

AUSTRALIA

Services Trust Funds Act 1947

**Royal Australian Navy
Relief Trust Fund**

**Annual Report by the Trustees for the period
1 July 2013 to 30 June 2014**



Australian Government

Department of Defence

ERRATUM TO

ANNUAL REPORTS
OF THE
SERVICES TRUST FUNDS
2013/2014

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

Page 5

REPORT OF OPERATIONS

Replace – *Minister for Defence* with *Assistant Minister for Defence*

Enabling Legislation and Responsible Minister

Replace second paragraph –

The Fund operates within the Defence Portfolio, reporting to the Minister for Defence, Hon David Johnston MP, at the date of this report.

With

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

TRUSTEES
OF THE
ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

*

CURRENT CHAIRMAN

Commodore B.S. Wolski, RAN (Appointed 15 July 2014)

Chair of Relief Trust Fund

(Bachelor of Arts, 28 years experience as a Naval Officer)

*

PREVIOUS CHAIRMAN

Commodore P.G. Kinghorne, RAN (Appointed 3 April 2009): Resigned 15 July 2014,

Former Chair of Relief Trust Fund

(Graduate Diploma Resource Management, Graduate Certificate Management Studies, 35 years experience as a Naval Officer, 13 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, 27 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, Graduate of the Australian Institute of Company Directors, 26 years experience as a Naval Officer)

*

TRUSTEE

Captain 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, 33 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, 8 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; 32 years experience in RAN)

*

Fund Accountant (Part Time)

Mr J. Kelly (Appointed: 31 July 2006): Contract Ended 31 March 2014,
(Royal Australian Navy Relief Trust Fund – Fund Accountant - Advanced Diploma Accounting
Practices, 46 years experience as a Practicing Accountant)

**ROYAL AUSTRALIAN NAVY
RELIEF TRUST FUND**

ANNUAL REPORT 2013/2014

REPORT OF OPERATIONS

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 2014 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 Minister for Defence, Hon David Johnston 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 Trustees do not receive any remuneration through the RANRTF. The Fund's principal office is located in Canberra in the Australian Capital Territory. 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 or grant application and forwards it to the Trustees for consideration.

Review of Operations and Future Prospects

During the period operations were in accordance with the Fund's statutory objectives and comprised the provision of benefits to members of the Defence Force who have served in, or in association with, the Royal Australian Navy and to the dependants of such members. The RANRTF continued to provide general purpose interest-free loans of up to \$4,000; trainee interest-free loans of up to \$1,500; special interest-free loans of up to \$5,000 and a small number of grants of up to \$2,000. Members with outstanding RANRTF debts on death have the debt converted to a grant.

During the period the Trustees approved a shift from the rules based system to a broader principles based system for General Purpose Loans and Special Loans. In addition the Trustees created the Keeping Watch (KW) fund during the period for the comfort, recreation or welfare of a person who is currently appointed or enlisted as a member of the Royal Australian Navy. The KW fund operates within the RANRTF framework and is overseen by the Board of Trustees as appointed by the Minister for Defence. The KW fund, endorsed as a Deductible Gift Recipient, provides the RANRTF with an additional revenue stream through tax deductible donation so as to allow the RANRTF to assist appointed or enlisted members of the Royal Australian Navy.

The RANRTF is currently economically viable for loans and grants, however, the Fund relies on periodic contributions from the RAN Central Canteens Fund to continue to maintain the level of grants and interest-free loans.

The Trustees are of the opinion that with one exception, 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. The exception is the commencement of the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act) may significantly affect the Fund's internal operations in Financial Years 14/15 and 15/16 because of the additional workload associated with a very small statutory entity transitioning from compliance with the CAC Act to compliance with the PGPA Act. The Trustees have taken, and continue to take, steps to ensure that members of the Defence Force who have served in, or in association with, the Royal Australian Navy and to the dependants of such members continue to be provided benefits in a timely manner during this transition.

