amount | **1,645,579** | 1,636,738 | - | - |
| Additions – acquisitions | **-** | 34,819 | - | - |
| Depreciation charge | **(32,045)** | (25,978) | - | |
| Closing net book amount | **1,613,534** | 1,645,579 | - | - |

## 13: Current liabilities - Trade and other payables

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$** | **$** | **$** | **$** |
| Trade payables | **25,542** | - | **25,542** | - |
| Other payables | **87,526** | 76,150 | **78,996** | 76,130 |
| Membership fees in advance | **80,498** | - | **80,498** | - |
| | **193,566** | 76,150 | **185,036** | 76,130 |

**(a) Risk exposure**
Information about the group's and the parent entity's exposure to risk is provided in note 21.

## 14: Current liabilities - Provisions

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$** | **$** | **$** | **$** |
| Legal fee provision | **-** | 75,000 | **-** | 75,000 |
| Employee benefits - staff | **201,108** | 130,616 | **201,108** | 130,616 |
| | **201,108** | 205,616 | **201,108** | 205,616 |

**(a) Legal fee provision**
The legal fee provision has been reversed to other income during the year as its recognition is no longer considered appropriate. (refer note 4)

**(b) Employee benefits - long service leave**

A provision has been recognised for future employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on an assessment of the individual employee's circumstances. The measurement and recognition criteria for employee benefits have been included in Note 1.

**(***i) Amounts not expected to be settled within the next 12 months.*
The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire obligation is presented as current, since the group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued long service leave within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$** | **$** | **$** | **$** |
| Long service leave obligation expected to be settled after 12 months | **133,048** | 75,380 | **133,048** | 75,380 |

## 15: Reserves

| | | Consolidated | | Parent entity | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| | | $ | $ | $ | $ |
| Property revaluation reserve | (i) | 1,218,665 | 1,218,665 | - | - |
| Necessitous fund reserve | (ii) | 2,117,974 | 1,737,708 | 2,117,974 | 1,737,708 |
| Emergency fund | (iii) | - | 5,000 | - | 5,000 |
| | | 3,336,639 | 2,961,373 | 2,117,974 | 1,742,708 |

**(a) Movement in reserves:**

| | Consolidated 2010 | Consolidated 2009 | Parent entity 2010 | Parent entity 2009 |
|---|---|---|---|---|
| *(i) Property revaluation reserve* | | | | |
| *Balance at beginning of year* | 1,218,665 | 1,218,665 | 1,218,665 | 1,218,665 |
| *Transfers to/from reserves* | - | - | - | - |
| *Balance at end of year* | 1,218,665 | 1,218,665 | 1,218,665 | 1,218,665 |
| *(ii) Necessitous fund reserve* | | | | |
| *Balance at beginning of year* | 1,737,708 | 1,431,602 | 1,737,708 | 1,431,602 |
| *Net transfer for the year* | | | | |
| *Contributions for year* | 749,789 | 595,856 | 749,789 | 595,856 |
| *Interest earned for year* | 73,522 | 73,161 | 73,522 | 73,161 |
| *Benefits paid during year* | (443,045) | (362,911) | (443,045) | (362,911) |
| *Net transfer from accumulated surplus* | 380,266 | 306,106 | 380,266 | 306,106 |
| *Balance at end of year* | 2,117,974 | 1,737,708 | 2,117,974 | 1,737,708 |
| *(iii) Emergency fund reserve* | | | | |
| *Balance at beginning of year* | 5,000 | 5,000 | 5,000 | 5,000 |
| *Transfers to/from reserves* | (5,000) | - | (5,000) | - |
| *Balance at end of year* | - | 5,000 | - | 5,000 |

**(b) Nature and purpose of the reserves:**

*(i) Property revaluation reserve*

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1.

*ii) Necessitous fund reserve*

The necessitous fund reserve is a separate fund established by the rules of the Association. The sole purpose of the fund is to provide benefits to individual members upon cancellation of the members licence as a direct result of an inability to satisfy the medical requirements of the licence.

*(iii) Emergency fund reserve*

The emergency fund reserve was established to cover any emergency payments required. The balance at the beginning of the year has been transferred back to the accumulated surplus.

