

AUSTRALIA

Services Trust Funds Act 1947

**Royal Australian Navy
Relief Trust Fund**

**Annual Report by the Trustees for the period
1 July 2016 to 30 June 2017**

The Hon Dan Tehan, MP
Minister for Defence Personnel
Parliament House
Canberra ACT 2600

Dear Minister

1. The Trustees of the Royal Australian Navy Relief Trust Fund present the *Annual Report 2016–17* for the year ended 30 June 2017.

Yours sincerely

A handwritten signature in black ink, appearing to read 'BS Wolski', with a stylized flourish at the end.

BS Wolski AM RAN
Rear Admiral
Chair of Trustees
Royal Australian Navy Relief Trust Fund

18 August 2017

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ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND
ANNUAL REPORT FOR PERIOD 1 JULY 2016—30 JUNE 2017

INTRODUCTION

The Trustees, as the Accountable Authority, of the Royal Australian Navy Relief Trust Fund (the Fund) are responsible for the preparation, and providing a copy to the responsible Minister, of this Annual Report on the operations of the Fund for the period 1 July 2016 – 30 June 2017 (the period) under section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The Trustees of the Royal Australian Navy Relief Trust Fund present the Annual Report for the period.

ENABLING LEGISLATION AND PURPOSE

The Fund was established by the *Services Trust Funds Act 1947* (STF Act). The STF Act provides that the Trustees shall apply the Fund to providing benefits for members of the Australian Defence Force (ADF) who have served in, or in association with, the Royal Australian Navy (RAN) and to the dependants of such members.

As part of enabling the Fund to provide a broader range of benefits, in 2013, the Trustees established the ‘Keeping Watch’ program within the Fund to provide for the comfort, recreation or welfare of a person who is currently appointed or enlisted as a Permanent or Reserve member of the RAN. The Fund has received Deductible Gift Recipient status for the ‘Keeping Watch’ program.

The Trustees administer the Fund as a social profit entity to assist current and former members of the Australian Defence Force (ADF) who have served in, or in association with, the RAN and the their dependants of such members (eligible persons). As a social profit entity, the Fund seeks to use available assets to deliver significant value to eligible persons in a timely, relevant, and meaningful manner.

ORGANISATIONAL STRUCTURE

Responsible Minister

The Fund operates within the Defence Portfolio and is responsible to the Minister for Defence Personnel.

The Minister may, by instrument in writing published in the Gazette, authorise the Trustees to administer other property. The responsible Minister did not authorise the Trustees to administer other property during the period.

Ministerial directions and government policy orders

There were no Ministerial Directions made, or Government Policy Orders issued, to the Fund during the period.

Significant non-compliance issues with finance law

Section 17BE of the PGPA Rule require that Commonwealth entities' annual reports must include a statement of any significant non-compliance issues notified to the responsible Minister under paragraph 19(1)(e) of the PGPA Act during the reporting period. During the reporting period there were no non-compliance issues reported.

The Accountable Authority

The Trustees of the Fund are the Accountable Authority and are appointed by the Minister. The Trustees are not employees of the Fund and the Fund does not provide the Trustees with any form of remuneration for their service to Fund. All Trustees are involved in the management and administration of the Fund and therefore considered executive members of the Accountable Authority. The Trustees of the Fund meet at least four times in each 12-month period.

Trustees at end of period

As at 30 June 2017 the Trustees of the Fund, their qualifications and experience, and meeting attendance are as follows:

Chair:	Rear Admiral Brett Wolski, AM, RAN
Experience / Qualifications:	Bachelor of Arts and 31 years experience as a member of the RAN with extensive experience in workforce management and governance
Meeting Attendance:	Attended all meetings during the period
Member/Secretary:	Lieutenant Commander Susan Harris, RAN
Experience / Qualifications:	Masters of Business (Human Resources), Masters of Management (Governance), Bachelor of Arts, 23 years experience as a member of the RAN
Meeting Attendance:	Appointed 29 February 2016 - attended three of the four meetings during the period
Member/Deputy Chair:	Captain Lisa Batchler, RAN
Experience / Qualifications:	Master of Management (Defence Studies), Bachelor of Science, Graduate Diploma of Management, Graduate Certificate in Maritime Studies, Fellow of the Chartered Institute of Transport and Logistics, Graduate of the Australian Institute of Company Directors, and 29 years experience as a member of the RAN
Meeting Attendance:	Attended all meetings during the period

