

AUSTRALIA

Services Trust Funds Act 1947

**Royal Australian Navy
Relief Trust Fund**

**Annual Report by the Trustees for the period
1 July 2014 to 30 June 2015**

TRUSTEES
OF THE
ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

*
CHAIRMAN

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

Chair of Relief Trust Fund

(Bachelor of Arts, 29 years experience as a Naval Officer)

*
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, 28 years experience as Naval Officer, Chartered Member Australian Human Resources Institute)

*
TRUSTEE

Captain 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, 27 years experience as a Naval Officer)

*

TRUSTEE

Captain J.A. Wittwer, CSM, 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, 34 years experience as a Naval Officer)

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TRUSTEE

Lieutenant Commander T.P.M.R. 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, 9 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; 33 years experience in RAN)

**ROYAL AUSTRALIAN NAVY
RELIEF TRUST FUND**

ANNUAL REPORT 2014/2015

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 2015 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 (the Minister).

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.

Public Governance, Performance and Accountability Act 2013

The RANRTF also complies with the requirements of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) with respect to:

- Reporting to Ministers and Parliament;
- Contents of Annual Report;
- Audit of the RANRTF's financial statements by the Auditor-General;
- Banking and investment powers of authorities;
- General policies of the Australian Government; and
- Conduct of directors and officers, including the civil consequences of any breach of their duties by the directors and officers.

Organisational Structure

The RANRTF is a corporate Commonwealth statutory authority 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

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 \$6,000; trainee interest-free loans of up to \$1,500; special interest-free loans of up to \$5,000 and a small number of benevolent grants of up to \$3,000 each. During the financial year, the Trustees approved the increase of the general purpose loan from \$4,000 to \$6,000 with effect from 01 January 2015. Members with outstanding RANRTF debts on death have their debt converted to a grant.

A rules based system is applied in deciding if a member is permitted to borrow money from the Fund for general purpose loans and special loans. In addition the Keeping Watch (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 donations to allow the RANRTF to provide financial assistance to appointed or enlisted members of the Royal Australian Navy.

The RANRTF is 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.

In the opinion of the Trustees, there has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the fund's operations, the results of those operations, or the fund's state of affairs in future 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 B.S. Wolski, RAN	Chairman	4	4	Appointed 15/07/14
CAPT J.A. Wittwer, CSM, RAN	Trustee	4	2	
CMDR J.V. Craig, RAN	Trustee	4	2	
CAPT L.J. Batchler, RAN	Trustee	4	4	
LCDR T.P.M.S. Skousgaard, RAN	Trustee	4	4	
WO D.J.A. Devlin	Trustee	4	4	

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*. RANRTF is a corporate Commonwealth entity managed under the provisions of the PGPA Act.

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 provider, Comcover.

Business Plan

The RANRTF has an established Business Plan that is regularly reviewed and has been updated to incorporate PGPA Act requirements.

Audit Committee

During the reporting period the Audit Committee continued its audit function as required by the PGPA Act. 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 include:

- a. Providing confidence in the credibility and reliability of financial statements and other financial information released to other interested and relevant parties; and
- b. 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 Principal Office, 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:**

Two grants to families totalling \$7,000.00 were made in 2014/15 financial year (2013/14: \$2,000.00), where a member passed away suddenly.

b. **Other Grants:**

Three other grants totalling \$7,015.00 were made during 2014/15 (2013/14: \$10,239) to serving members and/or dependants of eligible persons.

c. **KW Grants:**

Twelve grants totalling \$38,900 were made during the 2014/15 (2013/14: Nil) for the comfort, recreation or welfare of Royal Australian Navy members.

d. **Loans**

(1) Loans made totalled 3,060, compared to 2,899 in the previous year. The breakdown of loans made in the year ended 30 June 2015 and 30 June 2014 is as follows:

<i>Nature</i>	<i>Loans Made</i>		<i>Percentage of Cases</i>	
	Year ended 30 Jun 15	Year ended 30 Jun 14	Year ended 30 Jun 15	Year ended 30 Jun 14
General Purpose Loans	1814	1584	59.28	54.64
Trainee Loans	19	4	0.62	0.14
Special Loans	11	20	0.36	0.69
Christmas Loans	1216	1291	39.74	44.53
TOTALS	3060	2899	100.00	100.00

(2) Expenditure on loans in the years ended 30 June 2015 and 30 June 2014 was as follows:

<i>Nature</i>	<i>Year</i>	
	Year ended 30 Jun 15	Year ended 30 Jun 14
	\$	\$
General Purpose Loans	7,216,174	5,372,977
Other Loans	37,380	72,902
Christmas Loans	1,216,000	1,291,000
TOTALS	8,469,554	6,736,879

- (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 \$6,000. The interest-free trainee loan of up to a maximum of \$1,500 per loan continues.

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.

In 2006/07 a Christmas Loan product was launched, whereby a loan limit of \$1,000.00 (interest-free) is available in early December with repayments over 8 to 10 pay periods commencing in February and ceasing in June. In 2011/12, 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. In 2014/15 1,216 [\$1.216 million] loans were approved and repaid. The Christmas Loan remains an attractive product for RANRTF customers.

Financial Position

Operating results for 2014/15 shows a surplus of \$96,065 including reporting of notional interest in accordance with AASB 139. Interest from all bank deposits amounted to \$40,053. A comparison of the assets and liabilities for the Fund for the years ended 30 June 2015 and 30 June 2014 is as follows:

<i>The Fund's Assets</i>	<i>At 30 June 2015</i> \$	<i>At 30 June 2014</i> \$
Invested and Working Capital	1,116,592	2,184,509
Loans and Other Receivables	3,706,678	2,542,696
Fixed Assets	0	0
Total Assets	4,823,270	4,427,205
Less Liabilities of:		
Payables and Employee Provisions	0	0
Net Assets	4,823,270	4,727,205

Forwarding of Annual Report

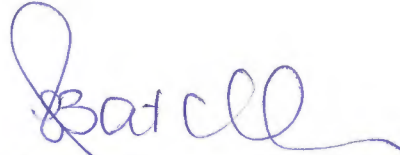
The Trustees are responsible under the PGPA Act for the preparation and content of the report of operations in accordance with the Financial Reporting Rule and the *Australian Charities and Not-for-profits Commission Act 2012*. Financial Statements for the year ended 30 June 2015 are submitted herewith, and this report is made in accordance with a resolution of the Trustees, signed for and on behalf of the Trustees.

Yours faithfully



BS Wolski
Commodore, RAN
Chair of RANRTF Board

25 September 2015



LJ Batchler
Captain, RAN
Chair of Audit Committee

25 September 2015



INDEPENDENT AUDITOR'S REPORT

To the Minister for Defence

I have audited the accompanying annual financial statements of the Royal Australian Navy Relief Trust Fund for the year ended 30 June 2015, which comprise:

- Statement by Trustees;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Notes to and forming part of the annual Financial Statements, including a Summary of Significant Accounting Policies.

Accountable Authority's Responsibility for the Financial Statements

The Trustees of the Royal Australian Navy Relief Trust Fund are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Trustees are also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that 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 entity's preparation and fair presentation of the financial statements 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

entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, 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) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Royal Australian Navy Relief Trust Fund as at 30 June 2015 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Sean Benfield
Audit Principal
Delegate of the Auditor-General

Canberra
25 September 2015


ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

STATEMENT BY TRUSTEES

In our opinion, the attached financial statements for the year ended 30 June 2015 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the *Australian Charities and Not-for-profits Commission Act 2012*, and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

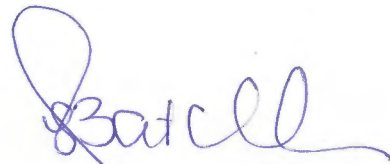
In our opinion, at the date of this statement, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