## 16: Accumulated surplus

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| *Movements in accumulated surplus were as follows:* | | | | |
| Balance 1 July | **3,579,579** | 3,838,506 | **3,579,579** | 3,838,506 |
| Net surplus for the year | **345,641** | 47,179 | **345,641** | 47,179 |
| Transfer from emergency fund reserve | **5.000** | - | **5.000** | - |
| Transfer to necessitous fund reserve | **(380,266)** | (306,106) | **(380,266)** | (306,106) |
| Balance 30 June | **3,549,954** | 3,579,579 | **3,549,954** | 3,579,579 |

## 17: Commitments

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |

*Non-cancellable operating leases*
The parent entity leases office space under a non-cancellable operating lease with its controlled entity. The agreement commenced on 3 September 2009 for a period of 3 years with a further 3 terms of 3 years each. It is expected that on renewal, the terms of the leases will be renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

| | Consolidated 2010 $ | Consolidated 2009 $ | Parent entity 2010 $ | Parent entity 2009 $ |
|---|---|---|---|---|
| Within one year | **-** | - | **52,093** | 52,093 |
| Later than one year and not later than five years | **-** | - | **8,682** | 60,775 |
| Later than five years | **-** | - | **-** | - |
| | **-** | - | **60,775** | 112,868 |

## 18: Contingencies

There are no other known contingent assets or liabilities at 30 June 2010 other than discussed elsewhere in this report.

## 19: Auditor's remuneration

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$** | **$** | **$** | **$** |
| During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices: | | | | |
| **(a) Audit and other assurance services** | | | | |
| Audit or review of the financial report | **9,500** | 11,200 | **7,000** | 8,700 |
| Other audit services | **-** | - | **-** | - |
| | **9,500** | 11,200 | **7,000** | 8,700 |

## 20: Related party transactions

**(a) Parent entity**
The parent entity within the group is Civil Air Officers Association of Australia.

**(b) Controlled entity**
The consolidated financial statements incorporate the assets, liabilities and results of the following entity in accordance with the accounting policy described in note 1:

| **Name of entity** | **Country** | |
|---|---|---|
| Air Officers Trust | Australia | Discretionary service trust |

**(c) Transactions with related parties**
The following transactions occurred with related parties:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$** | **$** | **$** | **$** |
| *Purchases of goods and services* | | | | |
| Rent | **-** | - | **55,000** | 55,000 |
| *Receipt of income* | | | | |
| Distribution received | **-** | - | **73,510** | 134,295 |

## 20: Related party transactions (continued)

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |

**(d) Loans to controlled entity**

The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| *Loans to controlled entity* | | | | |
| Beginning of the year | - | - | **3,614,353** | 3,725,058 |
| Loans advanced | - | - | **4,140** | - |
| Loan repayments received | - | - | **-** | (110,705) |
| End of year | - | - | **3,618,493** | 3,614,353 |

(i) This loan is interest free

(ii) No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

**(h) Key management personnel compensation**

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| The aggregate compensation made to key management personnel of the group is as follows: | | | | |
| Short -term benefits | **164,941** | 152,107 | **164,941** | 152,107 |

## 21: Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The group overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, aging analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk

Risk management is carried out by management under policies approved by the Committee of management. The committee of management and management identify, evaluate and hedge financial risks as part of regular meetings. This identification and analysis includes an analysis of interest rate exposure and the evaluation of strategies in the context of most recent economic conditions.

**(a) Market risk**

*(i) Foreign exchange risk*

The group is not exposed to foreign exchange risk.

*(ii) Price risk*

The group is not exposed to equity securities price or commodity price risk.

*(iii) Cash flow and fair value interest rate risk*

The group's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

**(b) Credit risk**

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to franchisees, including outstanding receivables and committed transactions.

The group has no significant concentrations of credit risk. The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Cash transactions are limited to high credit quality financial institutions.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. For some trade receivables the group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to specific board approval.

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the nature of the underlying businesses, the Committee of management aims at maintaining flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

## 21: Financial risk management (continued)

**(d) Maturity profile of financial instruments**
The maturity profile of financial assets and liabilities held are detailed below

**Group - 2010**

| | Weighted Average Interest rate | Floating Interest rate | 1 year or less | 1 to 2 years | 2 to5 years | Non Interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ | $ |
| **Financial Assets** | | | | | | | |
| **Cash on hand** | - | - | - | - | - | 100 | 100 |
| **Cash at bank** | 0.01 | 2,656,219 | - | - | - | - | 2,656,219 |
| **Deposits at bank** | 5.80 | - | 1,859,163 | - | - | - | 1,859,163 |
| **Other receivables** | - | - | - | - | - | 9,184 | 9,184 |
| | | 2,656,219 | 1,859,163 | - | - | 9,284 | 4,524,666 |
| **Financial Liabilities** | | | | | | | |
| **Trade creditors** | - | - | - | - | - | 25,542 | 25,542 |
| **Other payables** | - | - | - | - | - | 87,526 | 87,526 |
| | | - | - | - | - | 113,068 | 113,068 |
| **Net Financial Assets (Liabilities)** | | 2,656,219 | 1,859,163 | - | - | (103,784) | 4,411,596 |