Member: Commander Leigh Kisnorbo, RAN
 Experience / Qualifications: Master of Military and Defence Studies, Master of Business, Bachelor of Science, Chartered Member of the Chartered Institute of Transport and Logistics, and 27 years experience as a member of the RAN

Meeting Attendance: Attended two of the four meetings during the period

Member: Lieutenant Commander Tristan Skousgaard, RAN
 Experience / Qualifications: Masters of Military Law, Bachelor of Laws (Honours), Bachelor of Business (Human Resource Management), Graduate Diploma in Military Law, Graduate of the Australian Institute of Company Directors, five years experience as a private legal practitioner, 11 years experience as a member of the RAN

Meeting Attendance: Attended all meetings during the period

Member: Commander Peter Downton, CSC, RAN
 Experience / Qualifications: Master of Systems Engineering, Master of Business Administration, Bachelor of Engineering (Honours), Graduate Diploma in Electronic Control Systems, Associate Diploma in Management, Fellow and Chartered Professional Engineer with Institute of Engineers Australia, Member of International Association of Contract and Commercial Management, Graduate of the Australian Institute of Company Directors, and 33 years experience as a member of the RAN

Meeting Attendance: Appointed 01 Jun 2017- attended one of one meeting following appointment

Member: Warrant Officer Scott Brown
 Experience / Qualifications: Graduate Certificate in Maritime Studies, and 39 years experience as a member of the RAN

Meeting Attendance: Attended all meetings during the period

Previous Trustees during the period

During the period, one Trustee resigned. The details of this Trustee of the Fund, his qualifications and experience, and meeting attendance are as follows:

Member: Commander Alexander Gillett, RAN
 Experience / Qualifications: Bachelor of Arts and 21 years experience as a member of the RAN
 Meeting Attendance: Resigned 1 June 2017 - attended one of two meeting prior to resignation

Administrative support, structure and locations

The Fund's Principal Office is located in Canberra in the Australian Capital Territory. The Principal Office is staffed by two full-time personnel (one Australian Public Servant (APS) and one RAN permanent member). A member of the RAN in each Ship and Establishment wherever located is appointed as a representative of the Fund. The Fund's representative at the Ship and Establishment, having received the application, forwards it the Principal Office for processing and decision by the Trustees or their delegated representative at the Principal Office.

PERFORMANCE

Overview of the Funds Operations

The Trustees, utilising using the Fund's general-purpose assets, provide benefits for eligible persons through the provisions of general purpose interest-free loans of up to \$6,000, special interest-free loans of up to \$5,000, and, in some situations, cash grants for members experiencing unexpected financial hardships or bereavement. A principle-based system is applied in deciding if a member is permitted to borrow money from the Fund for general purpose loans and special loans. The Fund is economically viable for loans and grants; however, the Fund relies on periodic contributions from the RAN Central Canteens Fund (RANCCF) to continue to maintain the level of grants and interest-free loans.

In addition, the Trustees utilise the assets donated to the Keeping Watch program to provide grants for the comfort, recreation or welfare of a person who is currently appointed or enlisted as a Permanent or Reserve member of the RAN. The Trustees are working to ensure the long-term viability of the Keeping Watch program by seeking to grow the assets base, while ensuring the assets are appropriately used.

Overall Financial Position

The Fund's Audited Financial Statements, including the independent Audit Report, are at Appendix A.

