# SPECIAL AIR SERVICE RESOURCES TRUST NO 3

## FINANCIAL STATEMENTS

**YEAR ENDED**
**30 JUNE 2017**

## SPECIAL AIR SERVICE RESOURCES TRUST NO 3

## STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Trust Funds** | | | |
| Settlement Capital | | 5,000 | 5,000 |
| Reserve Fund | 9 | 21,300 | 1,773 |
| Retained Surplus | | 1,699,673 | 1,443,955 |
| | | 1,725,973 | 1,450,728 |
| **Current Assets** | | | |
| Cash Assets | 2 | 154,832 | 342,587 |
| Receivables | 3 | 650,591 | 805,877 |
| **Total Current Assets** | | 805,423 | 1,148,464 |
| **Non-current Assets** | | | |
| Plant & Equipment | 6 | 100 | 100 |
| Other financial assets | 5 | 920,450 | 302,164 |
| **Total Non-current Assets** | | 920,550 | 302,264 |
| **Total Assets** | | 1,725,973 | 1,450,728 |
| **Current Liabilities** | | | |
| Payables | | - | - |
| **Total Liabilities** | | - | - |
| **Net Assets** | | 1,725,973 | 1,450,728 |

## SPECIAL AIR SERVICE RESOURCES TRUST NO 3

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Revenue** | | | |
| Operating Activities: | | | |
| Donations received | | 241,140 | 736,344 |
| Non-Operating Activities: | | | |
| Interest received | | 22,488 | 16,235 |
| Dividends | | 24,652 | 4,986 |
| **Total Revenue** | | 288,280 | 757,565 |
| **Expenses** | | | |
| Bank and merchant card charges | | 50 | 89 |
| Depreciation | | - | 29,000 |
| **Total Expenses** | | 50 | 29,089 |
| **Net Income/(deficit) for the Period** | | 288,230 | 728,476 |
| Distributions to beneficiaries | 4 | 32,512 | 51,480 |
| **Net Surplus/(deficit) for the period from ordinary activities** | | 255,718 | 676,996 |
| Other Comprehensive Income: | | | |
| Movement in fair value of financial assets | | 19,527 | 1,773 |
| **Total Comprehensive Income/(deficit)** | | 275,245 | 678,769 |

## SPECIAL AIR SERVICE RESOURCES TRUST NO 3

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Donations received | | 241,140 | 736,344 |
| Investment income | | 19,099 | 3,490 |
| Payments for services | | (50) | (89) |
| Payments to beneficiaries | | (32,512) | (51,480) |
| Interest received | | 22,592 | 14,973 |
| Net cash provided by/(used in) operating activities | 7b | 250,269 | 703,238 |
| Cash flows from investing activities: | | | |
| Purchase of investments | | (598,759) | (300,391) |
| Transfer to/from medium term deposits | | 160,735 | (180,000) |
| Net cash outflows used in investing activities | | (438,024) | (480,391) |
| Cash flows from financing activities: | | - | - |
| Net cash provided by financing activities | | - | - |
| Net increase in cash held | | (187,755) | 222,847 |
| Cash at beginning of financial year | | 342,587 | 119,740 |
| Cash at end of financial year | 7a | 154,832 | 342,587 |

## SPECIAL AIR SERVICE RESOURCES TRUST NO 3

## STATEMENT OF CHANGES IN TRUST FUNDS

## FOR THE YEAR ENDED 30 JUNE 2017

| | Settlement Capital $ | Retained Surplus $ | Reserve Fund $ | Total $ |
|---|---|---|---|---|
| **Balance at 1 July 2015** | 5,000 | 766,959 | - | 771,959 |
| Other comprehensive income | - | - | 1,773 | 1,773 |
| Surplus/(deficit) | - | 676,996 | - | 676,996 |
| **Balance at 30 June 2016** | 5,000 | 1,443,955 | 1,773 | 1,450,728 |
| | | | | |
| **Balance at 1 July 2016** | 5,000 | 1,443,955 | 1,773 | 1,450,728 |
| Other comprehensive income | - | - | 19,527 | 19,527 |
| Surplus/(deficit) | - | 255,718 | - | 255,718 |
| **Balance at 30 June 2017** | 5,000 | 1,699,673 | 21,300 | 1,725,973 |

## Note 1 - Statement of Significant Accounting Policies

The financial report is a special purpose financial report which has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards and other mandatory professional reporting requirements. The Special Air Service Resources Trust No 3 was established by Trust Deed dated 17 May 2011.

The Trust is not a reporting entity because it is unlikely that users exist who are unable to command the compilation of reports tailored so as to satisfy specifically all of their information needs.
This is a special purpose financial report that has been prepared in order to satisfy the financial reporting requirements of the Australian Charities and Not-for-profits Commission Act 2012 and for internal use by the Trust.

