LifeFlight Australia Limited

ABN 45 010 316 462

Financial Statements

For the Year Ended 30 June 2017

LifeFlight Australia Limited
ABN 45 010 316 462

Contents

For the Year Ended 30 June 2017

Directors' Report
For the Year Ended 30 June 2017

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2017.

Information on directors and officers

The names of each person who has been a director and/or officer during the year and to the date of this report are:

Hon. Rob Borbidge AO	Director (non-Executive) until 30 June 2013 then became Chairman from 1 July 2013
Other LifeFlight Australia Limited Responsibilities	- Director - StarFlight Australia Pty Ltd - Director - LifeFlight Retrieval Medicine Limited - Director - Sunshine Coast Helicopter Rescue Service Limited - Audit and Risk Management Committee Member
Background	The 35th Premier of Queensland, Rob Borbidge led a minority National Liberal Coalition Government from 1996 to 1998. He served in senior Cabinet posts, was Deputy Leader and Leader of the Opposition before retiring in 2001 after serving more than 20 years as the Member for Surfers Paradise.
Donald Moffatt	Deputy Chairman (non-Executive)
Other LifeFlight Australia Limited Responsibilities	- Chairman - Sunshine Coast Helicopter Rescue Service Limited - Director - LifeFlight Retrieval Medicine Limited - Life Member - LifeFlight Australia Limited
Background	Don has been a Board Member and Chairman of the Sunshine Coast Helicopter Rescue Service for 16 Years. After serving his country the Kingaroy boy entered business in 1972 and has been a successful property developer based on the Sunshine Coast ever since. Don served as Chairman of Tourism Sunshine Coast for seven years and Board Member, as a Director and Deputy Chairman of Sunshine Coast Turf Club over a period of 17 years and several years on the Board of Queensland Principal Club (not Queensland Racing).
Stewart Morland	Director (non-Executive) Chairman from November 2011 until July 2013
Appointed	2006
Other LifeFlight Australia Limited Responsibilities	- Director - LifeFlight Retrieval Medicine Limited - Director - Sunshine Coast Helicopter Rescue Service Limited - Member - CareFlight South West Community Advisory Board - Audit and Risk Management Committee
Other affiliations	Stewart holds numerous Director positions for companies such as IOR, Inland Oil, OEQ, Hemmant Shipway, Henty Demgar, Dalon, Mudstone and several others.
Background	Stewart has been involved in the Australian Energy sector for more than 25 years. Since his first venture in the Eromanga Basin in the 1990s, Stewart has been at the forefront of the upstream development in Australia's oil and gas sectors. This involvement led to the growth and evolution of the IOR Group into one of Australia's leading suppliers of fuels and storage systems for fuel in the coal seam and shale gas sectors. His company has also established a network of unmanned refuelling stations throughout Australia, and operates an oil refinery in the Eromanga Basin. Stewart's additional business interests include transport, aviation and marine charger and computer software/hardware development. Stewart has a strong commitment to philanthropic endeavours.

Directors' Report
For the Year Ended 30 June 2017

Information on directors and officers (continued)

Peter Young	Director (non-Executive)
Qualifications	Bachelor of Applied Science
Appointed	1989 (Retired 17 November 2016)
Other LifeFlight Australia Limited Responsibilities	- Director & Company Secretary - LifeFlight Retrieval Medicine Ltd - Director - Sunshine Coast Helicopter Rescue Service Limited - Life Member - LifeFlight Australia Limited - Director - CareFlight Australia Pty Ltd - Director and Company Secretary - Aeromed Qld Pty Ltd - Director and Company Secretary - CareFlight GC Limited - Director and Company Secretary - CareFlight Group Australia Pty Ltd - Director - CareFlight Aeromedical Limited
Background	Peter grew up at Sandgate, Brisbane and was educated at St Patrick's college Shorncliffe and St Joseph's College, Gregory Terrace. Peter worked in Redcliffe after leaving school until 1982 and has been self-employed since then. Until recently he owned and operated a tourism operation at the Bunya Mountains.
Rodney Forrester	Director (non-Executive)
Appointed	1 July 2013
Other LifeFlight Australia Limited Responsibilities	- Director - Sunshine Coast Helicopter Rescue Service Limited - Director - LifeFlight Retrieval Medicine Limited - Audit and Risk Management Committee
Other affiliations	- Founding Chairman - Matthew Flinders Anglican College - Past Deputy Chancellor, Board Member and Chairman of their Capital Work's Committee - University of Sunshine Coast - Past Board Member - Innovation Centre Sunshine Coast Pty Ltd
Background	Rod Forrester has been a Board member for the Sunshine Coast Helicopter Rescue Service since 2002. He was appointed to the LifeFlight Group Board after the merger of the LifeFlight Australia Limited and Sunshine Coast Helicopter Rescue Service on 1 July 2013. Rod was Managing Director of FKP Limited to 2003, Australia's largest owner/operator of retirement villages and one of the nation's top 200 ASX listed companies. Rod still works in property development, co-founding Aria Property Group.
William Freeman	Director (non-Executive)
Appointed	1 July 2013 (Retired 17 November 2016)
Other LifeFlight Australia Limited Responsibilities	- Director - Sunshine Coast Helicopter Rescue Service Limited - Director - LifeFlight Retrieval Medicine Limited - Life Member - LifeFlight Australia Limited
Other affiliations	- Life Member & Director - Mooloolaba Surf Life Saving Club - Emeritus Surveyor - Institution of Surveyors Australia
Background	Bill has been a Director for the Sunshine Coast Helicopter Rescue Service for 15 years. Bill was a director and partner of a major urban consultancy group. He retired in 1996. He has continuing interests in Land Development and enjoys sport. He is also a keen supporter of local community groups.

Directors' Report
For the Year Ended 30 June 2017

Information on directors and officers (continued)

