



MAF INTERNATIONAL

A.B.N. 32 004 260 860

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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DIRECTORS REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors present this report on the company for the financial year ended 31 December 2019.

Principal Activities

MAF International ('MAF') is a Christian mission whose purpose is sharing God's love through aviation and technology.

The principal activity has continued as providing a subsidised aviation service in parts of the world where surface travel is impossible or very difficult. Flight training, aircraft maintenance, logistics services and communication services are also provided. MAF's services are provided by dedicated staff (many of whom are seconded to MAF by national MAF groups) who use their skills in aviation, and other fields, to work *inter alia* with national churches, relief and development agencies, missions, hospitals and governments to meet the most pressing of human needs.

MAF has been funded primarily by its members, who are various MAF groups around the world, and by fares charged to those who use the aircraft.

Objectives

MAF's short term and long terms aims are to benefit those living in some of the most isolated parts of the world. In many places there are no roads at all, or they are impassable or slow going, for example due to flooding or security issues. Our fleet of light aircraft is able to take relief, development and mission workers, emergency teams, education and healthcare professionals and supplies into these remote areas more quickly and efficiently than by any other means. As a result our activities benefit two major groups: the relief and development agencies and other organisations whose mission it is to reach these isolated communities, and secondly the communities themselves.

Strategies

MAF operates flying programmes in Arnhem Land in the Northern Territories and in Timor Leste. As explained in Note 2, MAF also owns a subsidiary operating in Papua New Guinea (which is not consolidated into these accounts). Some staff have managerial roles in the support of additional programmes in Bangladesh, Mongolia and seven African countries. The work undertaken by each programme varies to reflect the needs in remote regions as well as the mix of community development, church, mission and relief work. In PNG alone in 2019, almost 36,000 passengers were carried on MAF flights to and from isolated locations with the benefit of subsidies.

In addition to its aviation services to remote communities, MAF trains indigenous staff in technical and non-technical roles in each programme.

Key Performance Measures

During the 2019 year MAF's operational flight statistics were:

Country	Hours Flown	Flight Legs	Unique Passengers	Distance (nm)	Cargo (kg)	Fleet size	Destinations
Arnhem Land	3,860	7,587	14,103	662,060	9,490	10	54
Timor Leste	527	964	1,961	87,526	-	2	11
Papua New Guinea	4,735	9,720	35,988	929,615	1,996,821	9	213
Mareeba (training)	1,060	1,096	n/a	n/a	n/a	17	n/a
TOTAL	10,182	19,367	52,052	1,679,201	2,006,311	38	278

Items of note during 2019

Following an impairment review, both the value of the shares in MAF International's subsidiary MAF PNG Holding Ltd and the balance with MAF International's subsidiary MAF Aviation Services Pty Ltd (see Note 2) have been impaired by a total of US\$5.6m to reflect the net recoverable amounts.

There was one flight accident during the year in the programme in Arnhem Land. The Gippsland GA8 aircraft, with a pilot and three passengers on board, overran the runway. There were no injuries to the pilot and passengers. The accident has been investigated.

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COVID-19

Since the end of the financial year, COVID-19 has impacted the world. It is not possible to fully consider all risks arising from COVID-19, however the directors of the MAF group (comprising this company and other entities forming Mission Aviation Fellowship registered in the in the UK) have considered a number of scenarios depending on the extent of the impact to MAF International's operations and the depth of the expected recession to follow. The trustees have put in place measures to rebalance the organisation and enable it to respond to the future uncertainties and the risks presented. Steps taken include a reduction in all overhead spend, pay reductions for staff across the organisation and a reallocation of designated funds by the board of trustees.

Further steps have also been identified that could be carried out later in 2020 and 2021 if it becomes necessary. The position will be kept under constant review and the trustees will, as required, take necessary steps to ensure the group continues as a going concern.