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 B.S. Wolski, RAN | Chairman | 1 | 1 | Appointed 15/07/14 |
| CDRE P.G. Kinghorne, RAN | Chairman | 5 | 5 | Resigned 15/07/14 |
| 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 | 3 | |
| 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 members of the Defence Force who have served in, or in association with, the Royal Australian Navy and to the dependants of such members in accordance with the *Services Trust Funds Act 1947*. During the reporting period the RANRTF was a statutory authority with body corporate status, managed under the provisions of the *Commonwealth Authorities and Companies Act 1997*.

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

Business Plan

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

Audit Committee

During the reporting period the Audit Committee continued its audit function as required by the *Commonwealth Authorities and Companies Act 1997*. Under the Audit Committee Charter the RANRTF Audit Committee consists of not less than three and not more than four Trustees of the RANRTF and meets not less than four times 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.
- 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 \$1,000.00 was made in 2013/14 (2012/13: \$2,000.00), where a member passed away suddenly.

b. Other Grants:

Six other grants totalling \$10,239.00 were made during 2013/14 (2012/13: \$3,093.80) to serving members and/or dependants of eligible persons.

c. **Loans**

- (1) Loans made totalled 2,899, compared to 2,779 in the previous year. The breakdown of loans made in the year ended 30 June 2014 and 30 June 2013 is as follows:

| <i>Nature</i> | <i>Loans Made</i> | | <i>Percentage of Cases</i> | |
|-----------------------|---------------------------------|-------------------------|---------------------------------|-------------------------|
| | Year ended 30 Jun 14 | Year ended 30 Jun 13 | Year ended 30 Jun 14 | Year ended 30 Jun 13 |
| General Purpose Loans | 1584 | 1285 | 54.64 | 46.24 |
| Trainee Loans | 4 | 9 | 0.14 | 0.32 |
| Special Loans | 20 | 19 | 0.69 | 0.68 |
| Christmas Loans | 1291 | 1466 | 44.53 | 52.76 |
| TOTALS | 2899 | 2779 | 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 2014 and 30 June 2013 was as follows:

| <i>Nature</i> | <i>Year</i> | |
|-----------------------|-----------------------------|----------------------|
| | Year ended 30 Jun 14 | Year ended 30 Jun 13 |
| | \$ | \$ |
| General Purpose Loans | 5,372,977 | 4,361,776 |
| Other Loans | 72,902 | 55,252 |
| Christmas Loans | 1,291,000 | 1,466,000 |
| TOTALS | 6,736,879 | 5,883,028 - |

- (3) Loans are repaid by fortnightly instalments through the Australian Defence Force Pay 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 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. For 2013/14 the interest free loan was again offered. In 2013/14 1,291 [\$1.291 million] loans were approved and repaid. The Christmas Loan remains an attractive product for RANRTF customers.

Financial Position

Operating results for 2013/14 shows a surplus of \$179,643 including reporting of notional interest in accordance with AASB 139. Interest from all bank deposits amounted to \$50,889. A comparison of the assets and liabilities for the Fund for the years ended 30 June 2014 and 30 June 2013 is as follows:

| <i>The Fund's Assets</i> | <i>At 30 June 2014</i> \$ | <i>At 30 June 2013</i> \$ |
|----------------------------------|------------------------------|------------------------------|
| Invested and Working Capital | 2,184,509 | 2,534,406 |
| Receivables | 2,542,696 | 2,015,245 |
| Fixed Assets | 0 | 3,961 |
| Total Assets | 4,727,205 | 4,553,612 |
| Less Liabilities of: | | |
| Payables and Employee Provisions | 0 | 6,050 |
| Net Assets | 4,727,205 | 4,547,562 |

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 2014 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



B.S. WOLSKI
Commodore, RAN
Chair of RANRTF Board

24 September 2014



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

24 September 2014



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 2014, which comprise: a Statement by Trustees; the Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; and Notes to and forming part of Financial Statements including a Summary of Significant Accounting Policies.