Colin Archer	Director (non-Executive)
Qualifications	CA, B. Ec
Appointed	1 July 2013
Other LifeFlight Australia Limited Responsibilities	- Director - LifeFlight Retrieval Medicine Limited - Director - Sunshine Coast Helicopter Rescue Service Limited - Audit and Risk Management Committee
Other affiliations	- Archer Gowland Chartered Accountants - Archers Body Corporate Management
Background	Colin is an experienced accountant and respected strata industry leader having founded Archer Gowland Chartered Accountants in 1981 and Archers Body Corporate Management in 1982. Colin has had a lifetime association with the grazing industry as Managing Director of Archer Rural. He is an experienced public company director and is presently Chairman of Retail Food Group Ltd.
Paul Turner	Director & RACQ nominated executive (non-Executive)
Qualifications	Grad Dip Financial Markets SIA, GAICD
Appointed	2010
Other LifeFlight Australia Limited Responsibilities	- Director - LifeFlight Retrieval Medicine Limited - Director - Sunshine Coast Helicopter Rescue Service Limited
Other affiliations	- Executive General Manager Advocacy - RACQ
Background	Paul Turner has worked for more than 30 years in media, politics, public relations and corporate communications for companies such as Bank of Queensland and Origin Energy. Paul Turner is Executive General Manager Advocacy for RACQ and represents RACQ on LifeFlight Australia Limited's Board.
Hon. Jim Elder	Director (non Executive)
Appointed	29 September 2015
Other LifeFlight Australia Limited Responsibilities	- Chairman - LifeFlight Retrieval Medicine Limited - Director - Sunshine Coast Helicopter Rescue Service Limited - Projects Committee Member
Other affiliations	- Director - Centurion Group of Companies - Director - Sea-safe Australia - Director- APIED Ltd Australia - Director - British Borneo Petroleum Australia - Chairman - Enhance Group - Audit & Risk Management Committee
Background	Former Deputy Premier of Queensland, Hon. James (Jim) Elder has a long history of serving Queensland Communities. During more than 12 years of parliamentary service with the Queensland Government, Jim worked across portfolios in State Development and Trade, Transport, Health, Business, Industry and Regional Development, as well as Youth, Sport and Recreation. As well as an integral knowledge of government policy, Jim specialises in business development and Government interaction with the private sector initiatives. Through his career, Jim has created a solid record of business and project development achievements. Jim has also been instrumental in attracting a number of high profile businesses to Queensland.

Directors' Report
For the Year Ended 30 June 2017

Information on directors and officers (continued)

Jan Taylor	Director (non Executive)
Qualifications	BA (Economics) and LLB
Appointed	13 December 2016
Other affiliations	- Principal JTA Australia - Non-executive Director Epilepsy Australia - Member (and Ambassador) International Association of Public Participation (IAP2)
Background	Jan established JTA Australia following a successful public sector career as Queensland's Director of Fair Trading and Commissioner for Consumer Affairs. Since leaving the public sector she has been appointed to the boards of statutory authorities by both Coalition and ALP governments and has charied inquiries for Queensland and Federal Government Ministers. Jan has been an interviewer and presenter in mainstream media, a newspaper columnist, a published author, and has worked with United Nations agencies (e.g. the Food and Agriculture Organisation and the International Atomic Energy Agency). She has been an independnet non-executive director (and Chair) on commercial and not-for-profit boards in the private sector including the RACQ, Ports Corporation Queensland, Wyatt Gallagher (Boston-based), Epilepsy Queensland, Community Housing Grants Board, Queensland Dairy Authority, RSPCA and the Queensland Competition Authority.
Ashley van de Velde	Director (Executive)
Qualifications	MBA, FAICD
Appointed	1988
Other LifeFlight Australia Limited Responsibilities	- Group Chief Executive Officer - Director - LifeFlight Retrieval Medicine Limited - Director - Sunshine Coast Helicopter Rescue Service limited - Director - Aeromed Qld Pty Ltd - Director - CareFlight Australia Limited (Resigned July 2017) - Director - CareFlight Hroup Australia Pty Ltd (De-registered 18 October 2017) - Director & Secretary - LifeFlight Air Ambulance Pty Ltd - Director - StarFlight Australia Pty Ltd - Director - CareFlight Aeromedical Limited (Resigned July 2017) - Life Member - LifeFlight Australia Limited - Audit & Risk Management Committee
Background	Ashley has been CEO of the organisation for more than two decades. With the organisation from the beginning, the then Queensland Water Police Officer volunteered as an aircrewman back in 1981, Ashley's contribution to the growth and development of LifeFlight over the last 32 Years has been its driving force
Sarah Mahaffey-Verlinden	Company Secretary - LifeFlight Australia Limited
Qualifications	GAICD
Appointed	30 March 2015 (Resigned 21 July 2017)
Other LifeFlight Australia Limited Responsibilities	Company Secretary - Sunshine Coast Helicopter Rescue Service Limited
Background	Sarah Mahaffey-Verlinden has worked for more than 15 years in business management, media and communications and business development for companies such as the UK National Health Service, McKinsey & Company (UK) and Lloyds Banking Group (UK) prior to commencing with LifeFlight Group Limited in 2012.

Directors' Report
For the Year Ended 30 June 2017

Information on directors and officers (continued)

Jeff Frazer	Company Secretary - LifeFlight Australia Limited
Other LifeFlight Australia Limited Responsibilities	Company secretary of LifeFlight Foundation
Other affiliations	-
Background	Jeff is a partner at KPMG and has over 20 years experience in business and management consulting. He is a director of Surfing Queensland Limited and Androfin Limited. Prior to working at KPMG Jeff was employed by Macquarie Bank Limited in the financial markets. Jeff is a member of the Australian Institute of Company Directors.

Directors and officers have been in office since the start of the financial year to the date of this report unless otherwise stated.

Meetings of Directors

	Board Meetings		Finance Committee Meetings		Quality and Service Committee Meetings		Audit and Risk Management Committee Meetings	
	A	B	A	B	A	B	A	B
Robert Borbidge	8	8	-	-	-	-	-	-
Ashley van de Velde	7	8	2	3	1	3	4	4
Steward Morland	5	8	-	-	-	-	2	4
Rodney Forrester	7	8	-	-	-	-	-	-
Colin Archer	8	8	-	-	-	-	4	4
Paul Turner	6	8	-	-	-	-	-	-
Jim Elder	8	8	-	-	-	-	4	4
Donald Moffatt	2	4	-	-	-	-	-	-
Peter Young	2	4	-	-	-	-	-	-
William Freeman	2	4	-	-	-	-	-	-
Jan Taylor	2	3	-	-	-	-	-	-

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

Directors' Report
For the Year Ended 30 June 2017

Members guarantee

LifeFlight Australia Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each members and any person or association who ceased to be a member in the year prior to the winding up, is limited to $20, subject to the provisions of the company's constitution.

At 30 June 2017 the collective liability of members was $980 (2016: $940).

Board processes

To assist in the execution of its responsibilities, the board has established three board subcommittees. These are the Group Finance Committee, the Group Quality and Safety Committee and the Group Project Committee. Members of the Committees are a combination of Board and Executive personnel who operate to the Committee Charter. Members meet every six weeks or more regularly if required. Proceedings are minuted and reported upward along with recommendations to the board.

Effective from 13 December 2016, the Group Finance Committee, the Group Quality and Safety Committee and the Group Project Committee were dissolved and replaced by the Audit and Risk Management Committee.

Finance committee

The Finance Committee is tasked by the board of Directors to assist the board in discharging its oversight responsibilities. The Committee will provide oversight and advice on the financial activities of the organisation and the financial reporting process to ensure the balance, transparency and integrity of published financial information. The Committee will also review the following:

- The effectiveness of the company's financial risk management activities
- The conduct of the independent audit process, including recommending the appointment and assessing the performance of the external auditor.

