

AUSTRALIA

Services Trust Funds Act 1947

**Royal Australian Navy
Relief Trust Fund**

**Annual Report by the Trustees for the period
1 July 2012 to 30 June 2013**

TRUSTEES
OF THE
ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

*
CHAIRMAN

Commodore P.G. Kinghorne, RAN (Appointed 3 April 2009)

Chair of Relief Trust Fund

(Graduate Diploma Resource Management, Graduate Certificate Management Studies, 34 years experience as a Naval Officer, 11 years experience as a Non-Executive Director, Member Australian Institute of Company Directors, Fellow of the Chartered Institute of Transport and Logistics)

*
TRUSTEE

Commander J.V. Craig, CSM, RAN (Appointed: 30 October 2010)

Member of Audit Committee of Relief Trust Fund

(Masters of Business Administration, Bachelor of Arts (Honours in Management), Graduate Diploma in Secondary Education, 26 years experience as Naval Officer, Chartered Member Australian Human Resources Institute)

*
TRUSTEE

Commander L. J. Batchler RAN (Appointed: 25 March 2011)

Chair of Audit Committee of Relief Trust Fund

(Master of Management (Defence Studies); Graduate Diploma of Management, Graduate Certificate in Maritime Studies, Bachelor of Science, Fellow of the Chartered Institute of Transport and Logistics, 25 years experience as a Naval Officer)

*

TRUSTEE

Commander J.A. Wittwer, RAN (Appointed: 27 January 2012)

Secretary of RAN Relief Trust Fund

(Accredited Graduate Diploma of Resource Management, Graduate Certificate in Management, Studies and Graduate Certificate in Administration, Fellow of Australian Human Resources Institute Chartered Member of the Institute of Logistics and Transport, 32 years experience as a Naval Officer)

*

TRUSTEE

Lieutenant Commander T.P. Skousgaard RAN (Appointed: 01 December 2011)

Member of Audit Committee of Relief Trust Fund

(Bachelor of Laws (Honours), Bachelor of Business (Human Resource Management), Graduate Diploma in Military Law, 5 years experience as a private legal practitioner, 7 years experience as a Naval Officer)

*

TRUSTEE

Warrant Officer D.J.A. Devlin (Appointed: 25 February 2011)

Member of Audit Committee of Relief Trust Fund

(Advanced Diploma of Government (Investigations); Advanced Diploma of Public Safety & Policing; Diploma Frontline Management; 31 years experience in R.A.N)

*

Fund Accountant (Part Time)

Mr J. Kelly (Appointed: 31 July 2006)

(Royal Australian Navy Relief Trust Fund – Fund Accountant - Advanced Diploma Accounting Practices, 45 years experience as a Practicing Accountant)

**ROYAL AUSTRALIAN NAVY
RELIEF TRUST FUND**

ANNUAL REPORT 2012/2013

REPORT OF OPERATIONS

Assistant Minister for Defence

Dear Minister,

This report of operations by the Trustees of the Royal Australian Navy Relief Trust Fund (RANRTF/the Fund) is for the year ended 30 June 2013 and is accompanied by the Financial Statements, which are to be read as part of this report.

Enabling Legislation and Responsible Minister

The RANRTF was established by the *Services Trust Funds Act 1947*. The Act provides that the Trustees shall, subject to and in accordance with the regulations, apply the Fund in providing benefits for members of the Australian Defence Force who have served in the Royal Australian Navy and to the dependants of such members.

The Fund operates within the Defence Portfolio, reporting to the Assistant Minister for Defence, Mr Stuart Robert MP, at the date of this report.

Statutory Powers of Direction

The Minister may, by instrument in writing published in the Gazette, authorise the Trustees to administer other property. This authority was not exercised during the year.

Organisational Structure

The RANRTF is a Commonwealth statutory authority within the General Government Sector and is managed by Trustees who are appointed by the Minister. The Fund's principal office is located in Canberra in the ACT. An Officer of each Ship and Establishment is appointed as an Agent of the RANRTF. The Trustees of the RANRTF delegate responsibility to Agents for receiving and investigating applications for financial assistance. The Agent makes a recommendation on the loan application and forwards it to the Trustees for consideration.

The responsibility for investigating family circumstances and where applicable, raising applications for Home Management Services (HMS), lies primarily with Defence Community Organisation. The Trustees approve applications, and all payments are made direct to the HMS provider from the RANRTF principal office in Canberra.