Directors

The names and particulars of the directors of the company in office during the year and up to the day of this report are:

Name	Qualifications	Experience
Stephen Charlesworth	Bachelor of Engineering (Aerospace) Bachelor of Ministry (Theology) Commercial Pilot's Licence	5 years mission aviation flying 15 years governance on the boards of charities and not for profit businesses 18 years senior management experience
William Harding	Masters of International and Community Development Bachelor of Laws Certificate of Christian Ministry Commercial Pilot's Licence (Aeroplane and Helicopter)	33 years in aviation industry 21 years in senior management of aviation operations 7 years CEO of MAF International Directorship of Arnhem Land Community Airlines, Cairns Street Chaplains and others
William Nicol	Bachelor of Ministries Commercial Pilot Flight Instructor MAFI Check and Training Pilot CASA Australia Check Pilot	33 years as Commercial Pilot 3 years Chief Flying Instructor 5 years MAF Operational Pilot 3 years MAF Chief Training Captain 6 years Head of Training for CTC Aviation 7 years as Aviation Director for MAFI

Company Secretary

William A Harding LLB has held the position of Company Secretary throughout the year. He has worked for MAF International for over ten years, performing Chief Executive and other senior management roles.

Meetings of Directors

During the financial year, seven meetings of directors were held. Attendances by each director were as follows:

Name	Directors' Meetings	
	Number Eligible to Attend	Number Attended
Stephen Charlesworth	7	7
William Harding	7	7
William Nicol	7	7

Members Guarantee

The entity is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$1.00 each towards meeting any outstanding obligations of the company. At the date of this report the number of members is 1, being Mission Aviation Fellowship International a charitable company registered in the UK.

Currency

The financial statements are prepared in US dollars in order to be consistent with the entity's parent company, Mission Aviation Fellowship International. US dollars are the primary currency used within the global Aviation industry and the directors believe this provides further comparability and understanding for the users of the financial statements.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under division 60 of the Australian Charities and Not-for-profits Commission Act 2012 is set out on the following page.

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



S Charlesworth
Director

Dated this 3rd day of June 2020

DECLARATION OF INDEPENDENCE BY GREG MITCHELL TO THE DIRECTORS OF MAF INTERNATIONAL

As lead auditor of MAF International for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of section 60-40 of the *Australian Charities and Not-for-profit Commission Act 2012* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Greg Mitchell

Director



BDO Audit (NTH QLD) Pty Ltd

Cairns, 15 June 2020

INDEPENDENT AUDITOR'S REPORT

To the members of MAF International

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MAF International (the registered entity), which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of MAF International, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) Giving a true and fair view of the registered entity's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards to the extent described in Note 1 and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

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

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

Emphasis of matter - Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the registered entity's financial reporting responsibilities under the ACNC Act. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Emphasis of matter - Subsequent event

We draw attention to Note 15 of the financial report, which describes the non-adjusting subsequent event on the impact of the COVID-19 outbreak on the entity. Our opinion is not modified with respect to this matter.

Other information

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the entity's annual report, but does not include the financial report and our auditor's report thereon.



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

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

If, based on the work we have performed on the other information 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 directors for the Financial Report

The directors of the registered entity 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 ACNC Act and the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a 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 registered entity'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 directors either intend to liquidate the registered entity 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO

BDO Audit (NTH QLD) Pty Ltd

Greg Mitchell

Director

Cairns, 15 June 2020

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	USD	
		2019 \$,000	2018 \$,000
Revenue			
Operating revenue	4(a)	2,969	3,402
Donations income	4(b)	12,500	17,351
Other income		173	359
		<u>15,642</u>	<u>21,112</u>
Expenses			
Direct costs of operations	5(a)	8,012	7,216
Support costs	5(b)	8,610	7,026
Grants made	5(c)	0	117
		<u>16,622</u>	<u>14,359</u>
Net (Deficit)/Surplus before other recognised gains and losses and income tax		(980)	6,753
Net unrealised exchange (loss)		<u>(22)</u>	<u>(205)</u>
(Deficit)/Surplus before tax		(1,002)	6,548
Income tax expense		<u>0</u>	<u>0</u>
Net (Deficit)/Surplus for the year		(1,002)	6,548
Other Comprehensive Income			
Revaluation of assets		<u>395</u>	<u>138</u>
Total comprehensive (expenditure)/income for the year		<u>(607)</u>	<u>6,686</u>

The accompanying notes form part of these financial statements.