In performing its duties, the Committee will maintain effective working relationships with the Board of Directors, executive management and external auditors. To perform their role effectively, each committee member will develop and maintain their skills and knowledge, including an understanding of the committee's responsibilities and of the company's business, operations and risk.

Quality and safety committee

The Quality and Safety Committee (Committee) has been established by the Board of Directors of LifeFlight Australia Limited (Company) and applies to the Company and its subsidiaries and related companies (Group) to support and advise the Board of Directors (board) in fulfilling its responsibilities to all stakeholders of the Company by:

- Assisting the board in fulfilling its development, oversight and review responsibilities for the safety culture and safety management processes as defined by safety policies published within the Group
- Assisting the board in fulfilling its development, oversight and review responsibilities for the quality management systems adopted within the Group
- Implementing and supervising the Group's operational risk assessment framework, including but not limited to workplace health and safety.

Directors' Report
For the Year Ended 30 June 2017

Board processes (continued)

Project committee

The project committee was formed during the course of the year to provide the Board of Directors with a dedicated committee which provides advice and guidance on major projects. Responsibility of the Committee includes, but is not limited to:

- Prepare and review business cases
- Prepare financial models and estimates
- Provide business case risk and viability assessment
- Generally help the board understand project status

In performing its duties the Project Committee will ensure clear and regular communication with the board and other stakeholders.

Principal activity and financial results

For the year ended 30 June 2017 the Group reported a consolidated net deficit of $4,224,697 (2016: net surplus of $942,927). The current year deficit consisted of a deficit from operating activities of $5,030,662 (2016: $861,168) and an accounting (non-cash) gain of $805,965 (2015: $81,759) on revaluation of financial instruments. The current year deficit includes an impairment loss of $2,900,372 (2016: Nil) for write downs to the value of certain aircraft assets.

The company continues to deliver quality air medical rescue and training services from its Queensland bases. During the year ended 30 June 2017 LifeFlight operated five CHP bases, two commercial rotary wing bases and three fixed wing bases. This allowed LifeFlight to provide critical care services to support Queensland communities as well as rapid response Air Ambulance medical transportation both domestically and internationally 24 hours a day, seven days a week.

LifeFlight undertook a record number of 2154 missions from the community helicopter bases at Toowoomba, Brisbane, Maroochydore, Bundaberg and Mount Isa during the course of the financial year. Our Air Ambulances jets also had their busiest year on record, performing 324 missions across 18 countries - an increase of 32% on the previous year.

The decision to renew and future proof the rotary wing fleet through the introduction of AW139 aircraft has contributed to the record number of missions by significantly improving the availability of our service to respond to the rate of effort requested by the Queensland Government.

The LifeFlight model - a unique partnership of provider, Government, the community and corporate Queensland - enables the provision of a cost effective and reliable service to the community. Support from Government, the community and corporate sponsorship continues to sustain the service, which is further supported by a strong portfolio of commercial operations that not only support the core community service but also strengthen it through expertise and equipment.

Looking forward

The company continues to be committed to providing air medical excellence to the Queensland community across a region that represents 75% of the State's population. We look forward to the enhanced delivery of industry leading training to our own professional staff as well as domestic and international commercial clients through Queensland's only CASA accredited full motion AW139 simulator. Our state-of-the-art LifeFlight Coordination Centre continues to mature and offer an unparalleled level of mission coordination.

LifeFlight will continue to deliver aeromedical services to our SGAS commercial partners, which significantly boosts services to South-West Queensland as the region continues to experience a 10 percent year-on-year increase in lifesaving missions.

Directors' Report
For the Year Ended 30 June 2017

Events after the reporting date

From 1 July 2017, LifeFlight Foundation Ltd became responsible for fundraising programs to support the growing needs of the LifeFlight Group in its delivery of essential services to the community.

In response to increased operating costs the Queensland State Government approved additional funding for one year of $2.4 million for the Mt Isa operations and a further $5 million across the remaining LifeFlight bases.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Auditors Independence Declaration

The lead auditors independence declaration for the year ended 30 June 2017 has been received and can be found on page 9 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: .... Director: ....

Dated this 3RD day of NOVEMBER 2017

UHY Haines Norton
Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF LIFEFLIGHT AUSTRALIA LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of any applicable code of professional conduct in relation to the audit.

UHY HAINES NORTON
Chartered Accountants

Darren Laarhoven
Partner

Brisbane, 2 November 2017

LifeFlight Australia Limited
ABN 45 010 316 462

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2017

	Note	2017 $	2016 * $
Government funding		**23,986,508**	20,695,016
Fundraising and sponsorship		**8,429,465**	9,377,280
Call centre (includes merchandise)		**2,237,608**	2,332,736
Training		**1,315,173**	2,293,331
Medical and commercial AME		**40,667,614**	38,826,931
Other revenue		**2,560,232**	1,363,582
Total revenue from operating activities	3	**79,196,600**	74,888,876
Helicopter operations - community		**(30,808,684)**	(23,645,269)
Finance costs	4	**(3,236,088)**	(2,846,175)
Fundraising and sponsorship		**(2,089,208)**	(2,113,447)
Call centre (includes merchandise)		**(1,632,338)**	(1,697,973)
Training		**(2,808,662)**	(2,802,079)
Shared services and other		**(5,956,049)**	(6,001,659)
Medical and commercial AME		**(37,926,325)**	(34,930,922)
Share of net profit of associates and joint ventures		**230,092**	9,816
Surplus from operating activities		**(5,030,662)**	861,168
Net gain on financial instruments at fair value through profit or loss		**805,965**	81,759
(Deficit)/surplus for the year		**(4,224,697)**	942,927
Other comprehensive income			
Items that may be reclassified subsequently to surplus or deficit:			
Exchange differences on translating foreign operations		**(8,557)**	-
Other comprehensive income for the year		**(8,557)**	-
Total comprehensive income for the year		**(4,233,254)**	942,927
Surplus attributable to:			
Members of the parent entity		**(4,224,697)**	942,927
Total comprehensive income attributable to:			
Members of the parent entity		**(4,233,254)**	942,927

* Comparative figures have been restated. Refer to Note 2(s) for further details.