Review of Operations and Future Prospects

Operations were in accordance with the Fund's statutory objectives and comprised the provision of benefits to serving members of the RAN and their dependants. The RANRTF continued to provide routine interest-free loans of up to \$4,000; trainee interest-free loan of up to \$1,500 and the Family Support Services (FSS) interest-free loans of up to \$3,000. Members with outstanding RANRTF debts on death have the debt converted to a Grant. The Board of Trustees has approved a shift from the systems based principle to a broader system based principle concerning General Purpose Loans and Special Purpose Loans. There were no significant changes in the Fund's state of affairs or activities during the financial year.

The RANRTF while economically viable for loan purposes at this time is reliant on periodic contributions from the RAN Central Canteens Fund (RANCCF) to the RANRTF for the Fund to continue to maintain the level of grants and interest-free loans.

In the opinion of the Trustees, there have not been any matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in financial years after this financial year.

Risk Management

The Trustees have an established risk management plan which is reviewed regularly and embodied in the RANRTF Business Plan which is also reviewed and revised regularly.

Reviews by Outside Bodies

The Fund is subject to audit by the Australian National Audit Office and this is reported upon by the Auditor-General in his Annual Report.

Trustees Attendance at Meetings

Name	Special Responsibilities	Number of possible attendances	Number actually attended	Remarks
CDRE P.G. Kinghorne, RAN	Chairman	5	5	
CMDR J.A. Wittwer, RAN	Trustee	5	2	
CMDR J.V. Craig, RAN	Trustee	5	5	
CMDR L.J. Batchler, RAN	Trustee	5	5	
LCDR T.P. Skousgaard, RAN	Trustee	5	5	
WO D.J.A. Devlin	Trustee	5	3	

Corporate Governance

The Board of Trustees has systems in place to ensure ethics, sound management, transparency, accountability and disclosure in all its dealings in providing assistance to serving members of the RAN and their dependants in accordance with the *Services Trust Funds Act 1947*. The RANRTF is a statutory authority with body corporate status, managed under the provisions of the *Commonwealth Authorities and Companies Act 1997*.

The RANRTF has insured for risks including Directors and Officers Liability, Fraud and Fidelity, General Liability and Personal Accident, through the Federal Government's general insurance cover, Comcover.

Constitution

The operation of the RANRTF is governed by its established Constitution, revised as required by the Trustees and approved by the Minister.

Business Plan

The RANRTF has an established Business Plan that is reviewed and regularly updated.

Audit Committee

The Audit Committee continues its audit function as required by the *Commonwealth Authorities and Companies Act 1997*. Under the Audit Committee Charter the RANRTF Audit Committee always consists of not less than three and not more than four Trustees of the RANRTF and meets not less than quarterly per annum. The Audit Committee's main responsibilities and focus include:

- Providing confidence in the credibility and reliability of financial statements and other financial information released to other interested and relevant parties.
- The oversight of internal controls and risk assessment management to ensure the net assets of the RANRTF are protected, and the efficient and effective delivery of services to Navy personnel is maintained.

Freedom of Information Procedure and Initial Point of Contact

Requests for access to documents of the RANRTF should be directed to The Trustees, RAN Relief Trust Fund, Campbell Park Offices, CP3 - 1 - 130, PO Box 7912 ACT 2610, Australia.

Assistance Rendered

a. Grants on Death of a Serving Member:

One grant of \$2,000.00 was made in 2012/13 (2011/12: \$2,030.00), where a member had a terminal illness with short life expectancy.

b. Other Grants:

Two grants totalling \$3,093.80 were made during 2012/13 (2011/12: \$3,000.00) to personnel and/or dependants of distressed Naval service persons.

c. Grants for Home Management Services (HMS)

One assistance grant of \$840.00 was made during 2012/13 (2011/12: Nil) as a grant for HMS in accordance with RANRTF's provisions to assist Naval families in times of crisis where families are unexpectedly incapacitated through illness or injury.

d. Loans

(1) Loans made totalled 2,779, compared to 2,982 in the previous year. The breakdown of loans made in the year ended 30 June 2013 and 30 June 2012 is as follows:

<i>Nature</i>	<i>Loans Made</i>		<i>Percentage of Cases</i>	
	Year ended 30 Jun 13	Year ended 30 Jun 12	Year ended 30 Jun 13	Year ended 30 Jun 12
General Purpose Loans	1285	1454	46.24	48.76
Trainee Loans	9	29	0.32	0.97
Special Loans	19	35	0.68	1.17
Family Support Services Loans	0	0	0.00	0.00
Christmas Loans	1466	1464	52.76	49.10
TOTALS	2779	2982	100.00	100.00

An electronic on-line loan application and reporting system, the Loan Application and Management Service (LAMS) continues to provide an easy, user-friendly method for members to apply for loans. LAMS also provides for a more efficient and productive process for administration purposes.