BS Wolski
Commodore, RAN
Chair of RANRTF Board

25 September 2015



LJ Batchler
Captain, RAN
Chair of Audit Committee

25 September 2015

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2015**

	Notes	2015 \$	2014 \$
EXPENSES			
Employee Benefits	3a	153,424	157,302
Supplier	3b	68,650	31,536
Depreciation and Amortisation	3c	-	3,961
Write-down and Impairment of Assets	3d	6,828	12,592
Losses from Loan Re-measurement	3e	456,025	345,442
Total expenses		684,927	550,833
LESS:			
OWN-SOURCE REVENUE			
Sale of Goods and Rendering of Services	4a	73,740	55,070
Interest	4b	417,037	360,249
Contributions and Other Sources	4c	135,991	169,552
Resources Received Free of Charge	4d	153,424	145,460
Reversal of Previous Write-downs and Impairments	4e	800	145
Total own-source revenue		780,992	730,476
Net contribution by services		96,065	179,643
Total Comprehensive Income		96,065	179,643

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

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	Notes	2015 \$	2014 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	5a	1,116,592	2,184,509
Loans and other receivables	5b	3,706,678	2,542,696
Total Financial Assets		4,823,270	4,727,205
Non Financial Assets			
Property, plant and equipment	6a	-	-
Intangibles	6b	-	-
Total Non Financial Assets		-	-
TOTAL ASSETS		4,823,270	4,727,205
NET ASSETS		4,823,270	4,727,205
EQUITY			
Parent Entity Interest			
Retained Surplus		4,823,270	4,727,205
TOTAL EQUITY		4,823,270	4,727,205

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 2015**

	Note	Retained Earnings		Total Equity	
		2015 \$	2014 \$	2015 \$	2014 \$
Opening Balance					
Balance carried forward from previous period		4,727,205	4,547,562	4,727,205	4,547,562
Comprehensive Income					
Surplus for the year		96,065	179,643	96,065	179,643
Total Comprehensive Income		96,065	179,643	96,065	179,643
Closing Balance as at 30 June		4,823,270	4,727,205	4,823,270	4,727,205

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

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2015**

	Note	2015	2014
	s	\$	\$
OPERATING ACTIVITIES			
Cash received			
Repayments from members		7,217,676	6,158,515
Interest		417,037	360,249
Administration Fees		73,740	55,070
RANCCF Contribution		96,654	94,845
Donations		39,337	74,707
Bad debts Recovered		800	145
Total cash received		7,845,244	6,743,531
Cash used			
Loans to members		8,844,511	7,046,239
Grants		52,915	11,239
Audit Fees		10,230	10,230
Other Expenses		5,505	25,720
Total cash used		8,913,161	7,093,428
Net Cash from (used by) Operating Activities		(1,067,917)	(349,897)
Net increase(decrease) in cash held	7	(1,067,917)	(349,897)
Cash and cash equivalents at the beginning of the reporting period		2,184,509	2,534,406
Cash and cash equivalents at the end of the reporting period	5a	1,116,592	2,184,509

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 a corporate Commonwealth entity established by the *Services Trust Funds Act 1947*. It is a not-for-profit entity. 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 section 42 of the *Public Governance, Performance and Accountability Act 2013* and the *Australian Charities and Not-for-profits Commission Act 2012*.

The financial statements have been prepared in accordance with:

- Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2014; 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 and values are rounded to the nearest dollar unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FRR, 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 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.

1.7 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.

1.8 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).

1.9 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position 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.

1.10 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 because 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.

1.11 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.

1.12 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 three years.

All software assets were assessed for indications of impairment as at 30 June 2015.

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.