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As At 30 June 2017

	Note	2017 $	2016 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**9,144,701**	9,496,219
Trade and other receivables	6	**5,308,989**	7,889,049
Inventories		**427,524**	386,292
Other assets		**600,679**	436,570
TOTAL CURRENT ASSETS		**15,481,893**	18,208,130
NON-CURRENT ASSETS			
Trade and other receivables	6	**952,966**	502,966
Property, plant and equipment	7	**68,136,558**	76,313,263
Intangible assets	8	**123,410**	155,097
Investments accounted for using the equity method	9	**1,542,291**	1,312,199
TOTAL NON-CURRENT ASSETS		**70,755,225**	78,283,525
TOTAL ASSETS		**86,237,118**	96,491,655
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	**8,452,549**	8,258,713
Financial liabilities	11	**6,697,548**	10,101,160
Provisions	12	**3,716,457**	3,714,785
Other liabilities	13	**12,894**	-
TOTAL CURRENT LIABILITIES		**18,879,448**	22,074,658
NON-CURRENT LIABILITIES			
Trade and other payables	10	**46,537**	46,537
Financial liabilities	11	**44,084,006**	47,385,161
Provisions	12	**567,696**	542,563
Other liabilities	13	**3,954,597**	3,504,648
TOTAL NON-CURRENT LIABILITIES		**48,652,836**	51,478,909
TOTAL LIABILITIES		**67,532,284**	73,553,567
NET ASSETS		**18,704,834**	22,938,088
EQUITY			
Reserves		**(8,557)**	-
Accumulated surplus		**18,713,391**	22,938,088
TOTAL EQUITY		**18,704,834**	22,938,088

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2017

2017

	Accumulated surplus $	Foreign Currency Translation Reserve $	Total $
Balance at 1 July 2016	**22,938,088**	**-**	**22,938,088**
Comprehensive income			
Deficit for the year	**(4,224,697)**	**-**	**(4,224,697)**
Other comprehensive income	**-**	**(8,557)**	**(8,557)**
Total comprehensive income for the year	**(4,224,697)**	**(8,557)**	**(4,233,254)**
Balance at 30 June 2017	**18,713,391**	**(8,557)**	**18,704,834**

2016

	Accumulated surplus $	Foreign Currency Translation Reserve $	Total $
Balance at 1 July 2015	21,995,161	-	21,995,161
Comprehensive income			
Surplus for the year	942,927	-	942,927
Other comprehensive income	-	-	-
Total comprehensive income for the year	942,927	-	942,927
Balance at 30 June 2016	22,938,088	-	22,938,088

The accompanying notes form part of these financial statements.

LifeFlight Australia Limited
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Consolidated Statement of Cash Flows
For the Year Ended 30 June 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and supporters		**85,295,636**	78,939,825
Payments to suppliers and employees		**(73,401,917)**	(71,549,127)
Interest received		**50,530**	104,755
Finance costs		**(3,236,088)**	(3,227,943)
Net cash provided by operating activities		**8,708,161**	4,267,510
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		**2,256,362**	2,513,134
Purchase of intangible assets	8(a)	**(30,867)**	(12,875)
Purchase of property, plant and equipment	7(d)	**(3,089,525)**	(28,750,403)
Loans to related parties - payments made		**-**	(12,500)
Net cash used in investing activities		**(864,030)**	(26,262,644)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		**499,592**	26,065,771
Repayment of borrowings		**(4,066,505)**	(2,662,465)
Payment of finance lease liabilities		**(4,628,736)**	(2,247,350)
Net cash acquired from merger with North Queensland Helicopter Rescue Service Inc.	3(a)	**-**	191,178
Net cash used in (provided by) financing activities		**(8,195,649)**	21,347,134
Net increase in cash and cash equivalents held		**(351,518)**	(648,000)
Cash and cash equivalents at beginning of year		**9,496,219**	10,144,219
Cash and cash equivalents at end of financial year	5	**9,144,701**	9,496,219

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2017

The financial report covers LifeFlight Australia Limited and its controlled entities ('the Group'). LifeFlight Australia Limited is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The financial report was authorised for issue on ....31st Oct............ 2017 by the Directors of the Company.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements, accounting interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012.*

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs except for derivative financial instruments that have been measured at fair value.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Statement of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by LifeFlight Australia Limited at the end of the reporting period. A controlled entity is any entity over which LifeFlight Australia Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 14 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(b) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement.

The Group's interest in jointly controlled entities are accounted for using the equity method. The investments are carried at the lower of the equity accounted amount and the recoverable amount.

The Group's share of the jointly controlled entities' post-acquisition surplus or deficit is recognised in the consolidated statement of comprehensive income from the date that joint control commences until the date that joint control ceases. The Group's share of post-acquisition movement in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying value of the investment. Dividends reduce the carrying amount of the equity accounted investment.

When the Group's share of losses exceeds its equity accounted carrying value of a jointly controlled entity, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of a jointly controlled entity.

Refer to Note 9 for details of interests in jointly controlled entities.

2 Statement of Significant Accounting Policies (continued)

(c) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the consolidated statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the consolidated statement of comprehensive income.

Foreign operations

The translation of foreign operations with different functional currency from Australian dollars is performed as follows:

- Assets and liabilities (including goodwill and fair value adjustments on acquisition) for each consolidated statement of financial position presented are translated at the closing rate at the date of the statement;
- Income and expenses for each consolidated statement of comprehensive income are translated at the rate at the date of the transaction (or an average rate if that rate approximates the rate at the date of transaction);
- All resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign operation, the cumulative amount of the exchange difference related to that foreign operation recognised in other comprehensive income is reclassified from equity to profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value.

2 Statement of Significant Accounting Policies (continued)

(f) Assets classified as held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continued use are classified as held for sale. Immediately before classification as held for sale, the measurement of the assets is remeasured in accordance with the Group's accounting policies. Thereafter, the assets are measured at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the consolidated statement of comprehensive income.

(g) Financial Instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

Financial assets relevant to the Group are divided into the following categories which are described in detail below:

- loans and receivables; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in surplus or deficit or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the consolidated statement of comprehensive income in the 'finance income' or 'finance costs' line item respectively.

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 arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in surplus or deficit.

The Group's trade and most other receivables fall into this category of financial instruments.

Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the receivable.

2 Statement of Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

In some circumstances, the Group renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Group does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Group's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in surplus or deficit.

Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the consolidated statement of comprehensive income.

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Group's financial liabilities include borrowings, derivative financial instruments, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of Financial Assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred , the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

(h) Income taxes

The company and its subsidiaries that are not dormant are charitable entities for the purposes of Australian taxation legislation and are therefore exempt from income tax. The company and those subsidiaries which are not dormant hold deductible gift recipient status.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2017

2 Statement of Significant Accounting Policies (continued)

(i) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Plant and equipment that have been contributed at no cost, or for nominal cost are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a straight-line method from the date that management determine the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the asset's useful life.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5% - 10%
Plant and Equipment	5% - 50%
Motor Vehicles	18.75% - 20%
Leasehold improvements	2.5% - 40%
Aircraft	2.5% - 33%
Medical equipment	15% - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Maintenance and Overhaul Costs

An element of the cost of an acquired aircraft is attributed to its service potential and reflects the maintenance condition of its engines and other significant components. This cost is depreciated over the shorter of the period to the next major overhaul event or the remaining life of the asset.

The cost of subsequent major cyclical maintenance are capitalised and depreciated over the shorter of the scheduled usage period to the next major overhaul event or the remaining life of the aircraft.

All other maintenance costs are expensed as incurred.

Modifications that enhance the operating performance or extend the useful lives of aircraft are capitalised and depreciated over the remaining estimated useful life of the asset.