(2) Expenditure on loans in the years ended 30 June 2013 and 30 June 2012 was as follows:

<i>Nature</i>	<i>Year</i>	
	Year ended 30 Jun 13	Year ended 30 Jun 12
	\$	\$
General Purpose Loans	4,361,776	5,011,903
Other Loans	55,252	88,603
Christmas Loans	1,466,000	1,464,000
TOTALS	5,883,028	6,564,506

- (3) Loans are repaid by fortnightly instalments through the Australian Defence Force Pay (ADFPAY) system and/or by direct repayments.
- (4) Interest free loans are made available to assist members for various purposes, for example: to purchase a home or land on which to build a home; for maintenance or alterations to a home already owned; to furnish a home and to purchase related items. The maximum amount of each routine interest-free loan is \$4,000. The FSS interest-free loan continues with a maximum of \$3,000 per loan. The interest-free trainee loan of up to a maximum of \$1,500 per loan continues.

In 2006/07 a Christmas Loan product was launched, whereby a loan limit of \$1,000.00 (interest free) is made available in early December with repayments over 8 to 10 pay periods. The repayments usually commence in February and cease in June. In 2011/12 some 1,464 loans [\$1.464 million] were approved, paid and repaid during this period. For 2012/13 the interest free loan was again offered. In 2012/13 1466 [\$1.466 million] loans were approved and repaid. The Christmas Loan remains an attractive product for RANRTF members.

Financial Position

Operating results for 2012/13 shows a surplus of \$167,836 including reporting of notional interest in accordance with AASB 139. Interest from all bank deposits amounted to \$63,829. A comparison of the assets and liabilities for the Fund for the years ended 30 June 2013 and 30 June 2012 is as follows:

<i>The Fund's Assets</i>	<i>At 30 June 2013</i>	<i>At 30 June 2012</i>
	\$	\$
Invested and Working Capital	2,534,406	2,230,807
Receivables	2,015,245	2,143,647
Fixed Assets	3,961	12,597
Total Assets	4,553,612	4,387,501
Less Liabilities of:		
Payables and Employee Provisions	6,050	7,325
Net Assets	4,547,562	4,379,726

Forwarding of Annual Report

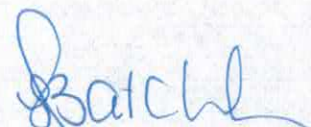
The Trustees are responsible under *Section 9 of the Commonwealth Authorities and Companies Act 1997* for the preparation and content of the report of operations in accordance with the *Finance Minister's Orders*. Financial Statements for the year ended 30 June 2013 are submitted herewith, and this report is made in accordance with a resolution of the Trustees and is signed for and on behalf of the Trustees.

Yours faithfully



P.G. KINGHORNE
Commodore, RAN
Chair of RANRTF Board

3 October 2013



L.J. BATCHLER
Commander, RAN
Chair of Audit Committee

3 October 2013



INDEPENDENT AUDITOR'S REPORT

To the Minister for Defence

I have audited the accompanying financial statements of the Royal Australian Navy Relief Trust Fund for the year ended 30 June 2013, which comprise: a Statement by the Trustees; the Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

Trustees' Responsibility for the Financial Statements

The Trustees of the Royal Australian Navy Relief Trust Fund are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Royal Australian Navy Relief Trust Fund's preparation of the financial statements that give a true and fair view 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 Royal Australian Navy Relief Trust Fund's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Trustees as well as evaluating the overall presentation of the financial statements.

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

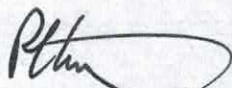
ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

TRUSTEE STATEMENT

In our opinion, the attached financial statements for the year ended 30 June 2013 are based on properly maintained financial records and give a true and fair view of the matters required by the *Finance Minister's Orders* made under the *Commonwealth Authorities and Companies Act 1997*.

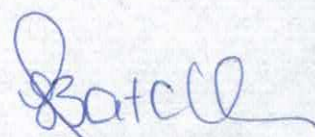
In our opinion, at the date of this statement, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



P.G. KINGHORNE
Commodore, RAN
Chair of RANRTF Board

3 October 2013



L.J. BATCHLER
Commander, RAN
Chair of Audit Committee

3 October 2013

STATEMENT OF EXPECTATIONS FOR THE ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

Chairman
Royal Australian Navy Relief Trust Fund

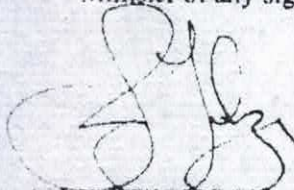
This statement formally outlines my expectations concerning the operations and performance of the Royal Australian Navy Relief Trust Fund (RANRTF).

The government's vision for RANRTF is that it will be a trust fund which assists sailors and their families left financially in need due to circumstances resulting in the sailor's incapacitation or death.