Group - 2009

| | Weighted Average Interest rate | Floating Interest rate | 1 year or less | 1 to 2 years | 2 to5 years | Non Interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ | $ |
| Financial Assets | | | | | | | |
| Cash on hand | - | - | - | - | - | 100 | 100 |
| Cash at bank | 0.01 | 2,225,009 | - | - | - | - | 2,225,009 |
| Deposits at bank | 3.10 | - | 1,779,963 | - | - | - | 1,779,963 |
| Other receivables | - | - | - | - | - | 5,574 | 5,574 |
| | | 2,225,009 | 1,779,963 | - | - | 5,674 | 4,010,646 |
| Financial Liabilities | | | | | | | |
| Trade creditors | - | - | - | - | - | 76,150 | 76,150 |
| Other payables | - | - | - | - | - | - | - |
| | | - | - | - | - | 76,150 | 76,150 |
| Net Financial Assets (Liabilities) | | 2.225,009 | 1,779,963 | - | - | (70,476) | 3,934,496 |

## 21: Financial risk management (continued)

**(d) Maturity profile of financial instruments (continued)**
The maturity profile of financial assets and liabilities held are detailed below

**Parent - 2010**

| | Weighted Average Interest rate | Floating Interest rate | 1 year or less | 1 to 2 years | 2 to5 years | Non Interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ | $ |
| **Financial Assets** | | | | | | | |
| **Cash on hand** | - | - | - | - | - | 100 | 100 |
| **Cash at bank** | 0.01 | 2,367,401 | - | - | - | - | 2,367,401 |
| **Other receivables** | | | | | | 700 | 700 |
| **Loan to controlled entity** | - | - | - | - | - | 3,618,493 | 3,618,493 |
| | | 2,367,401 | - | - | - | 3,619,293 | 5,986,694 |
| **Financial Liabilities** | | | | | | | |
| **Trade creditors** | - | - | - | - | - | 25,542 | 25,542 |
| **Other payables** | - | - | - | - | - | 78,996 | 78,996 |
| | | - | - | - | - | 104,538 | 104,538 |
| **Net Financial Assets (Liabilities)** | | 2,367,401 | - | - | - | 3,514,755 | 5,882,156 |

Parent - 2009

| | Weighted Average Interest rate | Floating Interest rate | 1 year or less | 1 to 2 years | 2 to5 years | Non Interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ | $ |
| Financial Assets | | | | | | | |
| Cash on hand | - | - | - | - | - | 100 | 100 |
| Cash at bank | 0.01 | 1,920,139 | - | - | - | - | 1,920,139 |
| Other receivables | - | - | - | - | - | - | - |
| Loan to controlled entity | - | - | - | - | - | 3,614,353 | 3,614,353 |
| | | 1,920,139 | - | - | - | 3,614,453 | 5,534,592 |
| Financial Liabilities | | | | | | | |
| Trade creditors | - | - | - | - | - | 76,130 | 76,130 |
| Other payables | - | - | - | - | - | - | - |
| | | - | - | - | - | 76,130 | 76,130 |
| Net Financial Assets (Liabilities) | | 1,920,139 | - | - | - | 3,538,323 | 5,458,462 |

## 21: Financial risk management (continued)

**(e) Fair value estimation**
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, investments in unlisted subsidiaries) is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments

**(f) Sensitivity analysis**

As at 30 June the effect on the surplus as a result of changes in interest rates, with all other variables remaining constant would be as follows:

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$** | **$** | **$** | **$** |
| Effect on results: | | | | |
| *Increase of interest rates by 2%* | **90,308** | 80,099 | **47,348** | 38,403 |
| *Decrease of interest rates by 2%* | **(90,308)** | (80,099) | **(47,348)** | (38,403) |

## 22: Cash flow information

| | Consolidated | | Parent entity | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $ | $ | $ | $ |
| **Reconciliation of cash flow from operations with surplus for the year** | | | | |
| Surplus for the year | **345,641** | 47,179 | **345,641** | 47,179 |
| *Non-cash flows in profit* | | | | |
| Depreciation | **76,256** | 74,948 | **22,849** | 31,651 |
| *Changes in assets and liabilities* | | | | |
| (Increase)/decrease in receivables | **(14,186)** | - | **(14,186)** | - |
| Increase(decrease) in payables | **117,416** | (4,525) | **108,905** | (4,525) |
| Increase/(decrease) in other assets | **(2,910)** | (4,986) | **-** | - |
| Increase/(decrease) in provisions | **(4,508)** | 46,672 | **(4,508)** | 46,672 |
| Net cash flows from operating activities | **517,709** | 159,288 | **458,701** | 120,977 |

## 23: Events occurring after the reporting date

No matter or circumstance has arisen since the end of the financial year to the date of this report, that has or may significantly affect the activities of the group, the results of those activities or the state of affairs of the group in the ensuing or any subsequent financial year.