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.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Royal Australian Navy Relief Trust Fund:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Royal Australian Navy Relief Trust Fund's financial position as at 30 June 2014 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
24 September 2014

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

STATEMENT BY TRUSTEES

In our opinion, the attached financial statements for the year ended 30 June 2014 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.



B.S. WOLSKI
Commodore, RAN
Chair of RANRTF Board

24 September 2014



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

24 September 2014

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.



JOLLETTE GIBBON
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 2013

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2014**

| | <i>Notes</i> | 2014 | 2013 |
|--|--------------|----------------|-------------|
| | | \$ | \$ |
| EXPENSES | | | |
| Employee Benefits | 3a | 157,302 | 178,811 |
| Supplier | 3b | 31,536 | 23,466 |
| Depreciation and Amortisation | 3c | 3,961 | 8,271 |
| Write-down and Impairment of Assets | 3d | 12,592 | 5,190 |
| Losses from Loan Re-measurement | 3e | 345,442 | 287,887 |
| Total expenses | | 550,833 | 503,625 |
| LESS: | | | |
| OWN-SOURCE REVENUE | | | |
| Sale of Goods and Rendering of Services | 4a | 55,070 | 48,880 |
| Interest | 4b | 360,249 | 360,117 |
| Contributions | 4c | 169,552 | 93,666 |
| Resources Received Free of Charge | 4d | 145,460 | 162,149 |
| Reversal of Previous Write-downs and Impairments | 4e | 145 | 6,649 |
| Total own-source revenue | | 730,476 | 671,461 |
| Net contribution by services | | 179,643 | 167,836 |
| Total Comprehensive Income | | 179,643 | 167,836 |

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

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

**BALANCE SHEET
AS AT 30 JUNE 2014**

| | <i>Notes</i> | <i>2014</i> \$ | <i>2013</i> \$ |
|-----------------------------------|--------------|-------------------|-------------------|
| ASSETS | | | |
| Financial Assets | | | |
| Cash and cash equivalents | 5a | 2,184,509 | 2,534,406 |
| Loans and other receivables | 5b | 2,542,696 | 2,015,245 |
| Total Financial Assets | | 4,727,205 | 4,549,651 |
| Non Financial Assets | | | |
| Property, plant and equipment | 6a | - | - |
| Intangibles | 6b | - | 3,961 |
| Total Non Financial Assets | | - | 3,961 |
| TOTAL ASSETS | | 4,727,205 | 4,553,612 |
| LIABILITIES | | | |
| Payables | | | |
| Suppliers | 7a | - | 720 |
| Other payables | 7b | - | 5,330 |
| Total Payables | | - | 6,050 |
| TOTAL LIABILITIES | | - | 6,050 |
| NET ASSETS | | 4,727,205 | 4,547,562 |
| EQUITY | | | |
| Parent Entity Interest | | | |
| Retained Surplus | | 4,727,205 | 4,547,562 |
| TOTAL EQUITY | | 4,727,205 | 4,547,562 |

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 2014**

| | Note | Retained Earnings | | Total Equity | |
|--|------|-------------------|------------|--------------|------------|
| | | 2014 \$ | 2013 \$ | 2014 \$ | 2013 \$ |
| Opening Balance | | | | | |
| Balance carried forward from previous period | | 4,547,562 | 4,379,726 | 4,547,562 | 4,379,726 |
| Comprehensive Income | | | | | |
| Surplus for the year | | 179,643 | 167,836 | 179,643 | 167,836 |
| Total Comprehensive Income | | 179,643 | 167,836 | 179,643 | 167,836 |
| Closing Balance as at 30 June | | 4,727,205 | 4,547,562 | 4,727,205 | 4,547,562 |