A comparison of the assets and liabilities for the Fund for the years ended 30 June 2017 and 30 June 2016 is as follows:

<i>The Fund's Assets</i>	<i>At 30 June 2017</i> \$	<i>At 30 June 2016</i> \$
Invested and Working Capital	1,431,362	1,139,717
Loans and Other Receivables	3,832,877	3,801,324
Total Assets	5,264,239	4,941,041
Net Assets	5,264,239	4,941,041

Summary of Benefits Provided

The following benefits were provided by the Fund during the period:

Loans

During the period, 2,346 loans were made compared to 2,491 in the previous period (1 July 2015 – 30 June 2016) and, as a result, the total amount of the loans decreased from \$9.4m in the previous period to \$9.1m.

The breakdown of loans made in the year ended 30 June 2017 and 30 June 2016 is as follows:

<i>Nature</i>	<i>Loans Made</i>		<i>Percentage of Cases</i>	
	Year ended 30 Jun 17	Year ended 30 Jun 16	Year ended 30 Jun 17	Year ended 30 Jun 16
General Purpose Loans	1,803	1,931	76.86	77.52
Trainee Loans	24	15	1.02	0.60
Special Loans	12	15	0.51	0.60
Christmas Loans	507	530	21.61	21.28
TOTALS	2,346	2,491	100.00	100.00

Expenditure on loans in the years ended 30 June 2017 and 30 June 2016 was as follows:

<i>Nature</i>	<i>Year</i>	
	Year ended 30 Jun 17	Year ended 30 Jun 16
	\$	\$
General Purpose Loans	8,514,387	8,822,951
Other Loans	90,695	53,443
Christmas Loans	505,790	530,000
TOTALS	9,110,872	9,406,394

Grants

During the period 19 grants (17 from funds held in Keeping Watch and two from other funds held by the Fund) totalling \$63,325 were made to assist serving members and their dependants.

Annual Performance Statement

In the 2016/17 Corporate Plan for The Royal Australian Navy Relief Trust Fund the Trustees determined that the intended result of the Fund was to provide benefits to eligible persons in a timely, relevant, and meaningful manner.

Feedback from recipients of benefits, Commanding Officers, Personnel Officers and others who are involved in managing and/or administering recipients of Fund benefits indicates that the Fund is providing meaningful and relevant benefits to eligible personnel in a timely manner. However, on some occasions loans approval process may be delayed due to incomplete or insufficient information being provided through loan application.

Furthermore, feedback indicates that the Fund should continue to raise awareness about its products and services. The Full Annual Performance Statement is at Appendix B.

Significant Activities and Changes Affecting the Fund during the period

There have not been any significant activities or changes that have occurred during the reporting period that have significantly affected or may significantly affect the Fund and its operations.

Outlook for Future

The key objective for the Fund is to manage its financial operations in a manner that will provide a moderate cash growth in order to continue to provide relevant products to eligible personnel. The Trustees of the Fund review the products regularly to ensure that these meet the contemporary needs of RAN members. Achievement of this strategy will be by management of the administrative fees and cash flow of the Fund to ensure that sufficient cash reserves are available to service the demand for loan and grant products.

OTHER MATTERS

Main Corporate Governance Practices

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) obliges all Commonwealth officials to apply sound governance practices and procedures in their day-to-day work.

Governance is the set of responsibilities and practices, policies and procedures exercised by the Trustees to provide strategic direction and ensure that objectives are achieved, risks are managed and resources are used responsibly and with accountability. The key governance documents include:

- a. ***RANRTF Corporate Plan***. The Corporate Plan sets out the Funds purposes, as defined by the PGPA Act, and describes the activities to be undertaken and intended results to be delivered. The plan has a four-year outlook, is updated at least annually and is published in the public domain.
- b. ***RANRTF Annual Report, including Annual Performance Statements***. The Fund's annual report is a principal formal accountability mechanism between the Fund and the Minister, and is a requirement of the PGPA Act. The annual report provides an important historical record of what the Fund did during the period.
- c. ***Accountable Authority Instructions (AAIs)***. The AAIs enable the Trustees as the accountable authority to meet their general duties by setting out appropriate controls and directions for officials especially in relation to the proper use and management of the public resources for which they are responsible (section 15 of the PGPA Act), and maintaining appropriate system of internal control including measures for ensuring that officials comply with the finance law (section 16 of the PGPA Act).