As Chairman, you are to ensure that RANRTF keeps the Minister for Defence Science and Personnel (the Minister) fully informed of any significant events or issues that may impact on the operations of RANRTF. All communication provided to the Minister is to be forwarded, in parallel, to the Department of Defence.

My expectations for the Board of Trustees are that it will ensure that RANRTF:

1. operates in accordance with relevant legislation (including the *Services Trust Funds Act 1947*, and the *Commonwealth Authorities and Companies Act 1997*);
2. complies with the appropriate government policy, including directions made by the Finance Minister;
3. is a welfare organisation that provides financial assistance to Royal Australian Navy members and their families whilst maintaining its financial independence from government;
4. encourages continuous improvement practices to maximise opportunities that will ensure its long term viability;
5. in response to this Statement of Expectations, provides the Minister with its Statement of Intent and make both Statements publicly available;
6. provides the Minister with its quarterly and annual financial and compliance reports, with copies to be provided to the Secretary for Defence, the Chief of the Defence Force and the Chief of Navy;
7. adopts best practice governance principles and implement risk management strategies as determined by the Commonwealth, as appropriate for the operation of small agencies; and
8. identifies and manages all actual and perceived conflicts of interest, promptly advising the Minister of any significant issues as they arise.



JOFFE FITZGIBBON
Minister for Defence

**STATEMENT OF INTENT FOR TRUSTEES OF THE
ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND**

I and the Trustees of the Royal Australian Navy Relief Trust Fund (RANRTF) will:

1. operate the RANRTF in accordance with *Services Trust Funds Act 1947* and the *Commonwealth Authorities and Companies Act 1997* and the rules and constitution of the RANRTF;
2. comply with appropriate government policy, including directions made by the Finance Minister;
3. ensure the RANRTF remains a welfare organisation which provides financial assistance to Royal Australian Navy members and their families whilst maintaining financial independence from government;
4. encourage continuous improvement practices to maximise opportunities to ensure long term viability;
5. provide the Minister with this Statement of Intent as required and make this Statement publicly available;
6. provide the Minister with annual financial and compliance reports, with copies provided to the Secretary for Defence, the Chief of the Defence Force and the Chief of Navy;
7. maintain best practice governance principles and implement risk management strategies as determined by the Commonwealth, as appropriate for the operation of a small agency; and
8. identify and manage all actual and perceived conflicts of interest, promptly advising the Minister of any significant issues as they arrive.


P.G. KINGHORNE
Commodore, RAN
Chairman
Royal Australian Navy Relief Trust Fund

/ July 2012

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2013**

	<i>Notes</i>	<i>2013</i> \$	<i>2012</i> \$
EXPENSES			
Employee Benefits	3a	178,811	161,100
Supplier	3b	23,466	18,728
Depreciation and Amortisation	3c	8,271	10,896
Write-down and Impairment of Assets	3d	5,190	4,535
Losses from Loan Re-measurement	3e	287,887	328,631
Total expenses		503,625	523,890
LESS:			
OWN-SOURCE REVENUE			
Sale of Goods and Rendering of Services	4a	48,880	54,010
Interest	4b	360,117	436,923
Contributions	4c	93,666	109,108
Resources Received Free of Charge	4d	162,149	144,965
Reversal of Previous Write-downs and Impairments	4e	6,649	7,294
Total own-source revenue		671,461	752,300
Net contribution by services		167,836	228,410
Total Comprehensive Income		167,836	228,410

The above statement should be read in conjunction with the accompanying notes

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

**BALANCE SHEET
AS AT 30 JUNE 2013**

	<i>Notes</i>	2013	2012
		\$	\$
ASSETS			
Financial Assets			
Cash and cash equivalents	5a	2,534,406	2,230,807
Loans and other receivables	5b	2,015,245	2,143,647
Total Financial Assets		4,549,651	4,374,454
Non Financial Assets			
Property, plant and equipment	6a	-	512
Intangibles	6b	3,961	12,085
Total Non Financial Assets		3,961	12,597
TOTAL ASSETS		4,553,612	4,387,051
LIABILITIES			
Payables			
Suppliers	7a	720	781
Other payables	7b	5,330	6,544
Total Payables		6,050	7,325
TOTAL LIABILITIES		6,050	7,325
NET ASSETS		4,547,562	4,379,726
EQUITY			
Parent Entity Interest			
Retained Surplus		4,547,562	4,379,726
TOTAL EQUITY		4,547,562	4,379,276