2 Statement of Significant Accounting Policies (continued)

(j) Intangibles

Software

Software is recorded at cost. Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between one and five years.

Amortisation

Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Impairment of assets

At the end of each reporting period, the Group determines whether there is any evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Value in use is measured as the depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Group would, if deprived of the asset, replace its remaining future economic benefits.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in the consolidated statement of comprehensive income.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2017

2 Statement of Significant Accounting Policies (continued)

(m) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased asset or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The lease is not recognised in the consolidated statement of financial position.

Lease incentives

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(o) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than 12 months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in surplus or deficit.

Employee benefits are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes.

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in the consolidated statement of comprehensive income in the periods in which services are provided by employees.

2 Statement of Significant Accounting Policies (continued)

(p) Revenue

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 discussed below.

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenues are recognised net of the amounts of goods and services tax (GST) payable to the Australian Taxation Office.

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Rendering of services

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Insurance recoveries

Claims raised on insurance companies for cost recovery on missions are treated as income when funds are received. The Group is unable to determine with any degree of certainty whether the claim submitted by the injured party will be successful.

Donations

Donations and bequests are recognised as revenue when banked. In-kind donations are included at the fair value to the Group where this can be quantified reliably.

No amounts are included in the financial statements for services donated by volunteers.

Interest revenue

Interest is recognised as it accrues using the effective interest method.

Asset sales

The gain or loss on disposal of all non-current assets and available-for-sale financial investments is determined as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal.

Grant revenue

The Group's community helicopter activity is supported by grants received from the state government. Grants received on the condition that specified services are delivered, or conditions are fulfilled, are considered reciprocal. Such grants are initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled. Revenue from non-reciprocal grants is recognised when the Group obtains control of the funds.

2 Statement of Significant Accounting Policies (continued)

(q) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(r) Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting judgements

Leases

The Group has entered into leases of premises, aircraft, motor vehicles and other equipment as disclosed in Note 15. Management has determined that all of the risks and rewards of ownership of premises and the various leased plant and equipment remained with the lessor and has therefore classified the leases as operating leases.

Grants received

The Group has received a number of government grants during the year. The Group assesses the terms and conditions of each grant to determine whether the funds relate to a reciprocal grant (i.e. payment for services rendered), in which case it is accounted for under AASB 118 *Revenue*, or a non-reciprocal grant, in which case it is accounted for under AASB 1004 *Contributions*.

Significant accounting estimates and assumptions

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Provisions for employee benefits

Provisions for employee benefits payable after 12 months from the reporting date are based on future wage and salary levels, experience of employee departures and periods of service, as discussed in Note 2(o). The amount of these provisions would change should any of these factors change in the next 12 months.

2 Statement of Significant Accounting Policies (continued)

(r) Significant accounting judgements, estimates and assumptions (continued)

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. The assessment of recoverable amounts incorporate a number of key estimates.

Impairment losses recognised in the Group's consolidated financial reports are disclosed as Notes 4 and 7(e).

(s) Comparative amounts

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

During preparation of the 2017 financial report, the Company undertook a realignment of cost centres as part of the functional presentation of expenses in the consolidated statement of comprehensive income to improve the relevance and reliability of the presentation of expenses. Due to the change in classification, the comparative amounts were restated resulting in 'Shared services and other' expenses reducing by $713,127 (previously $6,714,786) and 'Fundraising and sponsorship' expenses increasing by $713,127 (previously $1,400,320).

(t) Going concern

As at 30 June 2017 the Group had a deficiency in net current assets of $3,397,555 (2016: $3,866,528). Notwithstanding the deficiency, the financial report has been prepared on the going concern basis which contemplates the continuity of normal business activity and realisation of assets and settlement of liabilities in the normal course of business. This basis has been adopted as:

- the Group has continued to generate a net increase in cash flows from operating activities of $8,708,161 (2016: $4,267,510);
- a portion of the Group's current interest bearing liabilities are fully funded through contractual cashflows with customers;
- LifeFlight Australia Limited entered into an agreement with the State of Queensland, acting through the Public Safety Business Agency, for a funding program over 10 years, commencing 1 July 2014, for the Group's Community Helicopter Provider operations;
- the Group has sufficient reserves on hand at year end to fund its ongoing operations;
- budgets and cash flow forecasts for the 2017-18 financial year indicate the retention of a strong cash balance at the next reporting date of 30 June 2018; and
- the directors and management believe the Group will be able to pay its debts as and when they fall due and will continue in operation without any intention or necessity to liquidate or otherwise wind up its operations

On this basis, the directors believe that it is appropriate for the financial report of the Group to be prepared on the going concern basis.

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2017

3 Revenue

		2017	2016
		$	$
Sale of goods (net)		**512,505**	591,990
Rendering of services		**41,982,788**	41,115,668
Sponsorship		**4,788,235**	4,907,270
Donations		**5,366,333**	6,210,755
Government funding		**23,986,508**	20,695,016
Interest received		**50,530**	104,755
Gain on exchange differences		**6,967**	-
Other income	(a)	**2,502,734**	1,263,422
		79,196,600	74,888,876

(a) Contribution of net assets from North Queensland Helicopter Rescue Service Inc.

On 1 July 2015, North Queensland Helicopter Rescue Service Inc. ('NQHRS') merged its operations with LifeFlight Australia Limited ('LFA') to ensure critical care air medical services continue to be provided to the communities of North Queensland.

In June 2015, NQHRS and LFA entered into a deed of agreement with an effective date of 1 July 2015. As part of the deed of agreement, NQHRS transferred its net assets to LFA on that date. A contribution of $221,630 was received in the 2016 financial year and represents the net fair value of the assets gifted to and liabilities assumed by LFA. The assets contributed included plant and equipment of $67,001, trade receivables of $76,132 and cash of $191,178 as disclosed in the consolidated statement of cash flows. The net contribution of $221,630 was recognised in 'other income' in the 2016 financial year.