### (a) Basis of Preparation

The requirements of Australian Accounting Standards do not have mandatory applicability to the Trust because it is not a "reporting entity". However, the Trustees have determined that in order for the financial report to give a true and fair view of the Trust's financial position and performance, the requirements of Accounting Standards relating to the recognition, measurement and classification of assets, liabilities, revenues, expenses and equity should be complied with.

Accordingly, the Trustees have prepared the financial report in accordance with the recognition, measurement and classification requirements of Australian Accounting Standards and the disclosure requirements of Accounting Standards AASB 101 Presentation of Financial Statements, AASB 107 Cash Flow, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 1048 Interpretation of Standards and AASB 1054 Australian Additional Disclosures.

The financial report has been prepared on a historical basis, except for financial instruments which are measured at fair value.

The financial report is presented in Australian dollars.

### (b) Statement of Compliance

Compliance with IFRS to the extent required by non-reporting entities does not result in the special purpose financial report comprising the financial statements and notes thereto, complying with International Financial Report Standards (IFRS) because IFRS do not exclude non reporting entities from the scope of its standards. However, this special purpose financial report does comply with the measurement requirements of IFRS.

In the current year, the Trust has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards (the AASB) that are relevant to its operations and effective for reporting periods beginning on or after 1 July 2015. The adoption of these new and revised Standards and the Interpretations did not have any effect on the financial position or performance of the Trust.

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Trust for the annual reporting period ended 30 June 2016. The Trustee has not early adopted any of these new or amended standards or interpretations. The Trustee has not yet fully assessed the impact of these new or amended standards (to the extent relevant to the Trust) and interpretations.

## Note 1 - Statement of Significant Accounting Policies (continued)

### (c) Significant Accounting Policies

The following is a summary of the material policies adopted by the Trust in the preparation of the financial report.

#### a) Revenue Recognition

Donations are recognised as revenue when the amounts are received or deposited in the bank account. Donated assets are recognised as an asset at fair value at the date of donation.

Dividend revenue is recognised when received and distributions from Managed Trusts are recognised in the period to which the distribution relates.

Reimbursement of dividend imputation credits from the Australian Taxation Office is brought to account in the period in which the relevant dividends are received.

#### b) Fundraising Functions

Revenue from fundraising functions is disclosed in the period in which the function is held. All costs of the function are similarly disclosed in the period the function is held.

#### c) Plant and Equipment

Depreciation has been provided on plant and equipment so as to write off its value over its estimated working life of three years.

#### d) Income Tax

The Trust is exempt from income tax under the provisions of Section 23jii of the Income Tax Assessment Act.

#### e) Financial Instrument

Financial instruments are mutually measured at cost on trade date, which includes transaction costs when the related contractual rights or obligations exist. Subsequently these instruments are measured at fair value through profit and loss or fair value through other comprehensive income based on an irrevocable election on initial recognition.

When the Trust elects to recognise the assets at fair value through other comprehensive income the unrealised gains or losses arising from changes in value are to be taken directly to the reserve.

Dividends from the financial instruments are recognised in profit and loss when the right to receive payment is probable and can be reliably measured.

#### f) Reserves

The reserve records the revaluation of financial instruments. On de-recognition of the underlying financial instruments any cumulative gain or loss may be transferred within equity.

## Note 2 – Cash Assets

| | 2017 $ | 2016 $ |
|---|---|---|
| Cash at Bank | 154,832 | 342,587 |
| | 154,832 | 342,587 |

The Trust Deed establishing the Trust requires the Trust Fund to be invested in authorised trustee investments under the Trustees Act 1962.

## Note 3 – Receivables

| | 2017 $ | 2016 $ |
|---|---|---|
| Receivables | 11,326 | 5,877 |
| Medium Term Deposits | 639,265 | 800,000 |
| | 650,591 | 805,877 |

Medium Term Deposits have a maturity from acquisition date greater than 90 days and are not considered to be cash and cash equivalents.

## Note 4 – Payments to Beneficiaries

The Trust Deed directs that the Trustees may make payments to beneficiaries out of either the Net Income of the Trust or the capital of the Trust pursuant to clause 3.1 of the Deed of Trust or out of the accumulated income from previous accounting periods from time to time as the Trustees so determine.

## Note 5 – Other Financial Assets

| | 2017 $ | 2016 $ |
|---|---|---|
| Other financial assets comprise: | | |
| Investments in listed corporations | 920,450 | 302,164 |
| Fair value | 920,450 | 302,164 |

The investments are held in the name of SART Holdings Pty Ltd in its capacity as trustee. The shares in this company are held under a declaration of trust for the Trust by three of the trustees.