- d. ***Risk Management Plan (RMP)***. The Fund adopts Commonwealth and Defence best practice for risk management and fraud control to meet obligations to members, the RAN and the Australian Government. RMP outlines the Trustees' approach and oversight of risk management of the Fund in alignment with the *RANRTF Corporate Plan* and provides:
- i. transparency of risk management within the Fund;
 - ii. a structure to draw out accountabilities and responsibilities of risk within the Fund; and
 - iii. collective frame that articulates accountabilities and responsibilities for risk shared with other entities.

Day-to-Day Operations of the Fund

The Principal Office staff manage the day-to-day operations of the Fund. In the first instance, applications for loans are checked by the Ship or Establishment representative of the Fund and forwarded to the Principal Office. The Principal Office staff then validate the application in accordance with the Business Rules, and return for correction if not in accordance with the requirements. Special Loans require additional supporting documentation and are staffed by the Principal Office then referred to the Board of Trustees for consideration.

The Audit Committee conducts a quarterly Trustee Audit to validate the loan process and ensure that all relevant rules have been followed. In addition, the Ship or Establishment representative conducts a sample check of receipts to validate that the loans have been utilised for the intended and approved purchases.

On an as required basis, and most recently when the criteria for the General Purpose was broadened, a sample audit is conducted to validate that the loans are being used for the intended purpose. Ad hoc audit activities are undertaken based on an assessment of the likelihood of misuse and the monitoring of loan applications by the Principal Office and the Trustees.

The Trustees and Principal Office staff conduct briefings to courses for Ship and Establishment representatives and Commanding Officers to ensure that they are aware of their responsibilities in administering the activities of the Fund. In addition, the Trustees are available to answer queries and provide advice to Commanding Officers when dealing with unusual situations which may be assisted by a loan or grant.

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 comprises three (3) members (one Trustee and two independent members) appointed by the Board 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 Fund are protected, and the efficient and effective delivery of services to RAN personnel is maintained.

Related Entity Transactions

In accordance with the STF Act, a person who is a Trustee or a dependant of a Trustee of any fund shall not receive benefits from the Fund. During the period there were no related entity transactions.

Judicial Decisions and Reviews by Outside Bodies

There were no judicial or administrative tribunal decisions made during the period that have had, or may have, a significant effect on the operation of the Fund.

There were no reports on the Fund during the period from the Auditor-General (other than a report under section 43 of the PGPA Act), a committee of the Parliament, the Commonwealth Ombudsman or the Office of the Australian Information Commissioner.

Indemnities and Insurance Premiums

The Fund holds insurance with the Australian Government's self-managed insurance fund, COMCOVER for risks including Directors' and Officers' Liability, Fraud and Fidelity, General Liability and Personal Accident. The Trustees are not aware of any incident occurring, a claim being made, or any circumstances that are likely to give rise to a claim.

Environmental Performance

The *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) requires agencies to refer any action likely to have a significant impact on the environment. The Fund did not refer any action for formal consideration under the EPBC Act.

Work Health and Safety

The Trustees and all those who assist the Trustees are either members of the RAN or the APS, and undertake their duties as part of their service in the RAN or employment in the APS. The Fund utilises the Department of Defence work health and safety protocols, security, training, welfare, reporting and other systems to ensure the health and safety of the Trustees and those who assist the Trustees. The Trustees are not aware of any notifiable incidents that arose out of the operations of the Fund.