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2017

4 Deficit/surplus for the Year

Deficit/surplus for the year includes the following specific expenses:

	Note	2017 $	2016 $
Cost of sales		**377,883**	438,386
Net loss on disposal of property, plant & equipment		**144,956**	612,221
Finance Costs			
- Interest paid		**3,235,749**	3,227,943
- Loss on exchange differences		**339**	202,544
- Interest capitalised in non-current assets	7(c)	**-**	(584,312)
		3,236,088	2,846,175
Bad and doubtful debts			
- Trade receivables		**71,640**	32,883
Rental expense on operating leases			
- Minimum lease payments		**4,213,189**	5,447,817
Depreciation, amortisation and impairment			
- Depreciation expense	7(e)	**7,455,422**	6,689,801
- Amortisation expense	8(a)	**62,554**	73,084
- Impairment of non-current assets	7(e)	**2,900,372**	-
		10,418,348	6,762,885

Employee benefits expense

	2017 $	2016 $
Salaries, wages and fringe benefits	**33,584,023**	33,761,733
Compulsory superannuation contributions	**2,993,373**	2,980,411
Increase in provision for employee benefits	**26,805**	251,109
Total employee benefits expense	**36,604,201**	36,993,253

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2017

5 Cash and cash equivalents

	2017	2016
	$	$
Cash on hand	68,210	57,185
Cash at bank	8,709,392	8,274,485
Short-term bank deposits	367,099	1,164,549
	9,144,701	9,496,219

6 Trade and other receivables

	2017	2016
	$	$
CURRENT		
Trade receivables	4,512,282	7,535,234
Provision for impairment	(71,640)	-
	4,440,642	7,535,234
Deposits	37,080	226,550
Other receivables	831,267	127,265
	5,308,989	7,889,049
NON-CURRENT		
Deposits	890,466	440,466
Related party receivables	62,500	62,500
	952,966	502,966

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2017

7 Property plant and equipment

	2017	2016
	$	$
Buildings		
At cost	**3,282,621**	3,282,621
Less accumulated depreciation	**(565,422)**	(350,256)
Total buildings	**2,717,199**	2,932,365
Plant and equipment		
At cost	**6,068,955**	5,341,531
Less accumulated depreciation	**(3,669,655)**	(2,873,681)
Total plant and equipment	**2,399,300**	2,467,850
Motor vehicles		
At cost	**588,460**	608,280
Less accumulated depreciation	**(445,642)**	(384,543)
Total motor vehicles	**142,818**	223,737
Leasehold improvements		
At cost	**2,533,716**	811,337
Less accumulated depreciation	**(608,530)**	(459,683)
Total leasehold improvements	**1,925,186**	351,654
Aircraft		
At cost	**82,429,615**	86,721,763
Less accumulated depreciation	**(19,010,721)**	(17,018,193)
Less accumulated impairment	**(2,900,372)**	-
Total aircraft	**60,518,522**	69,703,570
Medical equipment		
At cost	**2,929,300**	2,741,424
Less accumulated depreciation	**(2,495,767)**	(2,107,337)
Total medical equipment	**433,533**	634,087
Total property, plant and equipment	**68,136,558**	76,313,263

(a) Assets under construction

The carrying value of property, plant and equipment relating to expenditure on assets under construction or not yet available for use was as follows:

	2017	2016
	$	$
Plant and equipment	**1,430**	143,919

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2017

7 Property plant and equipment (continued)

(b) Leased assets

Included in the net carrying amount of property, plant and equipment are the following amounts where the Group is a lessee under a finance lease (including hire purchase arrangements):

	2017	2016
	$	$
Buildings (hangar)	1,255,800	1,421,400
Motor vehicles	13,399	28,682
Aircraft	6,143,073	11,244,610
	7,412,272	12,694,692

(c) Capitalised borrowing costs

There were no borrowing costs capitalised during the year ended 30 June 2017 (2016: $584,312). The borrowings costs capitalised in the 2016 financial year related to the acquisition of two new Agusta AW139 helicopters.

(d) Reconciliation of additions to statement of cash flows

	Note	2017 $	2016 $
Property, plant and equipment additions	7(e)	4,580,407	21,911,753
Less non-cash financing of additions by finance lease		(1,490,882)	(1,152,445)
Financing of additions by Letter of Credit [1]		-	12,980,907
Less foreign currency gain realised on settlement of new Agusta AW139 helicopter purchases		-	(4,405,500)
Less borrowing costs capitalised [2]	7(c)	-	(584,312)
Total purchase of property, plant and equipment per statement of cash flows		3,089,525	28,750,403

[1] A Letter of Credit was issued to the vendor of the first new Agusta AW139 helicopter acquired during the 2015 financial year by the Group's financier. The $12,980,907 represented the balance due to the vendor at settlement. The transaction was settled during the 2016 financial year through proceeds from the Group's bank loan facility.

[2] Capitalised borrowing costs are presented as 'finance costs' under operating activities in the consolidated statement of cash flows.

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2017

7 **Property plant and equipment (continued)**

(e) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Note	Buildings	Plant and Equipment	Motor Vehicles	Leasehold Improvements	Aircraft	Medical Equipment	Total
		$	$	$	$	$	$	$
Balance at the beginning of the year		2,932,365	2,467,850	223,737	351,654	69,703,570	634,087	76,313,263
Additions		-	833,213	-	1,616,589	1,942,729	187,876	4,580,407
Disposals - written down value		-	-	(5,406)	-	(2,395,912)	-	(2,401,318)
Transfers		-	(105,790)	-	105,790	-	-	-
Depreciation expense		(215,166)	(795,973)	(75,513)	(148,847)	(5,831,493)	(388,430)	(7,455,422)
Impairment loss		-	-	-	-	(2,900,372)	-	(2,900,372)
Closing value at 30 June 2017		2,717,199	2,399,300	142,818	1,925,186	60,518,522	433,533	68,136,558

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2017

8 Intangible Assets

	2017 $	2016 $
Computer software		
Cost	**418,659**	387,793
Accumulated amortisation and impairment	**(295,249)**	(232,696)
Total intangible assets	**123,410**	155,097

(a) Movements in Carrying Amounts

	Computer software $	Total $
Balance at the beginning of the year	155,097	155,097
Additions	30,867	30,867
Amortisation	(62,554)	(62,554)
Closing value at 30 June 2017	**123,410**	**123,410**

9 Investments accounted for using the equity method

	2017 $	2016 $
Interests in joint ventures	**1,542,291**	1,312,199
	1,542,291	1,312,199

Interest in joint ventures

Aeromed Qld Pty Ltd

LifeFlight Australia Limited has a 50% interest in the joint venture Aeromed Qld Pty Ltd, incorporated in Australia. The company leases fixed wing aircraft to LifeFlight Australia Limited. The voting power held by LifeFlight Australia Limited is 50%. The principle place of business is 427 King Georges Road, Beverly Hills, NSW.

The interest in the joint venture is accounted for in the consolidated statements using the equity method of accounting.

CareFlight Australia Limited

CareFlight Australia Limited was registered as a public company on 7 September 2007. LifeFlight Australia Limited and CareFlight Limited (NSW) hold one share each. This is an equity accounted joint venture but has a nil carrying value at 30 June 2017 (2016: Nil). This entity is dormant. LifeFlight Australia Limited ceased as a member of CareFlight Australia Limited in July 2017.

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2017

9 Investments accounted for using the equity method (continued)

Interest in joint ventures (continued)

CareFlight Aeromedical Limited

CareFlight Aeromedical Limited ('CAL') was registered as a public company limited by guarantee on 6 November 2012. The members of CAL are LifeFlight Australia Limited and CareFlight Limited (NSW). This entity commenced operations during the 2014 year for the purpose of one-off aeromedical activities. This is an equity accounted joint venture.