The above statement should be read in conjunction with accompanying notes

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

**STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 JUNE 2013**

	Note	Retained Earnings		Total Equity	
		2013 \$	2012 \$	2013 \$	2012 \$
Opening Balance					
Balance carried forward from previous period		4,379,726	4,151,316	4,379,726	4,151,316
Comprehensive Income					
Surplus for the year		167,836	228,410	167,836	228,410
Total Comprehensive Income		167,836	228,410	167,836	228,410
Closing Balance as at 30 June		4,547,562	4,379,726	4,547,562	4,379,726

The above statement should be read in conjunction with the accompanying notes

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2013**

	<i>Notes</i>	2013 \$	2012 \$
OPERATING ACTIVITIES			
Cash received			
Repayments from members		6,019,293	6,400,182
Interest		360,117	436,923
Administration Fees		49,110	53,360
RANCCF Contribution		93,666	109,108
Bad debts Recovered		2,132	7,294
Total cash received		6,524,318	7,006,867
Cash used			
Loans to members		6,179,316	6,564,506
Grants		5,934	5,030
Audit Fees		10,010	9,900
Other Expenses		25,459	21,715
Total cash used		6,220,719	6,601,151
Net Cash from (used by) Operating Activities		303,599	405,716
Net increase(decrease) in cash held	8	303,599	405,716
Cash and cash equivalents at the beginning of the reporting period		2,230,807	1,825,091
Cash and cash equivalents at the end of the reporting period	5a	2,534,406	2,230,807

The above statement should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1. Objective of the Royal Australian Navy Relief Trust Fund (RANRTF)

The RANRTF (the Fund) is an Australian Government controlled entity and was established by the *Services Trust Funds Act 1947*. The Act provides that the Trustees will, subject to and in accordance with the regulations, apply the Fund in providing benefits for members of the Defence Forces who have served in, or in association with, the Royal Australian Navy and to the dependants of such members.

The Fund does not receive nor is reliant on Government funding. The Fund has a single outcome which is to provide benefits to eligible persons.

1.2 Basis of Preparation of the Financial Statements

The Financial Statements are general purpose financial statements and are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997*.

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the Fund or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when, and only when, the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Significant Accounting Judgements and Estimates

No accounting assumptions or estimates have been identified that could have a significant impact on the amounts recorded in the financial statements.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carry amounts of assets and liabilities within the next accounting period.

1.4. New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. Of the new standards/revised standards/interpretations/amending standards that were issued prior to the sign-off date and are applicable to the current period, none have had a financial impact, and are not expected to have a future financial impact on the Fund.

Future Australian Accounting Standard Requirements

Of the new standards/revised standards/interpretations/amending standards that were issued by the Australian Accounting Standards Board prior to the sign-off date and are applicable to the future reporting period none are expected to have a future financial impact on the Fund.

1.5 Revenue

Revenue from the sale of goods is recognised when:

- The risks and rewards of ownership have been transferred to the buyer;
- The seller retains no managerial involvement nor effective control over the goods;
- The revenue and transaction costs incurred can be reliably measured; and
- It is probable that the economic benefits associated with the transaction will flow to the Fund.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when;

- The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- The probable economic benefits associated with the transaction will flow to the Fund.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 days terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed as at end of reporting period. Allowances are made when collectability of the debt is no longer probable.

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

Resources Received Free of Charge

Resources received free of charge are recognised as revenue when and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use

of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Other Types of Revenue

A charge is recovered from loan applicants to help defray administrative expenses and to provide growth in the Fund. These member contributions (loan administration fees) are recognised as income in the year the loan is made and form part of the outstanding loan amount.

Revenue from interest is recognised in the period it is earned.

1.6 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

The Fund engaged one employee on a contractual basis as at 30 June 2013 and employee benefits are measured at present value.

Leave

The liability for employee benefits includes provision for annual leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by the employee of the Fund is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will apply at the time the leave is taken, including the Fund's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

Superannuation

The Fund contributes to employee personal superannuation at the rate of 9 % of the employee's gross salary entitlements.

1.7 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents include:

- a. Cash on hand;
- b. Demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

1.8 Financial assets

The Fund classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- held-to-maturity investments; and
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets:

- have been acquired principally for the purpose of selling in the near future;
- are a part of an identified portfolio of financial instruments that the Fund manages together and has a recent actual pattern of short-term profit taking; or
- are derivatives that are not designated and effective as a hedging instrument.

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset. The Fund has no such instruments.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Fund has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Financial assets held at cost – if there is objective evidence that an impairment loss has been incurred the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

1.9 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.10 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

The Fund has no contingencies in either the current or the immediately preceding reporting periods and therefore a Schedule for such items has not been included in the financial statements.