2. EVENTS AFTER THE REPORTING DATE

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

2015	2014
\$	\$

3. EXPENSES

3a. Employee Benefits

Wages and Salaries received Free of Charge	153,424	145,460
Wages and Salaries – Employees	-	10,912
Superannuation	-	930
Total: Employee Benefits	153,424	157,302

3b. Supplier

Comcover	1,986	5,665
System Software Maintenance	840	780
Advertising	946	175
Grants	52,915	11,239
Bank Fees	936	386
Audit Fees	10,230	10,230
Debt Recovery Expenses	107	2,391
Miscellaneous	690	670
Total: Supplier Expenses	68,650	31,536

3c. Depreciation and Amortisation

Amortisation:

Intangibles	-	3,961
Total amortisation	-	3,961

Total: Depreciation and Amortisation	-	3,961
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3d. Write – Down and Impairment of Assets

Bad Debts Written Off	6,828	12,592
Total: Write-down and Impairment of Assets	6,828	12,592

3e. Losses From Loan Re-measurement

Loss from initial recognition of loans and receivables at fair value.	456,025	345,442
Total Losses from Loan Re-measurement	456,025	345,442

	2015 \$	2014 \$
4. INCOME		
4a. Sale of Goods and Rendering of Services		
Loan Administration Fees	73,740	55,070
Total: Sale of Goods and Rendering of Services	<u>73,740</u>	<u>55,070</u>
4b. Interest		
Interest from Bank Accounts	40,053	50,889
Loan Interest	376,984	309,360
Total: Interest	<u>417,037</u>	<u>360,249</u>
4c. Contributions and other Sources		
RANCCF Contributions	96,654	94,845
Donations	39,337	74,707
Total: Contributions	<u>135,991</u>	<u>169,552</u>
4d. Resources Received Free of Charge		
Salaries	153,424	145,460
Total: Resources Received Free of Charge	<u>153,424</u>	<u>145,460</u>

During the year, the following resources were provided free of charge by the Department of Defence:

- a. Office accommodation with computer, telephone and postage support; and
- b. Use of the Australian Defence Force pay system to recover loan repayments from serving RAN members.

The above resources cannot be reliably measured and have not been recognised in the financial statements.

4e. Reversal of Previous Write-downs and Impairments		
Bad Debts Recovered	800	145
Total: Reversal of Previous Write-downs and Impairments	<u>800</u>	<u>145</u>

	2015	2014
	\$	\$
5. FINANCIAL ASSETS		
5a. Cash and Cash Equivalents		
Cash at Bank	4,548	11,273
Deposit Accounts	1,112,044	2,173,236
Total: Cash and Cash Equivalents	<u>1,116,592</u>	<u>2,184,509</u>
5b. Loans and other Receivables		
Loans Outstanding	3,696,948	2,537,146
Administration Fees Receivable	9,730	5,550
Total: Loans and other Receivables (Gross)	<u>3,706,678</u>	<u>2,542,696</u>
Less: Impairment Allowance Account	-	-
Total: Loans and other Receivables (Net)	<u>3,706,678</u>	<u>2,542,696</u>
Receivables are aged as follows:		
Not Overdue	3,706,678	2,542,696
Total: Trade and other Receivables (Net)	<u>3,706,678</u>	<u>2,542,696</u>
Receivables are expected to be recovered in:		
No more than 12 months	3,706,678	2,542,696
Total trade and other Receivables (Net)	<u>3,706,678</u>	<u>2,542,696</u>
Reconciliation of Movements of Impairment Allowance Account		
Opening Balance	-	-
Amounts written off	6,828	12,592
Amounts recovered and reversed	(6,828)	(12,592)
Closing Balance	<u>-</u>	<u>-</u>