INDEPENDENT AUDITOR'S REPORT

To the Minister for Defence Personnel

Opinion

In my opinion, the financial statements of the Royal Australian Navy Relief Trust Fund for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements 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 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Royal Australian Navy Relief Trust Fund, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Trustees;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Royal Australian Navy Relief Trust Fund in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2017 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

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

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Royal Australian Navy Relief Trust Fund, the Trustees 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 – Reduced Disclosure Requirements and the rules made under that Act. The Trustees are also responsible for such internal control as the Trustees determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Royal Australian Navy Relief Trust Fund's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Trustees are also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

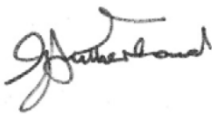
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Garry Sutherland
Audit Principal
Delegate of the Auditor-General
Canberra
18 August 2017

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND**STATEMENT BY TRUSTEES**

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

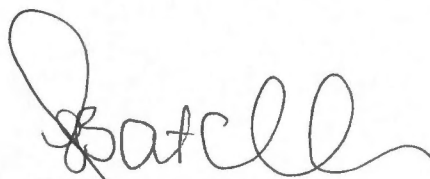
In our opinion, at the date of this statement, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



BS Wolski AM RAN
Rear Admiral
Chair of Trustees
Royal Australian Navy Relief Trust Fund

18 August 2017



LJ Batchler RAN
Captain
Deputy Chair
Royal Australian Navy Relief Trust Fund

18 August 2017

ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2017**

	Notes	2017 \$	2016 \$
EXPENSES			
Employee Benefits	1.1a	156,841	155,595
Supplier	1.1b	21,316	30,411
Grants	1.1c	63,825	41,489
Write-down and Impairment of Assets	1.1d	8,660	9,347
Losses from Loan Re-measurement	1.1e	538,296	554,918
Total expenses		788,938	791,760
LESS:			
OWN-SOURCE REVENUE			
Sale of Goods and Rendering of Services	1.2a	87,890	93,440
Interest	1.2b	578,582	533,613
Contributions and Other Sources	1.2c	288,823	126,883
Resources Received Free of Charge	1.2d	156,841	155,595
Total own-source revenue		1,112,136	909,531
Net contribution by services		323,198	117,771
Total Comprehensive Income		323,198	117,771

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 2017**

	Notes	2017 \$	2016 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	2.1a	1,431,362	1,139,717
Loans and other receivables	2.1b	3,832,877	3,801,324
Total financial assets		5,264,239	4,941,041
Total assets		5,264,239	4,941,041
Net assets		5,264,239	4,941,041
EQUITY			
Retained Surplus		5,264,239	4,941,041
Total equity		5,264,239	4,941,041

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 2017**

	Note	Retained Earnings		Total Equity	
		2017 \$	2016 \$	2017 \$	2016 \$
Opening Balance					
Balance brought forward from previous period		4,941,041	4,823,270	4,941,041	4,823,270
Comprehensive Income					
Surplus for the year		323,198	117,771	323,198	117,771
Total Comprehensive Income		323,198	117,771	323,198	117,771
Closing Balance as at 30 June		5,264,239	4,941,041	5,264,239	4,941,041

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 2017**

	Note s	2017 \$	2016 \$
OPERATING ACTIVITIES			
Cash received			
Repayments from members		9,095,088	9,249,566
Interest		578,582	533,613
Administration Fees		87,890	93,440
RANCCF Contribution		135,080	48,327
Donations		153,743	76,021
Bad debts Recovered		2,241	1,975
Other		-	12,273
Total cash received		10,052,624	10,015,215
Cash used			
Loans to members		9,675,837	9,920,191
Grants		63,825	41,489
Audit Fees		15,070	11,000
Other Expenses		6,247	19,410
Total cash used		9,760,979	9,992,090
Net Cash from (used by) Operating Activities		291,645	23,125
Net increase(decrease) in cash held		291,645	23,125
Cash and cash equivalents at the beginning of the reporting period		1,139,717	1,116,592
Cash and cash equivalents at the end of the reporting period	2.1a	1,431,362	1,139,717

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

NOTES TO FINANCIAL STATEMENT

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*. 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, or in association with, the Royal Australian Navy and to the dependants of such members.

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

The Trustees administer the Fund as a social profit entity to assist current and former members of the Australian Defence Force (ADF) who have served in, or in association with, the RAN and the their dependants of such members (eligible persons).