1.11 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

1.12 Taxation

The Fund is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). The Australian Taxation Office has advised that the Fund is a 'financial supply provider', consequently GST is not charged on revenue. The Fund has no entitlement to input tax credits. Expenses are GST inclusive.

1.13. Competitive Neutrality

The Fund was established to provide benefits to eligible persons and does not carry out Government business activities on a commercial basis, nor operate in a competitive or potentially competitive environment. Therefore it is not required to make Australian Income Tax Equivalent payments to the Government.

1.14 Bad and Doubtful Debts

Bad debts are written off during the year in which they are identified.

1.15 Insurance

The Fund has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through the Government's Comcare Australia.

1.16 Disclosure of Commitments

The Fund has no commitments in either the current or the immediately preceding reporting periods and therefore a Schedule for such items has not been included in the financial statements.

1.17 Losses from Loan Re-measurement

In accordance with AASB 139, the decision to provide a loan at no interest rate represents income foregone by the lender. The income foregone (or financial loss) should be recognised at the time of the decision to make the loan rather than over the life of the loan. Therefore the accounting standard requires that the loss be recognised at the time that the loan is made. After initial recognition, the loan should be treated consistent with a commercial loan (as represented by the recognition of interest revenue over the remaining life of the loan).

In accounting terms, AASB 139 requires that:

1. Financial assets issued at less than a market interest rate are required to be discounted to their fair value, with the difference between the issue price and the fair value (i.e. the financial loss for interest foregone) being recognised as a loss in the Statement of Comprehensive Income and as a reduction in the value of the loan receivable.
2. Over the life of the loan, a notional interest income is recognised as interest revenue in the Statement of Comprehensive Income and an increase in the loan receivable.

Note 2 Events After the Reporting Date

There have been no events after the reporting date that have the potential to significantly affect the ongoing structure and financial activities of the Fund.

	<u>2013</u>	<u>2012</u>
	\$	\$
3. EXPENSES		
3a. Employee Benefits		
Wages and Salaries received Free of Charge	162,149	144,965
Wages and Salaries – Employees	15,205	14,895
Superannuation	1,457	1,240
Total: Employee Benefits	<u>178,811</u>	<u>161,100</u>
3b. Supplier		
Comcover	5,430	2,215
Stationery	48	104
System Software Maintenance	714	570
Advertising	665	-
Grants	5,934	5,030
Audit Fees	10,010	9,900
Debt Recovery Expenses	665	909
Total: Supplier Expenses	<u>23,466</u>	<u>18,728</u>
3c. Depreciation and Amortisation		
Depreciation:		
Property, plant and equipment	147	758
Total depreciation	<u>147</u>	<u>758</u>
Amortisation:		
Intangibles	8,124	10,138
Total amortisation	<u>8,124</u>	<u>10,138</u>
Total: Depreciation and Amortisation	<u>8,271</u>	<u>10,896</u>
3d. Write – Down and Impairment of Assets		
Bad Debts Written Off	4,825	3,392
Loss – Disposal of Office Furniture	365	1,143
Total: Write-down and Impairment of Assets	<u>5,190</u>	<u>4,535</u>
3e. Losses From Loan Re-measurement		
Loss from initial recognition of loans and receivables at fair value.	287,887	328,631
Total Losses from Loan Re-measurement	<u>287,887</u>	<u>328,631</u>

	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>
4. INCOME		
4a. Sale of Goods and Rendering of Services		
Loan Administration Fees	48,880	54,010
Total: Sale of Goods and Rendering of Services	48,880	54,010
4b. Interest		
Interest from Bank Accounts	63,829	65,429
Loan Interest	296,288	371,494
Total: Interest	360,117	436,923
4c. Contributions and other Sources		
RANCCF Contributions	93,455	109,108
Others	211	-
Total: Contributions	93,666	109,108
4d. Resources Received Free of Charge		
Employees	162,149	144,965
Total: Resources Received Free of Charge	162,149	144,965
<p>Due to the nature of the RANRTF, certain resources such as accommodation, office equipment, telephones and printing are provided free of charge by the Department of Defence, and it has been deemed not to determine the value of these services to the Fund. However, personnel with salaries amounting to \$162,149 were engaged by RANRTF in 2012/13 free of charge. During 2012/13 staffing arrangements changed and the \$162,149 comprised; one Operations Manager \$73,378 (2011/12 \$72,921); one ASO3 with salary amounting to \$60,012 (2011/12 \$57,723); one replacement Operations Manager – commenced 25 March 2013 \$22,336 (2011/12 \$ nil); one part time assistant with a salary of \$6,423 (2011/12 \$14,321) - were employed by the Fund during the period under report. Resources received free of charge that can be reliably quantified are recognised as revenue and an expense in the Statement of Comprehensive Income.</p>		
4e. Reversal of Previous Write-downs and Impairments		
Bad Debts Recovered	6,649	7,294
Total: Reversal of Previous Write-downs and Impairments	6,649	7,294