MAF INTERNATIONAL
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 \$,000	USD 2018 \$,000
ASSETS			
CURRENT ASSETS			
Cash & cash equivalents	6	1,983	678
Trade & other receivables	7	7,878	4,977
Inventories	8	535	540
TOTAL CURRENT ASSETS		<u>10,396</u>	<u>6,195</u>
NON CURRENT ASSETS			
Trade & other receivables	9	11,987	7,597
Shares in subsidiaries	10	1,482	4,403
Property, plant and equipment	11	16,317	22,682
TOTAL NON CURRENT ASSETS		<u>29,786</u>	<u>34,682</u>
TOTAL ASSETS		<u>40,182</u>	<u>40,877</u>
LIABILITIES			
CURRENT LIABILITIES			
Creditors and provisions	12	1,468	1,535
TOTAL CURRENT LIABILITIES		<u>1,468</u>	<u>1,535</u>
NON CURRENT LIABILITIES			
Long-term provisions	13	117	138
TOTAL NON CURRENT LIABILITIES		<u>117</u>	<u>138</u>
TOTAL LIABILITIES		<u>1,585</u>	<u>1,673</u>
NET ASSETS		<u>38,597</u>	<u>39,204</u>
EQUITY			
Reserves	14(a)	3,744	2,747
Retained earnings		34,853	36,457
TOTAL EQUITY		<u>38,597</u>	<u>39,204</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Asset Revaluation Reserve \$,000	Other Reserves \$,000	Retained Earnings \$,000	Total \$,000
USD				
Balance at 1 January 2018	945	1,617	29,634	32,196
Revaluation of assets	460	0	0	460
Write back revaluation on disposal	(322)	0	322	0
Transfers to/(from) other reserves	0	47	(47)	0
Transfer to retained earnings	0	0	0	0
Net surplus for the period	0	0	6,548	6,548
Balance at 31 December 2018	<u>1,083</u>	<u>1,664</u>	<u>36,457</u>	<u>39,204</u>
Revaluation of assets	395	0	0	395
Write back revaluation on disposal	(189)	0	189	0
Transfers to/(from) other reserves	0	791	(791)	0
Transfer to retained earnings	0	0	0	0
Net surplus for the period	0	0	(1,002)	(1,002)
Balance at 31 December 2019	<u>1,289</u>	<u>2,455</u>	<u>34,853</u>	<u>38,597</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	USD	
	2019 Inflow/ (Outflow) \$,000	2018 Inflow/ (Outflow) \$,000
CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Receipts from customers and donors	12,706	20,626
Payments to suppliers and employees	(10,292)	(10,258)
Interest received	44	38
Net cash provided by/(used in) operating activities)	2,458	10,406
CASH FLOWS (USED IN)/PROVIDED BY INVESTING ACTIVITIES		
Payment for property, plant and equipment	(8,823)	(14,993)
Proceeds from sale of property, plant & equipment	14,755	203
Net cash provided by/(used in) investing activities	5,932	(14,790)
CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		
(Additional loan to)/Receipt of loan repayments from MAF PNG Holding Pty Ltd	(7,085)	2,066
Net cash (used in)/provided by financing activities	(7,085)	2,066
Net increase/(decrease) in cash held	1,305	(2,318)
Cash at beginning of year	678	2,996
Cash at end of year	1,983	678

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users who are dependent on its general purpose financial statements. These are special purpose financial statements that have been prepared for the purposes of complying with the Australian Charities and Not-for-profits Commission Act 2012 requirements to prepare financial statements to the members of MAF International. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members of MAF International.

The financial report covers the economic entity of MAF International. MAF International is a company limited by guarantee, incorporated and domiciled in Australia and a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures', as appropriate for not-for-profit oriented entities that qualify for and apply differential reporting concessions.

The financial statements have been prepared under the historical cost convention, and the amounts presented in the financial statements have been rounded to the nearest thousand dollars.

Application of new and revised Australian Accounting Standards

MAF International has adopted AASB 15 'Revenue from Contracts with Customers', AASB 1058 'Income of Not-for-profit Entities' and AASB16 'Leases'. None of these standards has had a material impact on the financial statements.

ACCOUNTING POLICIES

a) Income tax

As the company is a charitable institution in terms of subsection 50-5 of the Income Tax Assessment Act 1997, as amended, it is exempt from paying income tax.

b) Foreign currency

The company's functional currency is Australian dollars. The financial statements have been translated into the presentation currency, US dollars, in accordance with paragraph 39 of AASB121 as follows:

- current assets, current liabilities and long term liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at the exchange rates prevailing at the date of the transaction.