	2015 \$	2014 \$
6. NON - FINANCIAL ASSETS		
6a. Property, Plant and Equipment		
Property, Plant and Equipment	-	1,818
Accumulated Depreciation	-	1,818
Total: Property, Plant and Equipment	<u>-</u>	<u>-</u>
6b. Intangibles		
Website development	54,830	54,830
Accumulated Amortisation	(54,830)	(54,830)
Total: Intangibles	<u>-</u>	<u>-</u>
6c. Analysis of Intangibles:		
Reconciliation of the Opening and Closing Balances of Intangibles		
<i>As at 1 July</i>		
Gross book value	-	54,830
Accumulated amortisation	-	(50,869)
Net Book Value 1 July	<u>-</u>	<u>3,961</u>
Amortisation expense	-	(3,961)
Net Book Value 30 June	<u>-</u>	<u>-</u>
<i>Net book value as at 30 June represented by:</i>		
Gross book value	-	54,830
Accumulated amortisation	-	(54,830)
	<u>-</u>	<u>-</u>

	2015	2014
	\$	\$
7. 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	1,116,592	2,184,509
Balance Sheet	1,116,592	2,184,509
Difference	<u>-</u>	<u>-</u>
Reconciliation of net contribution by services from operating activities.		
Operating Result	96,065	179,643
Change in Assets and Liabilities		
(Increase)/Decrease in Net Receivables	(1,163,982)	(527,451)
Increase/(Decrease) in Payables	-	(6,050)
Non Cash Items		
Depreciation and Amortisation	-	3,961
Net Cash from Operating Activities	<u>(1,067,917)</u>	<u>(349,897)</u>

8. 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.

9. REMUNERATION OF AUDITORS

The 2014/15 financial statements of the Fund have been audited by the Auditor General. The fair value of the services provided for 2014-2015 was \$10,000 exclusive of GST (2013/14: \$10,230). No other services were provided by the Auditor General.

10. INVESTMENT OF SURPLUS MONEY

Subparagraphs 59(1) (a) and (b) of the PGPA Act allows corporate Commonwealth entities to invest money that is not immediately required for the purposes of the entity.

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

11. TRUSTEES OF THE FUND

The following persons were Trustees during the reporting period.

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

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

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

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

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

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

12. ECONOMIC DEPENDENCY

The 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. The Trustees consider, however, that in the event that the support provided by the Department of Defence was fully or partly withdrawn, the RANRTF is in a position that it could continue to provide benefits, although likely at a reduced level, to eligible persons.

13. SEGMENT REPORTING

The Fund operates across Australia and 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.

14. AVERAGING STAFFING LEVELS

	2015	2014
The average staffing levels for the Fund during the year were	2.5	3

15. FINANCIAL INSTRUMENTS

15a. Categories of Financial Instruments

	2015	2014
	\$	\$
Financial Assets		
Loans and Receivables		
Cash at bank	1,116,592	2,184,509
Loans and other receivables	3,706,678	2,542,696
Carrying amount of financial assets	<u>4,823,270</u>	<u>4,727,205</u>

15b. Net Income from Financial Assets

Loans and other receivables		
Interest revenue from investments	40,053	50,889
Loan administration fees	73,740	55,070
Loan interest	376,984	309,360
Loss on initial recognition of loans and receivables at fair value	(456,025)	(345,442)
Net Gain from Financial Assets	<u>34,752</u>	<u>69,877</u>

15c. 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 \$1,116,592 held with the Australian Defence Credit Union Limited and members' loans outstanding of \$3,706,678.

15d. 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.

15e. 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'.

16. 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

	2015 \$	2014 \$
(a) Expenses		
Employee Benefits	153,424	157,302
Suppliers	68,650	31,536
Loss from initial recognition of loans and receivables at fair value	456,025	345,442
Depreciation, amortisation and impairment of Assets	6,828	16,553
Total	684,927	550,833
(b) Costs Recovered from provision of goods and services to the non- Government Sector		
Goods and Services	363,955	370,227
Total	363,955	370,227
(c) Other External Income		
Bank Interest	40,053	50,889
Loan Interest	376,984	309,360
Total	417,037	360,249
(d) <u>Net Cost/(Contribution) of Income</u>	(96,065)	(179,643)

17. COMPENSATION AND DEBT RELIEF

Departmental:

No payments were made during the reporting period (2013/14 – Nil payments made).