	<u>2013</u>	<u>2012</u>
	\$	\$
5. FINANCIAL ASSETS		
5a. Cash and Cash Equivalents		
Cash at Bank	859	10,240
Deposit Accounts	2,533,547	2,220,567
Total: Cash and Cash Equivalents	<u>2,534,406</u>	<u>2,230,807</u>
5b. Loans and other Receivables		
Loans Outstanding	2,009,805	2,137,977
Administration Fees Receivable	5,440	5,670
Total: Loans and other Receivables (Gross)	<u>2,015,245</u>	<u>2,143,647</u>
Less: Impairment Allowance Account	-	-
Total: Loans and other Receivables (Net)	<u>2,015,245</u>	<u>2,143,647</u>
Receivables are aged as follows:		
Not Overdue	2,015,245	2,143,647
Total: Trade and other Receivables (Net)	<u>2,015,245</u>	<u>2,143,647</u>
Receivables are expected to be recovered in:		
No more than 12 months	2,015,245	2,143,647
Total trade and other Receivables (Net)	<u>2,015,245</u>	<u>2,143,647</u>
Reconciliation of Movements of Impairment Allowance Account		
Opening Balance	-	-
Amounts written off	4,825	3,392
Amounts recovered and reversed	(4,825)	(3,392)
Closing Balance	<u>-</u>	<u>-</u>

	<u>2013</u>	<u>2012</u>
	\$	\$
6. NON - FINANCIAL ASSETS		
6a. Property, Plant and Equipment		
Property, Plant and Equipment	1,818	4,308
Accumulated Depreciation	(1,818)	(3,796)
Total: Property, Plant and Equipment	<u>-</u>	<u>512</u>
6b. Intangibles		
Website development	54,830	54,830
Accumulated Amortisation	(50,869)	(42,745)
Total: Intangibles	<u>3,961</u>	<u>12,085</u>
6c. Analysis of Property, Plant and Equipment: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment		
<i>As at 1 July</i>		
Gross book value	4,308	10,109
Accumulated depreciation	(3,796)	(7,697)
Net Book Value 1 July	<u>512</u>	<u>2,412</u>
Additions	-	-
Disposals	(365)	(1,143)
Depreciation expense	(147)	(757)
Net Book Value 30 June	<u>-</u>	<u>512</u>
<i>Net book value as at 30 June represented by:</i>		
Gross book value	1,818	4,308
Accumulated depreciation	(1,818)	(3,796)
	<u>-</u>	<u>512</u>
6d. Analysis of Intangibles: Reconciliation of the Opening and Closing Balances of Intangibles		
<i>As at 1 July</i>		
Gross book value	54,830	54,830
Accumulated amortisation	(42,745)	(32,607)
Net Book Value 1 July	<u>12,085</u>	<u>22,223</u>
Additions	-	-
Disposals	-	-
Amortisation expense	(8,124)	(10,138)
Net Book Value 30 June	<u>3,961</u>	<u>12,085</u>
<i>Net book value as at 30 June represented by:</i>		
Gross book value	54,830	54,830
Accumulated amortisation	(50,869)	(42,745)
	<u>3,961</u>	<u>12,085</u>

	<u>2013</u>	<u>2012</u>
	\$	\$
7. PAYABLES		
7a. Suppliers		
Trade Creditors and Accruals	720	781
Total: Supplier Payables	<u>720</u>	<u>781</u>
7b. Other Payables		
Wages and Salaries	5,144	6,302
Superannuation	186	242
Total: Other Payables	<u>5,330</u>	<u>6,544</u>
Supplier and Other Payables are expected to be settled within 12 months	6,050	7,325
Total: Payables	<u>6,050</u>	<u>7,325</u>

8. CASH FLOW RECONCILIATION

Reconciliation of Cash and Cash Equivalents as per Balance Sheet to Cash Flow Statement.

Report Cash and cash equivalents as per:

Cash Flow Statement	2,534,406	2,230,807
Balance Sheet	2,534,406	2,230,807
Difference	<u>-</u>	<u>-</u>

Reconciliation of net contribution by services from operating activities.