## 24: Defalcation

As a result of a review by management an apparent defalcation by a former employee was discovered. A complaint has been lodged with the Victorian Police and the matter is currently under investigation.

The amount of the defalcation discovered is approximately $ 176,000 and the costs were expensed last year and were included under various expenses categories in the 2009 statement of comprehensive income.

**CIVIL AIR OFFICERS ASSOCIATION OF AUSTRALIA**
**ABN 86 220 435 463**
**AND CONTROLLED ENTITY**

## COMMITTEE OF MANAGEMENT' STATEMENT

On 11 November 2010, the Committee of Management of the Civil Air Officers Association of Australia (the Association) passed the following resolution in relation to the general purpose financial report (GPFR) of the reporting unit for the year ended 30 June 2010:

The Committee of Management declares in relation to the GPFR that in its opinion;

1. the financial statements and notes, as set out on pages 3 to 33 comply with Australian Accounting Standards and other mandatory professional reporting requirements
2. the financial statements and notes, as set out on pages 3 to 33 comply with the reporting guidelines of the General Manager of FWA;
3. the financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the Association for the financial year to which they relate;
4. there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable; and:
5. during the financial year to which the GPFR relates and since the end of 30 June 2010:
    a. meetings of the Committee of Management were held in accordance with the rules of the organisation including the rules of the branch concerned; and
    b. the financial affairs of the Association have been managed in accordance with the rules of the organisation including the rules of a branch concerned; and
    c. the financial records of the Association have been kept and maintained in accordance with the Fair Work (Registered Organisations). Act 2009 and the Fair Work (Registered Organisations) Regulations 2009; and
    d. where the organisation consists of 2 or more reporting units, the financial records of the reporting unit have been kept, as far as practicable, in a consistent manner to each of the other reporting units of the organisation ; and
    e. the information sought in any request of a member of the Association or a General Manager of Fair Work Australia (FWA) duly made under section 272 of the Fair Work (Registered Organisations) Act 2009 has been furnished to the members or the General Manager of FWA: and
    f. No orders have been made by the Commission under section 273 of the RAO Schedule during the period.
6. There has been no recovery of wage activity undertaken by the reporting unit

For the Committee of Management

Designated Officer

Stuart Maxwell – Vice President Finance

Dated this 11th day of NOVEMBER 2010.

D. PENMAN & CO.
CHARTERED ACCOUNTANT

LEVEL 10, 420 ST KILDA ROAD
MELBOURNE VICTORIA 3004
TELEPHONE (03) 9866 5003
FACSIMILE (03) 9867 7226
EMAIL DAVID_STANFORD@UNITE.COM.AU

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF CIVIL AIR OPERATIONS OFFICERS ASSOCIATION OF AUSTRALIA AND CONTROLLED ENTITY

**Report on the Financial Report**

I have audited the accompanying financial report of Civil Air Operations Officers Association of Australia and Controlled Entity for the year ended 30 June 2010 comprising the statements of comprehensive income, the balance sheets, the statements of changes in equity, the statements of cash flows, the statement by committee of management and the notes to the financial statements.

**Committee's Responsibility for the Financial Report**

The committee of the association is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Fair Work (Registered Organisations) Act 2009. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on my audit. My audit has been conducted in accordance with 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 that the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances but not for expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

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

My audit did not involve an analysis of the prudence of business decisions made by the directors.

**Independence**

In conducting my audit I have complied with the independence requirements of Australian professional ethical pronouncements.

**Auditor's Opinion**

In my opinion the financial report of Civil Air Operations Officers Association of Australia and Controlled Entity is in accordance with the Fair Work (Registered Organisations) Act 2009, including;

(a) giving a true and fair view of the association's and consolidated entity's financial position as at 30 June 2010 and of their financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Fair Work (Registered Organisations) Act 2009.

David Penman
D.Penman & Co.
Chartered Accountant 26812
Melbourne
11 November 2010

# AIR OFFICERS TRUST
## ABN 16 950 829 154

# ANNUAL FINANCIAL REPORT
## FOR THE YEAR ENDED 30 JUNE 2010

**AIR OFFICERS TRUST**
**ABN 16 950 829 154**

## TABLE OF CONTENTS



This financial report covers Air Officers Trust as an individual entity. The financial report is presented in the Australian currency.

Air Officers Trust is a discretionary Trust, domiciled in Australia.

*The principal place of business is:*
1st Floor
214 Graham Street
PORT MELBOURNE VIC 3207

The financial report was authorised for issue by the Directors of the Trustee on the 11th of November 2010. The Directors of the Trustee have the power to amend and reissue the financial report.