As a social profit entity the Fund seeks to use available assets to deliver significant value to eligible persons in a timely, relevant, and meaningful manner.

The Basis of Preparation

The Financial Statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)* for reporting periods ending on or after 1 July 2015; and
- Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements 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.

New 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. All new/revised/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on the Fund's financial statements.

Future Australian Accounting Standard Requirements

No new or revised pronouncements were issued by the Australian Accounting Standards Board prior to the finalisation of the financial statements which are expected to have a material financial impact on the Fund in future reporting periods.

AASB 9 Financial instruments (applicable from the year ending 30 June 2018) represents the first phase of a three-phase process to replace AASB 139 Financial Instruments: Recognition and Measurement. The standard reduces the four categories of financial asset to two: amortised cost and fair value. Given the make-up of the Fund's financial assets (amortised cost items such as loans, receivables, term deposits), the new standard will require a change in accounting treatment of potential credit losses (i.e. moving from "as incurred" impairment to an "expected loss model"). The Fund is unable to quantify the impact of this change on its accounts at this stage.

Other new standards, revised standards, interpretations or amending standards that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a future material impact on the Fund's financial statements.

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.

Events After the Reporting Period

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the Fund.

FINANCIAL PERFORMANCE

This section analyses the financial performance of the Fund for the year ended 2017.

1. Expenses

	2017 \$	2016 \$
1.1a. Employee Benefits		
Wages and Salaries received Free of Charge	156,841	155,595
Total: Employee Benefits	156,841	155,595
1.1b. Supplier		
Comcover	2,161	2,155
System Software Maintenance	1,119	9,636
Advertising	1,008	4,162
Bank Fees	1,456	2,211
Audit Fees	15,070	11,000
Debt Recovery Expenses	502	-
Miscellaneous	-	1,247
Total: Supplier Expenses	21,316	30,411

	2017 \$	2016 \$
1.1c. Grants		
Grants to eligible members	3,500	11,739
Keeping Watch grants to eligible members	60,325	29,750
Total: Grants	63,825	41,489
1.1d. Write – Down and Impairment of Assets		
Bad Debts Written Off	10,901	11,322
Bad Debts Recovered	(2,241)	(1,975)
Total: Write-down and Impairment of Assets	8,660	9,347
1.1e. Losses From Loan Re-measurement		
Loss from initial recognition of loans and receivables at fair value.	538,296	554,918
Total Losses from Loan Re-measurement	538,296	554,918

Accounting PolicyCompetitive 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.

Bad and Doubtful Debts

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

1.2 Own Source Revenue**1.2a. Sale of Goods and Rendering of Services**

Loan Administration Fees	87,890	93,440
Total: Sale of Goods and Rendering of Services	87,890	93,440

Accounting Policy

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the Fund retains no managerial involvement nor effective control over the goods;

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 the reporting period. Allowances are made when collectability of the debt is no longer probable.

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.

1.2b. Interest

	2017	2016
	\$	\$
Interest from Bank Accounts	13,617	19,816
Loan Interest	564,965	513,797
Total: Interest	578,582	533,613

Accounting Policy

Interest revenue is recognised using the effective interest method.

1.2c. Contributions and other Sources

RANCCB Contributions	135,080	48,327
Donations	153,743	76,021
Income from fundraising	-	2,535
Total: Contributions	288,823	126,883

1.2d. Resources Received Free of Charge

Salaries	156,841	155,595
Total: Resources Received Free of Charge	156,841	155,595

Accounting PolicyResources 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.

Financial Position

This section analyses the Fund's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2. Financial Assets**2.1a. Cash and Cash Equivalents**

Cash at Bank	168,338	340,759
Deposit Accounts	1,263,024	798,958
Total: Cash and Cash Equivalents	1,431,362	1,139,717

Accounting Policy

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

- 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.