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 2014**

| | <i>Notes</i> | <i>2014</i> \$ | <i>2013</i> \$ |
|---|--------------|-------------------|-------------------|
| OPERATING ACTIVITIES | | | |
| Cash received | | | |
| Repayments from members | | 6,158,515 | 6,019,293 |
| Interest | | 360,249 | 360,117 |
| Administration Fees | | 55,070 | 49,110 |
| RANCCF Contribution | | 94,845 | 93,666 |
| Donations | | 74,707 | - |
| Bad debts Recovered | | 145 | 2,132 |
| Total cash received | | 6,743,531 | 6,524,318 |
| Cash used | | | |
| Loans to members | | 7,046,239 | 6,179,316 |
| Grants | | 11,239 | 5,934 |
| Audit Fees | | 10,230 | 10,010 |
| Other Expenses | | 25,720 | 25,459 |
| Total cash used | | 7,093,428 | 6,220,719 |
| Net Cash from (used by) Operating Activities | | (349,897) | 303,599 |
| Net increase(decrease) in cash held | 8 | (349,897) | 303,599 |
| Cash and cash equivalents at the beginning of the reporting period | | 2,534,406 | 2,230,807 |
| Cash and cash equivalents at the end of the reporting period | 5a | 2,184,509 | 2,534,406 |

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 2014 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 9.25 % 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 Intangibles

The Fund's intangibles comprise capitalised website costs relating to the development of the Loan Application Management System. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

The website costs are amortised on a straight-line basis over its anticipated useful life. The useful life of these website costs is 3 years.

All software assets were assessed for indications of impairment as at 30 June 2014.

1.14. 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.

1.15 Bad and Doubtful Debts

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

1.16 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.

1.17 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.

1.18 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.

| | <i>2014</i> | <i>2013</i> |
|---|----------------|----------------|
| | \$ | \$ |
| 3. EXPENSES | | |
| 3a. Employee Benefits | | |
| Wages and Salaries received Free of Charge | 145,460 | 162,149 |
| Wages and Salaries – Employees | 10,912 | 15,205 |
| Superannuation | 930 | 1,457 |
| Total: Employee Benefits | 157,302 | 178,811 |
| 3b. Supplier | | |
| Comcover | 5,665 | 5,430 |
| Stationery | - | 48 |
| System Software Maintenance | 780 | 714 |
| Advertising | 175 | 665 |
| Grants | 11,239 | 5,934 |
| Bank Fees | 386 | - |
| Audit Fees | 10,230 | 10,010 |
| Debt Recovery Expenses | 2,391 | 665 |
| Miscellaneous | 670 | - |
| Total: Supplier Expenses | 31,536 | 23,466 |
| 3c. Depreciation and Amortisation | | |
| Depreciation: | | |
| Property, plant and equipment | - | 147 |
| Total depreciation | - | 147 |
| Amortisation: | | |
| Intangibles | 3,961 | 8,124 |
| Total amortisation | 3,961 | 8,124 |
| Total: Depreciation and Amortisation | 3,961 | 8,271 |
| 3d. Write – Down and Impairment of Assets | | |
| Bad Debts Written Off | 12,592 | 4,825 |
| Loss – Disposal of Office Furniture | - | 365 |
| Total: Write-down and Impairment of Assets | 12,592 | 5,190 |
| 3e. Losses From Loan Re-measurement | | |
| Loss from initial recognition of loans and receivables at fair value. | 345,442 | 287,887 |
| Total Losses from Loan Re-measurement | 345,442 | 287,887 |

| | <i>2014</i> | <i>2013</i> |
|--|----------------|----------------|
| | <i>\$</i> | <i>\$</i> |
| 4. INCOME | | |
| 4a. Sale of Goods and Rendering of Services | | |
| Loan Administration Fees | 55,070 | 48,880 |
| Total: Sale of Goods and Rendering of Services | 55,070 | 48,880 |
| 4b. Interest | | |
| Interest from Bank Accounts | 50,889 | 63,829 |
| Loan Interest | 309,360 | 296,288 |
| Total: Interest | 360,249 | 360,117 |
| 4c. Contributions and other Sources | | |
| RANCCF Contributions | 94,845 | 93,455 |
| Donations | 74,707 | 211 |
| Total: Contributions | 169,552 | 93,666 |
| 4d. Resources Received Free of Charge | | |
| Employees | 145,460 | 162,149 |
| Total: Resources Received Free of Charge | 145,460 | 162,149 |
| <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 \$145,460 were engaged by RANRTF in 2013/14 free of charge. During 2013/14 staffing arrangements changed and the \$145,460 comprised; one Governance Officer \$85,311 (2012/13 \$73,378); one LS with salary amounting to \$53,727 (2012/13 ASO3 \$60,012); two part time assistants with a salary of \$6,423 (2012/13 \$6,423) - 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 | 145 | 6,649 |
| Total: Reversal of Previous Write-downs and Impairments | 145 | 6,649 |