## AIR OFFICERS TRUST
## ABN 16 950 829 154

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2010

| | Note | 2010<br>$ | 2009<br>$ |
|---|---|---|---|
| **Revenue from continuing operations** | 3 | **199,127** | 230,559 |
| Audit fees | | **(2,500)** | (2,500) |
| Depreciation | | **(53,407)** | (43,297) |
| Repairs and maintenance | | **(32,827)** | (22,890) |
| Other property expenses | | **(36,883)** | (27,577) |
| | | **(125,617)** | (96,294) |
| **Profit attributable to owners** | 4 | **73,510** | 134,295 |
| **Other comprehensive income** | | **-** | |
| **Total comprehensive income for the year attributable to owners** | | **73,510** | 134,295 |

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

**AIR OFFICERS TRUST**
**ABN 16 950 829 154**

## BALANCE SHEET
## AS AT 30 JUNE 2010

| | Note | 2010 $ | 2009 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | **2,147,981** | 2,084,833 |
| Receivables | 6 | **8,484** | 5,574 |
| **Total current assets** | | **2,156,465** | 2,090,407 |
| **Non-current assets** | | | |
| Investment Property | 7 | **2,689,224** | 2,742,631 |
| **Total non-current assets** | | **2,689,224** | 2,742,631 |
| **Total assets** | | **4,845,689** | 4,833,038 |
| **Current liabilities** | | | |
| Trade and other payables | 8 | **8,511** | - |
| **Total current liabilities** | | **8,511** | - |
| **Non-current liabilities** | | | |
| Borrowings | 9 | **3,618,493** | 3,614,353 |
| **Total non-current liabilities** | | **3,618,493** | 3,614,353 |
| **Total liabilities** | | **3,627,004** | 3,614,353 |
| **Net assets** | | **1,218,685** | 1,218,685 |
| **EQUITY** | | | |
| Settled sum | 10 | **20** | 20 |
| Reserves | 11 | **1,218,665** | 1,218,665 |
| **Total equity** | | **1,218,685** | 1,218,685 |

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

**AIR OFFICERS TRUST**
**ABN 16 950 829 154**

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2010

| | Settled sum | Retained profits | Reserves | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at 1 July 2008** | 20 | **-** | 1,218,665 | 1,218,685 |
| Total comprehensive income for the year | - | 134,295 | - | 134,295 |
| Distributions paid or provided for | - | (134,295) | - | (134,295) |
| **Balance at 30 June 2009** | 20 | **-** | 1,218,665 | 1,218,685 |
| | | | | |
| **Balance at 1 July 2009** | **20** | **-** | **1,218,665** | **1,218,685** |
| Total comprehensive income for the year | **-** | **73,510** | **-** | **73,510** |
| Distributions paid or provided for | **-** | **(73,510)** | **-** | **(73,510)** |
| **Balance at 30 June 2010** | **20** | **-** | **1,218,665** | **1,218,685** |

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

**AIR OFFICERS TRUST**
**ABN 16 950 829 154**

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2010

| | Note | 2010 | 2009 |
|---|---|---|---|
| | | $ | $ |
| **Cash flows from operating activities** | | | |
| Receipts from tenants | | **126,735** | 119,439 |
| Interest received | | **88,369** | 121,978 |
| Payments to suppliers and employees | | **(82,586)** | (68,810) |
| **Net cash inflow/(outflows) from operating activities** | **17** | **132,518** | 172,607 |
| **Cash flows from investing activities** | | | |
| Payment for property, plant and equipment | | **-** | (58,049) |
| **Net cash (outflow) from investing activities** | | **-** | (58,049) |
| **Cash flows from financing activities** | | | |
| Distributions made | | **(73,510)** | (134,295) |
| Repayment of loans to related parties | | **-** | (110,705) |
| Loans received from related parties | | **4,140** | - |
| **Net cash (outflow) from financing activities** | | **(69,370)** | (245,000) |
| **Net increase/(decrease) in cash and cash equivalents** | | **63,148** | (130,442) |
| Cash and cash equivalents at beginning of financial year | | **2,084,833** | 2,215,275 |
| **Cash and cash equivalents at end of financial year** | **5** | **2,147,981** | 2,084,833 |

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

## 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the requirements of the Corporations Act 2001.

*Compliance with IFRS*

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*Early adoption of standards*
The trust has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2009:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 8 *Operating Segments*

This includes applying the revised pronouncements to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* None of the items in the financial statements had to be restated as the result of applying this standard.

*Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

*Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying trust's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

*Financial statement presentation*

The trust has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. There has been no effect on the trust's presentation of its financial statements.