The costs of non-current assets were translated into US dollars as at 1 January 2013 at the exchange rate prevailing at that date. Transactions subsequent to 1 January 2013 have been translated at the exchange rate in force at the date of the transaction. For fixed assets, depreciation is charged on the US dollar cost equivalent of the assets translated at that date. The accounting treatment is a departure from the accounting standards and this disclosure is made in accordance with paragraph 57 of AASB121.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

c) Critical Accounting Estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position. Cash flows are presented on a net basis.

e) Comparative Figures

Where required by Accounting Standards, or a change to the accounting policy, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

f) Economic Dependence

MAF International is dependent on Mission Aviation Fellowship International, a UK charity, for the majority of its funding. At the date of this report the Board of Directors has no reason to believe that Mission Aviation Fellowship International will not continue to support MAF International.

2 DETAILS OF CONTROLLED ENTITIES AND PRINCIPLES OF CONSOLIDATION

A controlled entity is any entity where MAF International has the power to control the financial and operating policies. All controlled entities have a December financial year-end. The results and balances of these entities have not been consolidated in these financial statements.

The company has two wholly owned subsidiaries, MAF Aviation Services Pty Ltd and MAF PNG Holding Ltd. MAF PNG Holding Ltd also has one wholly owned subsidiary, MAF Papua New Guinea Ltd.

MAF Aviation Services Pty Ltd is an Australian company that has made a long term loan to MAF PNG Holding Ltd, secured on the latter's aircraft. It has no other activities.

MAF PNG Holding Ltd is a company registered in Papua New Guinea. It acts as the holding company for MAF Papua New Guinea Ltd, a wholly owned subsidiary, and as such it owns all the aircraft, land and buildings and other fixed assets for operation by MAF Papua New Guinea Ltd.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		USD	
		2019	2018
		\$,000	\$,000
3	OPERATING SURPLUS/(DEFICIT)		
The net surplus for the year is after charging:			
Staff costs			
	Salaries and wages	4,927	5,065
	Workers compensation	39	39
	Superannuation and life insurance	558	526
	Other staff costs, including education	1,078	965
		<u>6,602</u>	<u>6,595</u>
Auditor's remuneration:			
	Audit fees	28	17
		<u>28</u>	<u>17</u>
	Depreciation	<u>405</u>	<u>294</u>
	(Impairment reversal)/impairment of aircraft	<u>390</u>	<u>(15)</u>
	Impairment of investment in subsidiary (MAF PNG Holding Ltd)	<u>2,920</u>	<u>4,063</u>
	Impairment of balance with subsidiary (MAF Aviation Services Pty Ltd)	<u>2,696</u>	<u>0</u>
	Net loss/(gain) on sale of fixed assets	<u>33</u>	<u>(23)</u>
	Operating lease rentals	<u>618</u>	<u>586</u>
	Directors' liability insurance	<u>2</u>	<u>2</u>

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	USD	
	2019	2018
	\$,000	\$,000
5 OPERATING SURPLUS/(DEFICIT) – EXPENSES FROM ORDINARY ACTIVITIES		
The following significant expense items are relevant in explaining the financial performance:		
(a) Direct Costs of Operations		
Aviation direct costs	2,016	1,896
Other direct costs (operations and maintenance)	319	430
Field Staff costs	4,245	4,099
Other local overhead expenditure	644	520
Depreciation, revaluation and net loss on disposal of operational assets	788	271
	8,012	7,216
(b) Support Costs		
Staff Costs	2,315	2,371
Accommodation	156	130
Communication & travel Costs	119	118
Training	180	118
Other costs including depreciation, impairment and net loss on disposal of assets	5,840	4,289
	8,610	7,026
(c) Grants		
Grants made	0	117

6 CASH & CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

Cash on hand	26	19
Cash at bank	1,957	659
	1,983	678

7 CURRENT TRADE & OTHER RECEIVABLES

Debtors and other receivables include amounts due from students and customers. Receivables expected to be collected within twelve months of the end of the reporting period are classified as current assets.

Trade debtors	611	664
Other debtors	2,688	540
Prepayments	338	153
Owing by subsidiaries	4,241	3,620
	7,878	4,977

Other debtors includes \$2.55m in relation to the sale of aircraft P2-MFT which was contracted for sale in 2019 with proceeds received in 2020. Amounts owing by subsidiaries is the trading balance due from MAF Papua New Guinea Ltd. It is payable on demand, is stated at cost and is expected to be fully recoverable.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		USD	
		2019	2018
		\$,000	\$,000
8	CURRENT INVENTORIES		
	Inventories are measured at cost, adjusted when applicable for any loss of service potential.		
	Aircraft spares	437	407
	Fuel and other parts	34	45
	Work in progress	64	88
		535	540
9	NON CURRENT TRADE & OTHER RECEIVABLES		
	Owing by MAF Aviation Services Pty Ltd	11,987	7,597
	The amount owing by MAF Aviation Services Pty Ltd is stated at cost net of an impairment of US\$2.67m which has been charged to the profit and loss account.		
10	SHARES IN SUBSIDIARIES – at cost		
	MAF Aviation Services Pty Ltd	0	0
	MAF PNG Holding Pty Ltd	1,482	4,403
		1,482	4,403