2.1b. Loans and other Receivables

	2017	2016
	\$	\$
Loans outstanding	3,825,727	3,795,334
Administration fees receivable	7,150	5,990
Total loans and other receivables (gross)	3,832,877	3,801,324
Less impairment allowance	-	-
Total loans and other receivables (Net)	3,832,877	3,801,324

Accounting PolicyLoans 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.

Reconciliation of the Impairment Allowance

Opening Balance	-	-
Amounts written off	10,901	11,322
Amounts recovered and reversed	(10,901)	(11,322)
Closing Balance	-	-

Accounting Policy

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

2.2. Non - Financial Assets**2.2a. Intangibles**

Website development	54,830	54,830
Accumulated Amortisation	(54,830)	(54,830)
Total: Intangibles	-	-

Accounting Policy

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.

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 2017.

People and Relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

3.1 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund directly or indirectly, including any Trustee (whether executive or otherwise) of that Fund. The entity has determined the key management personnel to be Trustees.

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.

The following persons were Trustees during the reporting period:

Rear Admiral BS Wolski, AM, RAN (Appointed 15 July 2014)

Captain LJ Batchler, RAN (Appointed: 25 March 2011)

Lieutenant Commander TPMS Skousgaard, RAN (Appointed 1 December 2011)

Lieutenant Commander SL Harris, RAN (Appointed: 29 February 2016)

Commander PR Dowton, CSC, RAN (Appointed: 01 June 2017)

Commander LV Kisnorbo, RAN (Appointed: 01 September 2015)

Warrant Officer SM Brown (Appointed: 01 September 2015)

Commander AB Gillett, RAN (Resigned: 01 June 2017)

Key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the Fund.

3.2 Related Party Disclosures

Related party relationships:

The entity is an Australian Government controlled entity. Related parties to this entity are Trustees, Key Management Personnel including the Executive, and other Australian Government entities.

Transactions with related parties:

Significant transactions with related parties can include:

- the payments of grants or loans;
- purchases of goods and services;
- asset purchases, sales transfers or leases;
- debts forgiven; and
- guarantees.

Giving consideration to relationships with related parties, and transactions entered into during the reporting period by the Fund, it has been determined that there are no related party transactions to be separately disclosed.

3.3 Resources provided "Free of Charge" to the Fund

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 ADF 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.

Managing Uncertainties

This section analyses how the Fund manages financial risks within its operating environment.

4. Contingent Assets and Contingent Liabilities

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

Accounting Policy

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

5. Financial Instruments

	2017	2016
	\$	\$

5.1a. Categories of Financial Instruments**Financial Assets**

Loans and Receivables

Cash at bank

	1,431,362	1,139,717
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Loans and other receivables

	3,832,877	3,801,324
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Total financial assets

	5,264,239	4,941,041
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Accounting Policy**Financial Assets**

The Fund classifies its financial assets in the following categories:

- 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

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

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.

5.1b. Net Gains (Losses) on Financial Assets

	2017	2016
	\$	\$
Cash and cash equivalents		
Interest revenue from investments	13,617	19,816
Net gain from cash and cash equivalents	<u>13,617</u>	<u>19,816</u>
Loans and receivables		
Loan administration fees	87,890	93,440
Loan interest	564,965	513,797
Loss on initial recognition of loans and receivables at fair value	(538,296)	(554,918)
Net gain from loans and receivables	<u>114,559</u>	<u>52,319</u>
Net Gain from financial assets	<u>128,176</u>	<u>72,135</u>

OTHER INFORMATION

6.1 Insurance

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

6.2 Losses from Loan Re-measurement

In accordance with AASB 139 Financial Instruments: Recognition and Measurement, 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.

6.3 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 Military Bank.

6.4 Economic dependency

The Fund receives economic support from Department of Defence by way of provision of administrative support, computer, communication facilities and office accommodation for the Fund's Principal Office staff. The Trustees consider, however, that in the event that the support provided by the Department of Defence was fully or partly withdrawn, the Fund is in a position that it could continue to provide benefits, although likely at a reduced level, to eligible persons.