## 1: Summary of significant accounting policies (continued)

### (b) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Trust recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Trust's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Trust bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major operating activities as follows:

*Rent*

Rent revenue is recognised when the right to receive the rent has been established.

*Other revenue*

Other revenue is recognised when the right to receive the revenue has been established.

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

### (c) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### (d) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, 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, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**(e) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the balance sheet are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from, or payable to the ATO as classified as operating cash flow.

Commitments and contingencies are disclosed inclusive of GST.

**(f) Investment property**

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the entity. Investment property is carried at cost as is allowed by AASB 140.

Investment property is carried at historical cost less any accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Depreciation is calculated to allocate cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

| Class of fixed asset | Depreciation rate | Depreciation basis |
|---|---|---|
| Buildings | 2.5%- 20% | Diminishing Value |

**(h) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance costs .

Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**(i) Comparative figures**

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

**(j) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Trust's assessment of the impact of these new standards and interpretations is set out below.

**AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share based Payment Transactions [AASB 2]*** (effective from 1 January 2010)
The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The Trust will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the entity's financial statements.

**AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]*** (effective from 1 February 2010)
In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Trust will apply the amended standard from 1 July 2010. As the Trust has not made any such rights issues, the amendment will not have any effect on the entity's financial statement.

**AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*** (effective from 1 January 2013)
AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is not likely to affect the Trust's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.

**Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards*** (effective from 1 January 2011)
In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Trust will apply the amended standard from 1 July 2011. When the amendments are applied, the Trust will need to disclose any transactions between its subsidiaries and its associates.

**(j) New accounting standards and interpretations (continued)**

**AASB Interpretation 19 *Extinguishing financial liabilities with equity instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19***
(effective from 1 July 2010)
AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Trust will apply the interpretation from 1 July 2010. It is not expected to have any impact on the entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the Trust has not entered into any debt for equity swaps since that date.

**AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement***
(effective from 1 January 2011)
In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Trust does not make any such prepayments. The amendment is therefore not expected to have any impact on the Trust's financial statements. The Trust intends to apply the amendment from 1 July 2011.

## 2: Critical accounting estimates and judgements

Estimates and judgments 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 Trust and that are believed to be reasonable under the circumstances.

**(a) Critical accounting estimates and assumptions**

The Trust makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Impairment*
The Trust assesses impairment at each reporting date by evaluating conditions specific to the Trust that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised for the year ended 30 June 2010.

**(b) Critical judgments in applying the trust's accounting policies**

There are no critical judgements made in applying the Trust's accounting policies.

## 3: Revenue

| | 2010 | 2009 |
|---|---|---|
| | **$** | **$** |
| **From continuing operations** | | |
| - rent received | **106,549** | 108,581 |
| - other tenant income | **4,209** | - |
| | **110,758** | 108,581 |
| *Other revenue* | | |
| interest | **88,369** | 121,978 |
| | **199,127** | 230,559 |

## 4: Expenses

| | 2010 | 2009 |
|---|---|---|
| | **$** | **$** |
| Profit includes the following specific expenses: | | |
| *Depreciation of non-current assets* | | |
| - Buildings | **31,250** | 31,250 |
| - Improvements | **22,157** | 12,047 |
| | **53,407** | 43,297 |

## 5: Current assets - Cash and cash equivalents

| | 2010 | 2009 |
|---|---|---|
| | **$** | **$** |
| Cash at bank | **288,818** | 304,870 |
| Term deposit | **1,859,163** | 1,779,963 |
| | **2,147,981** | 2,084,833 |

**(a) Reconciliation to cash at the end of the year**

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:

| | | |
|---|---|---|
| Balances as above | **2,147,981** | 2,084,833 |
| Balances per cash flow statement | **2,147,981** | 2,084,833 |

**(b) Interest rate risk exposure**

The Trust's exposure to interest rate risk is discussed in note 16.

## 6: Current assets - Receivables

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Other receivables | **8,484** | 5,574 |

**(a)Fair value and risk exposure**

Due to the short term nature of the other receivables the carrying amount is assumed to approximate their fair value. Information about the Trust's exposure to risk is provided in note 16.