## Note 6 – Plant & Equipment

| | 2017 $ | 2016 $ |
|---|---|---|
| Alter G P 2000 Treadmill – at cost | 104,500 | 104,500 |
| Less provision for depreciation | (104,400) | (104,400) |
| | 100 | 100 |

## Note 7 – Cash Flow Information

| | | 2017 $ | 2016 $ |
|---|---|---|---|
| a) | Cash at the end of the period as shown in the statement of cash flows is reconciled to the related item in the statement of financial position as follows:- | | |
| | Cash at bank | 154,832 | 342,587 |
| | | 154,832 | 342,587 |
| b) | Reconciliation of net cash provided by operating activities | | |
| | Net surplus/(deficit) for year from ordinary activities | 255,718 | 676,996 |
| | Non cash flows in surplus: | | |
| | Depreciation | - | 29,000 |
| | (Increase)/Decrease in receivables | (5,449) | (2,758) |
| | Net Cash Provided by/(used in) Operating Activities | 250,269 | 703,238 |

## Note 8 – Related Parties

**Trustees**

Gregory Solomon (Chairman)
Dr Grant Walsh CSM (Deputy Chairman)
Hon Peter Blaxell
Alan Cransberg
Robert Druitt
LTCOL James Kidd DSM+BAR, CSM
Nicholas Brasington
Michelle Hawksley
James McMahon
Dr Stefan Nidorf
Peter Fitzpatrick
Kerry Stokes AC
Andrew Forrest
Thomas Wallace OAM

Donations to the Trust were made by some of the Trustees.

## Note 8 – Financial Instruments

a) Interest Rate Risk

The exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets is as follows:-

| | Weighted Average Effective Interest Rate 2016 % | Fixed Interest Maturing Within 1 Year 2016 $ | Non-Interest Bearing 2016 $ | Total 2016 $ |
|---|---|---|---|---|
| Bank Deposits | 1.30 – 3.00 | 1,142,587 | - | 1,142,587 |
| Receivables | | - | 5,877 | 5,877 |
| Total | | 1,142,587 | 5,877 | 1,148,464 |

| | Weighted Average Effective Interest Rate 2017 % | Fixed Interest Maturing Within 1 Year 2017 $ | Non-Interest Bearing 2017 $ | Total 2017 $ |
|---|---|---|---|---|
| Bank Deposits | 0.6-2.5 | 794,097 | - | 794,097 |
| Receivables | | - | 11,326 | 11,326 |
| Total | | 794,097 | 11,326 | 805,423 |

b) The net fair value of financial assets approximates the values disclosed in the financial statements.

## Note 9 – Financial Assets Reserves

| | 2017 $ | 2016 $ |
|---|---|---|
| Opening balance | 1,773 | - |
| Revaluation increment/(decrement) | 19,527 | 1,773 |
| Closing balance | 21,300 | 1,773 |

## Note 10 – Events after Balance Date

There have been no matters or circumstances that have arisen since 30 June 2017 that have or may significantly affect the operations, results or state of affairs of the Trust.

## SPECIAL AIR SERVICE RESOURCES TRUST NO 3

## TRUSTEE'S DECLARATION

The Trustee has determined that the Trust is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Trustee declares that:

a) The financial statements and notes, as set out in the following pages, fairly describe the Trust's financial position as at 30 June 2017 and its performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements;

b) In the Trustee's opinion 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 trustees and is signed on behalf of the trustees by:-

Gregory Solomon
Chairman

Dated: 26th October 2017

Robert Druitt
Treasurer

Dated: 26th October 2017

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# Independent auditor's report to the Trustees of the Special Air Service Resources Trust No. 3

## Qualified opinion

We have audited the financial report of the Special Air Service Resources Trust No. 3 (the Trust), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial report, including a summary of significant accounting policies, and the Trustees' declaration.

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial report of the Trust is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

a) giving a true and fair view of the financial position of the Trust as at 30 June 2017 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

## Basis for qualified opinion

Income from cash donations and fundraising activities are a significant source of revenue for the Trust. The Trust has determined that it is impracticable to establish control over the collection of this income prior to entry in its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to income from cash donations and fundraising activities had to be restricted to the amounts recorded in the financial records. We are therefore unable to express an opinion whether the income from cash donations and fundraising activities obtained by the Trust are complete.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Trust in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

## Responsibilities of the Trustees' for the financial report

The Trustees are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Australian Charities and Not-for-Profits Commission Act 2012* and is appropriate to meet the needs of the members. The Trustees' responsibility also includes such internal control as the Trustees determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Trust audit. We remain solely responsible for our audit opinion.

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We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

G H Meyerowitz
Partner
Perth
26 October 2017

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# Auditor's Independence Declaration to the Trustees of the Special Air Service Resources Trust No. 3

In relation to our audit of the financial report of the Special Air Service Resources Trust No. 3 for the financial year ended 30 June 2017, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
26 October 2017