Operating Result	167,836	228,410
Change in Assets and Liabilities		
(Increase)/Decrease in Net Receivables	128,402	167,050
Increase/(Decrease) in Payables	(1,275)	(1,782)
Non Cash Items		
Depreciation and Amortisation	8,271	10,896
Loss – Disposal of Office Furniture	365	1,142
Net Cash from Operating Activities	<u>303,599</u>	<u>405,716</u>

9. TRUSTEES REMUNERATION

Under Part 2, Section 11 (1) of the *Services Trust Funds Act 1947*, Trustees are not entitled to receive from the Fund any remuneration for any work done by them in relation to the administration of the Fund. Under Part 2, Section 14 of the *Services Trust Funds Act 1947*, a person who is a Trustee or a dependant of a Trustee shall not receive any benefits from the Fund.

The Trustees received no remuneration or loans during the period.

10. REMUNERATION OF AUDITORS

Audit services for Financial Statements are provided to the Fund by the Auditor General. The fair value of the services provided for year ended 30 June 2013 was \$10,230 (2011/12: \$10,010). No other services were provided by the Auditor General.

11. INVESTMENT OF SURPLUS MONEY

The Fund is exempt from the provisions of Subsection 18(3) of the *Commonwealth Authorities and Companies Act 1997* by virtue of Part V11 Subsection 34(2) of the *Services Trust Funds Act 1947*.

The Fund's surplus is on deposit with the Australian Defence Force Credit Union Limited.

12. TRUSTEES OF THE FUND

The following persons were Trustees during the reporting period.

CHAIRMAN -Commodore P.G. Kinghorne, RAN (Appointed 3 April 2009)

TRUSTEE -Commander J.V.Craig, CSM, RAN (Appointed: 30 October 2010)

TRUSTEE -Commander L.J.Batchler, RAN (Appointed: 25 March 2011)

TRUSTEE -Commander J.A. Wittwer, RAN (Appointed 27 January 2012)

TRUSTEE -Lieutenant Commander T.P. Skousgaard, RAN (Appointed 1 December 2011)

TRUSTEE -Warrant Officer D.J.A. Devlin, (Appointed: 25 February 2011)

13. ECONOMIC DEPENDENCY

RANRTF receives economic support from Department of Defence by way of provision of administrative support, computer, communication facilities and office accommodation for RANRTF's Secretariat.

14. SEGMENT REPORTING

The RANRTF operates across Australia and overseas. It exists to provide assistance and benefits to serving and ex-serving members of the Royal Australian Navy as well as their dependants.

15. AVERAGING STAFFING LEVELS

	<u>2013</u>	<u>2012</u>
The average staffing levels during the year were:	2.5 staff	2.5 staff

16. FINANCIAL INSTRUMENTS

16a. Categories of Financial Instruments

	<u>2013</u>	<u>2012</u>
	\$	\$
Financial Assets		
Loans and Receivables		
Cash at bank	2,534,406	2,230,807
Loans and other receivables	2,015,245	2,143,647
	4,549,651	4,374,454

16b. Net Income from Financial Assets

Loans and other receivables		
Interest revenue from investments	63,829	65,429
Loan administration fees	48,880	54,010
Loan interest	296,288	371,494
Loss on initial recognition of loans and receivables at fair value	(287,887)	(328,631)
Net Gain from Financial Assets	121,110	162,302

16c. Credit Risk Exposure

The Fund's maximum exposures to credit risk at reporting date is the risk that arises from the potential default on members loans.

The Fund has no significant exposures to concentrations of credit risk, except for \$2,534,406 held with the Australian Defence Credit Union Limited (ADCU) and for \$2,015,245 for loans to members.

16d. Liquidity Risk

The exposure to liquidity risk is based on the notion the Fund will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

16e. Market Exposure

The Fund holds basic financial instruments that do not expose the Fund to certain market risks. The Fund is not exposed to 'currency risk', 'other price risk' or 'interest rate risk'.

17. REPORTING OF OUTCOMES AND OUTPUTS

The Fund was established under the *Services Trust Funds Act 1947* to provide support to members of the Australian Defence Force who have served in the Royal Australian Navy and to the dependants of such members. The Fund has a single outcome and output which is the objective to provide benefits to eligible persons.

Table: Net Cost of Outcome Delivery

	2013 \$	2012 \$
(a) Expenses		
Employee Benefits	178,811	161,100
Suppliers	23,466	18,728
Loss from initial recognition of loans and receivables at fair value	287,887	328,631
Depreciation, amortisation and impairment of Assets	13,461	15,431
Total	503,625	523,890
(b) Costs Recovered from provision of goods and services to the non-Government Sector		
Goods and Services	311,344	315,377
Total	311,344	315,377
(c) Other External Income		
Bank Interest	63,829	65,429
Loan Interest	296,288	371,494
Total	360,117	436,923
(d) Net Cost/(Contribution) of Income	(167,836)	(228,410)

18. COMPENSATION AND DEBT RELIEF

Departmental:

No payments were made during the reporting period (2011/12 – Nil payments made).