## 7: Investment property

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| **Land and buildings** | | |
| At deemed cost | **2,905,000** | 2,905,000 |
| Less accumulated depreciation | **(337,669)** | (306,419) |
| | **2,567,331** | 2,598,581 |
| **Building improvements** | | |
| At cost | **214,266** | 214,266 |
| Less accumulated depreciation | **(92,373)** | (70,216) |
| | **121,893** | 144,050 |
| **Balance at end of year** | **2,689,224** | 2,742,631 |

**(a) Movement in the carrying amounts between the beginning and the end of the year:**

| **2010** | **Land and buildings** | **Building improvements** | **Total** |
|---|---|---|---|
| | $ | $ | $ |
| Opening net book amount | **2,598,581** | **144,050** | **2,742,631** |
| Depreciation | **(31,250)** | **(22,157)** | **(53,407)** |
| Closing net book amount | **2,567,331** | **121,893** | **2,689,224** |

| **2009** | **Freehold land** | **Freehold buildings** | **Total** |
|---|---|---|---|
| | $ | $ | $ |
| Opening net book amount | 2,629,831 | 156,097 | 2,785,928 |
| Depreciation | (31,250) | (12,047) | (43,297) |
| Closing net book amount | 2,598,581 | 144,050 | 2,742,631 |

## 7: Investment property (continued)

**(b) Amounts recognised in profit and loss for investment properties**

| | | |
|---|---|---|
| Rental and other tenant income | **110,758** | 108,581 |
| Direct operating expenses from property that generated rental income. | **(125,617)** | (96,294) |
| Direct operating expenses from property that did not generated rental income | **-** | - |
| | **(14,859)** | 12,287 |

**(c) Leasing arrangements**

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

| | | |
|---|---|---|
| Within one year | **123,618** | 91,739 |
| Later than one year but not later than five years | **198,844** | 60,755 |
| Later than five years | **20,287** | - |
| | **342,749** | 152,514 |

## 8: Current assets - Trade and other payables

| | 2010 $ | 2009 $ |
|---|---|---|
| *Unsecured* | | |
| Other payables | **4,055** | - |
| Income in advance | **4,456** | - |
| | **8,511** | - |

**(a) Risk exposure**
Information about the Trust's exposure to risk is provided in note 16.

## 9: Non- Current assets - Borrowings

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| *Unsecured* | | |
| Related parties | **3,618,493** | 3,614,353 |

**(a) Risk exposure**
Information about the Trust's exposure to risk is provided in note 16.

## 10: Settled sum

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Settled sum – R J Garlick | **20** | 20 |

## 11: Reserves

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Asset revaluation reserve | **1,218,685** | 1,218,685 |

(a) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets.

## 12: Distributions

| | 2010 | 2009 |
|---|---|---|
| | $ | $ |
| Total comprehensive income for the year | **73,510** | 134,295 |
| Distributions paid or provided for | **(73,510)** | (134,295) |
| | **-** | - |

## 13: Contingencies

There are no known contingent assets or liabilities at 30 June 2010.

## 14:Segment reporting

The trust operates in one business and geographical segment, being property investment in Australia.

## 15: Related party transactions

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| *Sales of goods and services* | | |
| Rent received from a related party | **55,000** | 55,000 |
| | | |
| *Loans from related parties* | | |
| Beginning of the year | **3,614,353** | 3,725,058 |
| Additional advance | **4,140** | - |
| Loan repayments received | **-** | (110,705) |
| End of year | **3,618,493** | 3,614,353 |

(i) This loan is interest free

### (a) Key management personnel compensation

The trust did not pay any compensation to the key management personnel during the year.

### (b) Trustee

The trustee of the trust is Air Officers Pty Ltd – ACN 005 633 616

## 16: Financial risk management

The Trust's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Trust overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Trust.

The Trust uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk.

Risk management is carried out by management under policies approved by Board of Directors of the Trustee. The Board of Directors of the Trustee and management identify, evaluate and hedge financial risks as part of regular meetings. This identification and analysis includes an analysis of interest rate exposure and the evaluation of strategies in the context of most recent economic conditions.

**(a) Market risk**
*(i) Foreign exchange risk*
The Trust is not exposed to foreign exchange risk.

*(ii) Price risk*
The Trust is not exposed to equity securities price or commodity price risk.

*(iii) Cash flow and fair value interest rate risk*
The Trust's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Trust to cash flow interest rate risk. Borrowings issued at fixed rates expose the Trust to fair value interest rate risk.

The Trust analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Trust calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

**(b) Credit risk**
Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions.

The Trust has no significant concentrations of credit risk.

Cash transactions are limited to high credit quality financial institutions.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

**(c) Liquidity risk**
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the nature of the underlying businesses, the Board of Directors of the Trustee aims at maintaining flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

## 16: Financial risk management (continued)

**(d) Maturity profile of financial instruments**
The maturity profile of financial assets and liabilities held are detailed below.