At 30 June 2017 the carrying value of the interest in CAL was nil (2016: Nil) as there were no acquisition costs associated with the group's investment and no retained surpluses at year end.

LifeFlight Australia Limited ceased as a member of CAL in July 2017.

StarFlight Australia Pty Ltd

StarFlight Australia Pty Ltd was registered on 23 June 2015 and is a joint venture between LifeFlight Australia Limited and Kaan Air. The voting power held by each party is 50%.

This is an equity accounted joint venture but has a nil carrying value at 30 June 2017 (2016: Nil). This entity has had no material activity since incorporation.

10 Trade and other payables

	2017 $	2016 $
CURRENT		
Unsecured liabilities		
Trade payables	**3,020,476**	2,134,818
Amounts received in advance	**2,846,759**	3,409,102
Other payables	**2,585,314**	2,714,793
	8,452,549	8,258,713
NON-CURRENT		
Unsecured liabilities		
Deposits	**46,537**	46,537
	46,537	46,537

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2017

11 Financial liabilities

Interest-bearing loans and borrowings

	Note	2017 $	2016 $
CURRENT			
Unsecured liabilities			
Finance lease obligation		**182,694**	175,668
Other loans		**202,356**	202,145
Secured liabilities			
Finance lease obligation		**3,125,466**	5,101,531
Bank loans		**3,187,032**	4,621,816
	(a)	**6,697,548**	10,101,160
NON-CURRENT			
Unsecured liabilities			
Finance lease obligation		**1,379,260**	1,561,380
Secured liabilities			
Finance lease obligation		**2,541,116**	3,168,501
Bank loans		**40,163,630**	42,655,280
		44,084,006	47,385,161

No borrowing covenants or conditions have been breached and the Directors believe finance will continue to be provided to the Group.

(a) Current liability

Included in the current financial liabilities' balance for the 2016 financial year was an amount of $3,293,285 relating to balances on aircraft facilities which were contractually due within 12 months or less from the end of the reporting period. The Group successfully renegotiated the terms of these facilities subsequent to the end of the 2016 financial year.

(b) Bank loans

Bank loans comprise of various chattel mortgages and commercial loans entered into, to finance the acquisition of aircraft and motor vehicles. The loans have terms of between 2 and 10 years and incur interest at rates of between 4.72% and 6.60% (2016: 5.31% - 6.60%).

The balance includes bank loans associated with the acquisition of two Agusta AW139 aircraft. These loans were interest only during the construction and modification phase of the project with principal repayments over a 10 year term commencing when the aircraft became operational. The two aircraft became operational during the year ended 30 June 2016.

These liabilities are secured by first registered mortgage over the respective assets held by LifeFlight Australia Limited. The aircraft facilities are also secured by first and second ranking fixed and floating charges given by LifeFlight Australia Limited and LifeFlight Retrieval Medicine Limited over all present and future assets and undertakings (including goodwill) of the companies to the financiers.

(c) Other loans

The unsecured other loan relates to insurance premium funding which has a term of 12 months.

11 Financial liabilities (continued)

(d) Finance leases

Finance lease disclosures comprise finance leases and hire purchase contracts.

With the exception of the unsecured finance lease obligation which relates to the long-term lease of a hangar, leased assets and assets under hire purchase contracts are pledged as security for the related finance lease liabilities. Refer to Note 7(b) for the carrying value of property, plant and equipment held under finance leases and hire purchase contracts.

The finance lease obligations balance is comprised of various lease and hire purchase facilities that have been entered into to finance the acquisition of aircraft, motor vehicles, a hangar and plant and equipment. The terms vary between 2 and 10 years and incur interest at rates of between 3.51% and 8.68% (2016: 3.51% - 8.68%).

	Note	2017 $	2016 $
Total unsecured finance lease obligations		**1,561,954**	1,737,048
Total secured finance lease obligations		**5,666,582**	8,270,032
Total finance lease obligations	15(a)	**7,228,536**	10,007,080

(e) Secured liabilities and assets pledged as security

	2017 $	2016 $
Bank loans	**43,350,662**	47,277,096
Secured finance lease obligations	**5,666,582**	8,270,032
Total secured liabilities	**49,017,244**	55,547,128

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Note	2017 $	2016 $
First mortgage			
Property, plant and equipment		**54,983,336**	58,330,280
Finance lease - secured			
Property, plant and equipment		**6,156,472**	11,273,292
Floating charge:			
Cash and cash equivalents	5	**9,144,701**	9,496,219
Trade receivables	6	**4,512,282**	7,535,234
Property, plant and equipment		**6,996,750**	6,709,691
Intangible assets	8	**123,410**	155,097
		81,916,951	93,499,813

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2017

12 Provisions

	2017 $	2016 $
CURRENT		
Employee benefits	**3,716,457**	3,714,785
	3,716,457	3,714,785
NON-CURRENT		
Employee benefits	**567,696**	542,563
	567,696	542,563

13 Other Liabilities

		2017 $	2016 $
CURRENT			
Lease incentive liability	13(a)	**12,894**	-
		12,894	-
NON-CURRENT			
Lease incentive liability	13(a)	**1,519,829**	263,915
Reimbursement of aircraft mobilisation fee		**2,434,768**	3,240,733
		3,954,597	3,504,648

(a) Lease Incentive Liability

This liability has arisen in order to comply with the requirements of AASB 1048 *Interpretation of Standards* and is in respect of the rent-reduction periods and fitout contributions from lessors as part of the lease of premises.

14 Controlled Entities

Name	Country of incorporation	Percentage Controlled 2017	Percentage Controlled 2016
Parent Entity:			
LifeFlight Australia Limited	Australia		
Entities controlled by the parent entity:			
LifeFlight Retrieval Medicine Limited	Australia	**100%**	**100%**
Sunshine Coast Helicopter Rescue Service Limited	Australia	**100%**	**100%**
LFS Air Ambulance Limited [1] *(dormant company)*	Singapore	**100%**	**100%**
CareFlight Group Australia Pty Ltd [2] *(dormant company)*	Australia	**100%**	**100%**
LifeFlight Air Ambulance Pty Ltd [3] *(dormant company)*	Australia	**100%**	**100%**
LifeFlight Singapore Pte Ltd	Singapore	**100%**	**-**
LifeFlight Foundation Ltd	Australia	**100%**	**-**

[1] Formally known as CareFlight Singapore Limited
[2] Deregistered on 18 October 2017
[3] Formally known as CareFlight Air Ambulance Pty Ltd

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2017

15 Capital and Leasing Commitments

(a) Finance lease commitments

		2017	2016
		$	$
Payable - minimum lease payments:			
- no later than 12 months		**3,671,445**	5,615,391
- between 12 months and 5 years		**3,852,490**	4,371,869
- greater than 5 years		**571,296**	785,022
Minimum lease payments		**8,095,231**	10,772,282
Less future finance changes		**(866,695)**	(765,202)
Present value of minimum lease payments	11(d)	**7,228,536**	10,007,080

The finance lease commitments consists of various finance lease and hire purchase agreements with fixed monthly payments over terms of between two and 10 years. Refer to Note 11 for further details.