| | <u>2014</u> | <u>2013</u> |
|--|------------------|------------------|
| | \$ | \$ |
| 5. FINANCIAL ASSETS | | |
| 5a. Cash and Cash Equivalents | | |
| Cash at Bank | 11,273 | 859 |
| Deposit Accounts | 2,173,236 | 2,533,547 |
| Total: Cash and Cash Equivalents | <u>2,184,509</u> | <u>2,534,406</u> |
| 5b. Loans and other Receivables | | |
| Loans Outstanding | 2,537,146 | 2,009,805 |
| Administration Fees Receivable | 5,550 | 5,440 |
| Total: Loans and other Receivables (Gross) | <u>2,542,696</u> | <u>2,015,245</u> |
| Less: Impairment Allowance Account | - | - |
| Total: Loans and other Receivables (Net) | <u>2,542,696</u> | <u>2,015,245</u> |
| Receivables are aged as follows: | | |
| Not Overdue | 2,542,696 | 2,015,245 |
| Total: Trade and other Receivables (Net) | <u>2,542,696</u> | <u>2,015,245</u> |
| Receivables are expected to be recovered in: | | |
| No more than 12 months | 2,542,696 | 2,015,245 |
| Total trade and other Receivables (Net) | <u>2,542,696</u> | <u>2,015,245</u> |
| Reconciliation of Movements of Impairment Allowance Account | | |
| Opening Balance | - | - |
| Amounts written off | 12,592 | 4,825 |
| Amounts recovered and reversed | (12,592) | (4,825) |
| Closing Balance | <u>-</u> | <u>-</u> |

| | <u>2014</u> | <u>2013</u> |
|---|--------------|---------------|
| | \$ | \$ |
| 6. NON - FINANCIAL ASSETS | | |
| 6a. Property, Plant and Equipment | | |
| Property, Plant and Equipment | 1,818 | 1,818 |
| Accumulated Depreciation | 1,818 | (1,818) |
| Total: Property, Plant and Equipment | <u>-</u> | <u>-</u> |
| 6b. Intangibles | | |
| Website development | 54,830 | 54,830 |
| Accumulated Amortisation | (54,830) | (50,869) |
| Total: Intangibles | <u>-</u> | <u>3,961</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 |
| Accumulated depreciation | - | (3,796) |
| Net Book Value 1 July | <u>-</u> | <u>512</u> |
| Additions | - | - |
| Disposals | - | (365) |
| Depreciation expense | - | (147) |
| Net Book Value 30 June | <u>-</u> | <u>-</u> |
| <i>Net book value as at 30 June represented by:</i> | | |
| Gross book value | - | 1,818 |
| Accumulated depreciation | - | (1,818) |
| | <u>-</u> | <u>-</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 | (50,869) | (42,745) |
| Net Book Value 1 July | <u>3,961</u> | <u>12,085</u> |
| Additions | - | - |
| Disposals | - | - |
| Amortisation expense | (3,961) | (8,124) |
| Net Book Value 30 June | <u>-</u> | <u>3,961</u> |
| <i>Net book value as at 30 June represented by:</i> | | |
| Gross book value | 54,830 | 54,830 |
| Accumulated amortisation | (54,830) | (50,869) |
| | <u>-</u> | <u>3,961</u> |

| | <u>2014</u> | <u>2013</u> |
|---|-------------|-------------|
| | \$ | \$ |
| 7. PAYABLES | | |
| 7a. Suppliers | | |
| Trade Creditors and Accruals | - | 720 |
| Total: Supplier Payables | - | 720 |
| 7b. Other Payables | | |
| Wages and Salaries | - | 5,144 |
| Superannuation | - | 186 |
| Total: Other Payables | - | 5,330 |
| Supplier and Other Payables are expected to be settled within 12 months | - | 6,050 |
| Total: Payables | - | 6,050 |