**2010**

| | Weighted Average Interest rate | Floating Interest rate | 1 year or less | 1 to 2 years | 2 to5 years | Non Interest bearing | Total |
|---|---|---|---|---|---|---|---|
| **Financial Assets** | % | $ | $ | $ | $ | $ | $ |
| Cash at bank | | 288,188 | - | - | - | - | 288,818 |
| Term deposit | | | 1,859,163 | - | - | - | 1,859,163 |
| Other receivables | | - | - | - | - | 8,484 | 8,484 |
| | | 288,188 | 1,859,163 | - | - | 8,484 | 2,156,465 |
| **Financial Liabilities** | | | | | | | |
| Other payables | | - | - | - | - | 4,055 | 4,055 |
| Loan | | - | - | - | - | 3,618,493 | 3,618,493 |
| | | | - | - | - | 3,622,548 | 3,622,548 |
| **Net Financial Assets (Liabilities)** | | 288,188 | 1,859,163 | - | - | (3,614,064) | (1,466,083) |

2009
**Financial Assets**

| | Weighted Average Interest rate | Floating Interest rate | 1 year or less | 1 to 2 years | 2 to5 years | Non Interest bearing | Total |
|---|---|---|---|---|---|---|---|
| **Financial Assets** | % | $ | $ | $ | $ | $ | $ |
| Cash at bank | | 304,870 | - | - | - | - | 304,870 |
| Term deposit | | - | 1,779,963 | - | - | - | 1,779,963 |
| Other receivables | | - | - | - | - | - | - |
| | | 304,870 | 1,779,963 | - | - | - | 2,084,833 |
| **Financial Liabilities** | | | | | | | |
| Other payables | | - | - | - | - | - | - |
| Loan | | - | - | - | - | 3,614,353 | 3,614,353 |
| | | | | | | 3,614,353 | 3,614,353 |
| | | 304,870 | 1,779,963 | - | - | (3.608,779) | (1,529,520) |
| **Net Financial Assets (Liabilities)** | | | | | | | |

**(e) Fair value estimation**
Due to their nature, the book value of financial assets and financial liabilities is a close approximation to their fair values. market interest rate that is available to the Trust for similar financial instruments

## 16: Financial risk management (continued)

### (f) Sensitivity analysis

As at 30 June the effect on the (deficit)/surplus as a result of changes in interest rates, with all other variables remaining constant would be as follows:

| | 2010 | 2009 |
|---|---|---|
| | **$** | **$** |
| Effect on results: | | |
| *Increase of interest rates by 2%* | **(42,960)** | (41,697) |
| *Decrease of interest rates by 2%* | **42,960** | 41,697 |

## 17: Cash flow information

| | 2010 | 2009 |
|---|---|---|
| | **$** | **$** |
| **Reconciliation of cash flow from operations with profit/(loss) after income tax** | | |
| Profit for the year | **73,510** | 134,295 |
| *Non-cash flows in profit* | | |
| Depreciation | **53,407** | 43,297 |
| *Changes in assets and liabilities* | | |
| Increase(decrease) in payables | **8,511** | - |
| Increase/(decrease) in other assets | **(2,910)** | (4,985) |
| Net cash flows from operating activities | **132,518** | 172,607 |

## 18: Events subsequent to reporting date

No matter or circumstance has arisen since the end of the financial year to the date of this report, that has or may significantly affect the activities of the Trust, the results of those activities or the state of affairs of the Trust in the ensuing or any subsequent financial year.

**AIR OFFICERS TRUST**
**ABN 16 950 829 154**

## DIRECTORS OF THE TRUSTEE' DECLARATION

In the Directors of the Trustee opinion:

(a) the financial statements and notes, as set out on pages 4 to 17 present fairly the trust's financial position at 30 June 2010 and its performance for the year ended on that date in accordance with Australian Accounting Standards. :

(b) there are reasonable grounds to believe that the trust will be able to pay its debts as and when they become due and payable.

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

Director ____________________

Director ____________________

Dated: 11/11/10
Melbourne

D. PENMAN & CO.
CHARTERED ACCOUNTANT

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# INDEPENDENT AUDITOR'S REPORT

# TO THE TRUSTEE OF AIR OFFICERS TRUST

**Report on the Financial Report**

I have audited the accompanying financial report of Air Officers Trust for the year ended 30 June 2010 comprising the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows, the notes to the financial statements and the directors of the trustee company's declaration.

**Trustees' Responsibility for the Financial Report**

The trustees of the trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the trust deed. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on my audit. My audit has been conducted in accordance with 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 that the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances but not for expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

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

My audit did not involve an analysis of the prudence of business decisions made by the directors.

**Independence**

In conducting my audit I have complied with the independence requirements of Australian professional ethical pronouncements.

**Auditor's Opinion**

In my opinion the financial report of Air Officers Trust presents fairly in all material respects the financial position of the trust as at 30 June 2010 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including Australian Accounting Interpretations).

David Penman
D.Penman & Co.
Chartered Accountant 26812
Melbourne
11 November 2010