(b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	2017	2016
Payable - minimum lease payments:		
- not later than 12 months	**5,711,371**	6,706,053
- between 12 months and 5 years	**17,397,301**	15,988,031
- greater than 5 years	**10,651,540**	12,322,640
	33,760,212	35,016,724

Operating lease commitments include the following significant leasing arrangements:

i. Motor vehicles leased on terms of between two and five years with fixed monthly payments.

ii. Property leases for leasehold land at airports with terms of between 10 and 30 years. The lease agreements include periodic market rent reviews.

iii. Hire of a fixed wing Bombardier Challenger jet over a three term that commenced in October 2014.

iv. Two Learjet 45 aircraft leased for a five year term that commenced 28 October 2010 and which were extended for a further five year term during the 2015 financial year. Rent is payable monthly in advance. Provisions within the Learjet lease agreements require LifeFlight Australia Limited to cover all payments in respect of the maintenance service plans. As detailed in Note 16, the Learjets are leased from Aeromed Qld Pty Ltd, an entity which is jointly controlled by the Group. The total commitment as at 30 June 2017 for the learjets was $3,987,945 (2016: $5,187,945).

v. Lease of an Agusta AW139 for a 10 year term that commenced in June 2016.

vi. Various office, hangar and staff accommodation property leases with remaining terms of between four months and nine years. Rent is paid monthly in advance. The lease agreements generally include periodic market rent reviews and options to extend the term.

15 Capital and Leasing Commitments (continued)

(c) Capital expenditure commitments

At 30 June 2017, the Group had no commitments (2016: $289,673 ex GST) for capital works contracted but not yet delivered.

16 Related party transactions

The Group's main related parties are as follows:

Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

For disclosures relating to key management personnel remuneration, refer to Note 17: Key Management Personnel Remuneration.

The Group leases rental accommodation for crew members from Mr Peter Young, director of LifeFlight Australia Limited.

Equipment and services have been purchased from A G Rigging & Steel Pty Ltd, a company controlled by Mr Alan George, director of LifeFlight Australia Limited.

Provision of fuel supplies to the Group were obtained from IOR Aviation Pty Ltd at below market rates, a company controlled by Mr Stewart Morland, director of LifeFlight Australia Limited.

Joint ventures in which the parent is a venturer

For details of interests held in joint ventures, refer to Note 9.

The Group leases two Learjets from Aeromed Qld Pty Ltd.

Other related parties

Other related parties include close members of the family of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their close members of the family.

16 Related party transactions (continued)

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Note	Purchases from related parties	Sales to related parties	Other transactions	Balance outstanding: Owed to the Group*	Balance outstanding: Owed by the Group*
Joint ventures						
Aeromed Qld Pty Ltd						
2017		1,200,000	-	-	-	110,000
2016		1,202,133	-	-	-	-
StarFlight Pty Ltd						
2017	(b)	-	-	-	178,686	-
2016	(b)	-	-	-	45,409	-
Key management personnel						
Mr Peter Young, Director [1]						
2017		25,430	-	-	-	-
2016		81,157	-	-	-	9,014
Mr Alan George, Director [2]						
2017		-	-	-	-	-
2016		4,665	-	-	-	-
Mr Stewart Morland, Director						
2017		692,875	-	-	-	-
2016		255,565	-	-	-	10,607
Other related parties	(a)					
2017		-	-	8,394	-	-
2016		-	-	31,176	-	-

* The amounts are classified as trade payables and trade receivables respectively.

[1] Mr Peter Young resigned as a director of LifeFlight Australia from 17 November 2016.

[2] Mr Alan George resigned as a director of LifeFlight Retrieval Medicine Limited from 25 September 2015.

(a) Other related parties

Other transactions relates to employee benefits paid to family members of key management personnel.

(b) StarFlight Pty Ltd

The balance owed to the Group as at 30 June 2017 and 30 June 2016 related to a recharge of costs incurred on behalf of the joint venture by LifeFlight Australia Limited. No sales were made to StarFlight Pty Ltd by the Group.

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2017

17 Key Management Personnel Remuneration

The total remuneration paid to key management personnel of the Company and the Group was $736,868 (2016: $847,180).

Other Key Management Personnel Transactions

For details of other transactions with key management personnel, refer to Note 16: Related Party Transactions.

18 Contingencies

The Company has provided various bank guarantees in favour of lessors of office premises as security in case of default. These guarantees are secured by a charge over term deposits.

Except as detailed above, in the opinion of the Directors, the Company did not have any contingencies at 30 June 2017 (30 June 2016:None).

19 Events Occurring After the Reporting Date

From 1 July 2017, LifeFlight Foundation Ltd became responsible for fundraising programs to support the growing needs of the LifeFlight Group in its delivery of essential services to the community.

In response to increased operating costs the Queensland State Government approved additional funding for one year of $2.4 million for the MT Isa operations and a further $5 million across the remaining LifeFlight bases.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2017

20 Parent entity

The following information has been extracted from the books and records of the parent, LifeFlight Australia Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, LifeFlight Australia Limited has been prepared on the same basis as the consolidated financial statements.

	2017 $	2016 $
Statement of Financial Position		
Assets		
Current assets	**12,103,798**	15,649,011
Non-current assets	**70,935,866**	77,337,035
Total Assets	**83,039,664**	92,986,046
Liabilities		
Current liabilities	**17,323,287**	20,380,188
Non-current liabilities	**54,786,228**	57,925,414
Total Liabilities	**72,109,515**	78,305,602
Equity		
Retained earnings	**10,930,149**	14,680,444
Total Equity	**10,930,149**	14,680,444
Statement of Comprehensive Income		
(Deficit)/surplus for the year	**(3,750,295)**	517,546
Total comprehensive income	**(3,750,295)**	517,546

LifeFlight Australia Limited
ABN 45 010 316 462

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 10 to 39, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and:

   a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and

   b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Company and consolidated group.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director ....

Director ....

Dated 3/11/2017

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LIFEFLIGHT AUSTRALIA LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the financial report of LifeFlight Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Division 60 of the *Australian Charities and Not for profits Commission Act 2012*.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of Division 60 of the *Australian Charities and Not for profits Commission Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 opinion.

OTHER INFORMATION

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the directors' report.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Division 60 of the *Australian Charities and Not for profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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 Group's internal control.

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

- Conclude on the appropriateness of the directors' 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 Group'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 Group 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.

- Conclude on the appropriateness of the directors' 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 Company'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 Company 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.

We communicate with the directors 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.

UHY HAINES NORTON
Chartered Accountants

Darren Laarhoven
Partner
Brisbane, 2 November 2017