The shares in MAF PNG Holding Pty Ltd, that originally cost US\$ 8.47m, are impaired to the valued of the net assets of the subsidiary group. During 2019 the shares were impaired by US\$2.92m, (2018 – US\$ 4.063m) which has been charged to the profit and loss account.

11 PROPERTY, PLANT AND EQUIPMENT

Individual fixed assets costing \$3,000 or more are capitalised at cost. The carrying amount of all fixed assets is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment trigger.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Aircraft

Aircraft are included at the valuation approved by the Board of Directors annually by reference to the "Blue Book value" (the aviation industry's standard indication of the recoverable amount on the open market value). Adjustments are made for enhancements to the aircraft not accounted for in the Blue Book value and any impairment identified. Aircraft held for sale are valued at expected net sales proceeds. Depreciation is charged to write off the aircraft over an estimated useful life of 40 years. Increases in the carrying amount arising on revaluation of aircraft are credited to the asset revaluation reserve, unless they are reversing previous impairments. Decreases that offset previous increases of the same asset are charged directly against fair value reserves directly in equity; all other decreases are charged to the income statement.

Property

Depreciation is charged to write off expenditure on leasehold property equally over the shorter of the unexpired period of the lease, or the estimated useful life of the improvements. For new developments depreciation is charged from the date on which the facility becomes operational.

Plant and equipment

Depreciation is charged on a straight line basis to write off the expenditure over an estimated useful life to the entity commencing from the time the asset is held ready for use as follows:

Class of asset	Life (Rate)	Class of asset	Life (Rate)
Computer hardware	5yrs (20%)	Office equipment	7-10yrs (10%-15%)
Furniture & Fittings	10yrs (10%)	Plant and equipment	5-10yrs (10%-20%)
Motor Vehicles	5-8yrs (12.5%-20%)		

Disposals

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognized immediately in profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

USD	Aircraft \$,000	Land & Property \$,000	Equipment & Vehicles \$,000	Total \$,000
COST OR VALUATION				
At 1 January 2019	20,223	3,717	1,182	25,122
Additions	7,801	848	175	8,824
Disposals	(14,788)	(23)	(159)	(14,970)
Revaluation Reserve	(234)	0	0	(234)
At 31 December 2019	13,002	4,542	1,198	18,742
DEPRECIATION				
At 1 January 2019	0	1,628	812	2,440
Charge in year	238	90	77	405
Impairment/(impairment reversal)	390	0	0	390
Depreciation on disposals	0	(23)	(159)	(182)
Revaluation Reserve write back	(628)	0	0	(628)
At 31 December 2019	0	1,695	730	2,425
NET BOOK VALUE				
At 31 December 2018	20,223	2,089	370	22,682
At 31 December 2019	13,002	2,847	468	16,317

The net book value of aircraft includes \$3.809m (2018: \$nil) of aircraft held for sale.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 CREDITORS AND PROVISIONS

Trade creditors represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Revenue on tickets purchased by customers is not recognised in the statement of comprehensive income as revenue until the flight is undertaken. As a result the tickets sold but not yet used are carried in other creditors.

Deferred revenue relates to payments on account for flight training not yet undertaken.

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the balance sheet date. Employee benefits have been measured at the amounts expected to be paid when the liability is settled.

	USD	
	2019	2018
	\$,000	\$,000
Trade and other creditors	393	344
Accrued expenses	81	210
Deferred revenue	0	5
Provisions for leave	713	639
Owing to subsidiaries	281	337
	<u>1,468</u>	<u>1,535</u>

13 LONG-TERM PROVISIONS

Provision for staff resettlement	<u>117</u>	<u>138</u>
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14 COMMITMENTS

Prepayments (Note 7) includes an amount of US\$105,000 in relation to a deposit paid for the purchase of a new office building for the Cairns Support Office. The balance of the purchase price of US\$1.971m was paid at settlement on 14 February 2020. Although there was a contractual commitment at the balance sheet date, no liability has been recognised in these accounts as the asset did not become available for use until 2020.