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 | 2,184,509 | 2,534,406 |
| Balance Sheet | 2,184,509 | 2,534,406 |
| Difference | - | - |

Reconciliation of net contribution by services from operating activities.

| | | |
|---|-----------|---------|
| Operating Result | 179,643 | 167,836 |
| Change in Assets and Liabilities | | |
| (Increase)/Decrease in Net Receivables | (527,451) | 128,402 |
| Increase/(Decrease) in Payables | (6,050) | (1,275) |
| Non Cash Items | | |
| Depreciation and Amortisation | 3,961 | 8,271 |
| Loss – Disposal of Office Furniture | - | 365 |
| Net Cash from Operating Activities | (349,897) | 303,599 |

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 2014 was \$10,230 (2012/13: \$10,230). 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 B.S. Wolski, RAN (Appointed 15 July 2014)

CHAIRMAN - Commodore P.G. Kinghorne, RAN (Appointed 3 April 2009 – Resigned 15 July 2014)

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 the RANRTF's Secretariat.

14. SEGMENT REPORTING

The RANRTF operates across Australia and overseas. It exists to provide support to members of the Defence Force who have served in, or in association with, the Royal Australian Navy and to the dependants of such members.

15. AVERAGING STAFFING LEVELS

| | <u>2014</u> | <u>2013</u> |
|---|----------------|-------------|
| The average staffing levels during the year were: | 3 staff | 2.5 staff |

16. FINANCIAL INSTRUMENTS

16a. Categories of Financial Instruments

| | <u>2014</u> | <u>2013</u> |
|-----------------------------|------------------------|-----------------|
| | \$ | \$ |
| Financial Assets | | |
| Loans and Receivables | | |
| Cash at bank | 2,184,509 | 2,534,406 |
| Loans and other receivables | 2,542,696 | 2,015,245 |
| | <hr/> 4,727,205 | <hr/> 4,549,651 |

16b. Net Income from Financial Assets

| | | |
|---|---------------------|---------------|
| Loans and other receivables | | |
| Interest revenue from investments | 50,889 | 63,829 |
| Loan administration fees | 55,070 | 48,880 |
| Loan interest | 309,360 | 296,288 |
| Loss on initial recognition of loans and receivables at fair value | (345,442) | (287,887) |
| Net Gain from Financial Assets | <hr/> 69,877 | <hr/> 121,110 |

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 \$2,184,509 held with the Australian Defence Credit Union Limited and for \$2,542,696 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 Risk

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

| | 2014 | 2013 |
|--|------------------|------------------|
| | \$ | \$ |
| (a) Expenses | | |
| Employee Benefits | 157,302 | 178,811 |
| Suppliers | 31,536 | 23,466 |
| Loss from initial recognition of loans and receivables at fair value | 345,442 | 287,887 |
| Depreciation, amortisation and impairment of Assets | 16,553 | 13,461 |
| Total | 550,833 | 503,625 |
| (b) Costs Recovered from provision of goods and services to the non-Government Sector | | |
| Goods and Services | 370,227 | 311,344 |
| Total | 370,227 | 311,344 |
| (c) Other External Income | | |
| Bank Interest | 50,889 | 63,829 |
| Loan Interest | 309,360 | 296,288 |
| Total | 360,249 | 360,117 |
| (d) <u>Net Cost/(Contribution) of Income</u> | (179,643) | (167,836) |

18. COMPENSATION AND DEBT RELIEF

Departmental:

No payments were made during the reporting period (2012/13 – Nil payments made).