15 POST BALANCE SHEET EVENTS

In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. With the outbreak of COVID-19 and preventive measures taken by governments, impact on operational flying was immediate.

The MAF International group, of which this company is a part, considered the short, medium and long term impact and put together a plan to mitigate the financial risks presented, including reduction in overhead spend, pay reductions for staff across the organisation and a reallocation of funds. The plan is under constant review and can be adjusted according to the circumstances presented. The ultimate parent entity has confirmed their financial support for the company. As COVID-19 could not have been foreseen at the end of the reporting period, the respective implications have not been reflected in the financial statements and are not able to be fully estimable at this time.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	USD	
	2019	2018
	\$,000	\$,000
16 RESERVES		
Projects Reserve		
Where donations or bequests are restricted for a specific purpose and have not been spent during the year they are carried forward in the Projects Reserve.		
Aircraft Overhaul Reserve		
The cost of major inspections (including the costs of engine overhaul, propeller overhaul and heavy airframe maintenance) is provided for in advance based on the estimated cost of future overhauls and the actual utilisation at the reporting date. The pro-rata cost of major inspections therefore, is transferred to reserves at that date and any movement in the provision for major inspection costs arising during the year has been recognised in the statement of comprehensive income as an operating expense.		
(a) Reserves comprise:		
Asset revaluation reserve	1,289	1,083
Bequest reserve	0	0
Projects reserve	152	162
Aircraft overhaul reserve	2,303	1,502
	3,744	2,747
(b) Movement in reserves		
Asset revaluation reserve		
Balance at the start of the financial year	1,083	945
Net revaluation during the year – aircraft	395	460
Write back revaluation	(189)	(322)
Balance at the end of the financial year	1,289	1,083
Bequest reserve		
Balance at the start of the financial year	0	112
Donations transferred	0	(112)
Balance at the end of the financial year	0	0
Projects reserve		
Balance at the start of the financial year	162	560
Project funding received	857	3,241
Project revenue expenditure	(149)	(185)
Project capital expenditure	(718)	(3,454)
Balance at the end of the financial year	152	162
Aircraft overhaul reserve		
Balance at the start of the financial year	1,502	945
Provisions used	(340)	(284)
Provisions set aside in year	295	435
Transfers from parent and subsidiaries	846	406
Balance at the end of the financial year	2,303	1,502

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		USD	
		2019	2018
		\$,000	\$,000
17	NOTES TO THE CASH FLOW STATEMENT		
	a) Cash on hand – as note 6	1,983	678
		1,983	678

For the purposes of the cash flow statement, cash includes cash on hand and in banks, net of any outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

		USD	
		2019	2018
		\$,000	\$,000
	b) Reconciliation of net cash provided by operating activities to operating surplus/(deficit) from ordinary activities after income tax revenue		
	Operating surplus/(deficit) from ordinary activities after income tax revenue	(1,002)	6,548
	Non-cash items		
	Depreciation and impairment of plant and equipment	405	294
	Impairment/(impairment reversal)	390	(15)
	Impairment of investment in, and loans to, subsidiary	5,616	4,063
	Loss/(profit) on sale of property, plant and equipment	33	(23)
	Changes in net assets and liabilities		
	(Increase)/decrease in:		
	Current receivables	(2,901)	(181)
	Current inventories	5	166
	(Decrease)/increase in:		
	Current creditors and borrowings	(142)	(275)
	Current provisions	75	(113)
	Other non-current provisions	(21)	(58)
	Net cash used by operating activities	2,458	10,406

18 COMPANY DETAILS

The registered office of the company is:
1a Water Street,
Cairns QLD 4870

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DIRECTORS DECLARATION
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

In the Directors' opinion:

- the company is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, as described in note 1 to the financial statements, the attached special purpose financial statements have been prepared for the purposes of complying with the Australian Charities and Not-for-profits Commission Act 2012 requirements to prepare financial statements of MAF International;
- the attached financial statements and notes thereto comply with the Australian Charities and Not-for-profits Commission Act 2012, the Accounting Standards as described in note 1 to the financial statements; the Australian Charities and Not-for-profits Commission Regulations 2013, and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and
- 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 statement is made in accordance with a resolution of the directors.



S Charlesworth
Director

Dated this 3rd day of June 2020