6.5 Segment reporting

The Fund operates across Australia and exists to provide support to members of the ADF who have served in, or in association with, the RAN and to the dependants of such members.

6.6 Average staffing levels

	2017	2016
The average staffing levels for the Fund during the year were	2.0	2.5

6.7 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.

APPENDIX B – ANNUAL PERFORMANCE STATEMENT OF THE ROYAL AUSTRALIAN NAVY RELIEF TRUST FUND

The Trustees, as the Accountable Authority, of the Royal Australian Navy Relief Trust Fund (the Fund) present the 2016-2017 Annual Performance Statement of the Fund, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In the Trustees opinion, this Annual Performance Statement is based on properly maintained records, accurately reflects the performance of the Fund, and complies with subsection 39(2) of the PGPA Act.

Purpose of the Fund

The Fund was established by the *Services Trust Funds Act 1947* (the Act). The Act provides that the Trustees shall apply the Fund to providing benefits for members of the Australian Defence Force (ADF) who have served in, or in association with, the Royal Australian Navy (RAN) and to the dependants of such members.

Intended Results

In the 2016/17 Corporate Plan For The Royal Australian Navy Relief Trust Fund the Trustees determined that the intended result of the Fund was to provide benefits to eligible persons in a timely, relevant, and meaningful manner.

Performance Measurement Methodology

The Trustees determined that the Fund's performance in achieving its intended result would be measured through a survey of those who received benefits from the Fund, Commanding Officers, Personnel Officers and others who are involved in managing and/or administering recipients of Fund benefits. As part of this survey, eligible persons were asked to identify additional ways in which the Fund could provide other or greater benefits that are relevant and meaningful.

Actual Results

Feedback from recipients of benefits, Commanding Officers, Personnel Officers and others who are involved in managing and/or administering recipients of Fund benefits indicates that the Fund is providing timely, relevant and meaningful benefits to eligible personnel.

Analysis of Results

Performance Criterion 1 – Timely

Source: Corporate Plan Page 3

Measurement methodology: A survey was forwarded to Commanding Officers, Personnel Officers and others who are involved in managing and/or administering recipients of Fund asking for their assessment of the relevance of the Fund to their personnel

Results: In accordance with the RANRTF Rules and Procedures Manual, and as advertised to local agents, General Purpose loans are processed and paid within three weeks of a correctly completed loan application being received in the Principal Office. In reality, many loans are paid in a shorter timeframe. Special Loans can generally be processed within three working days and, if the situation

is urgent, can be processed and paid within the same day if the Trustees receive all necessary information upon which to make a decision and are available to staff the application. There were no negative comments from the survey regarding timeframes for payments of loans and no suggestions to improve this aspect of the Fund's business.

Analysis: A deliberate decision was made by the Trustees to allow sufficient processing time to account for the workload of the Principal Office and the batching of the General Purpose loans. Actual timeframes for payment of loans are generally well inside the advertised times for most General Purpose loans and the Fund is extremely responsive in staffing requests for Special loans where there is an urgent requirement for the funds.

Performance Criterion 2 – Relevant and Meaningful

Source: Corporate Plan Page 3

Measurement methodology: A survey was forwarded to Commanding Officers, Personnel Officers and others who are involved in managing and/or administering recipients of the Fund asking for their assessment of the relevance and meaningfulness of the Fund's products to their personnel.

Results: Positive responses were received from 7 Commanding Officers and Personnel Officers. The focus of the feedback was on the range of financial products and services provided by the Fund, mainly General Purpose loans. The adoption of the principles based approach, which now enables personnel to borrow money for family holidays, medical expenses, dependents' school fees and other requirements that support the welfare or benefit of the member and their family has received positive feedback from survey respondents. The following comment was made by a recipient of the Fund's product:

'Yes, RANRTF provides members a stress free loan alternative and enables them to purchasing items they might not have normally. RTF offer a wide range of loan products to members'.¹

Analysis: The positive feedback indicates that the products provided by the Fund are relevant and meaningful to the recipients. Most applications are processed in a routine manner with no requirement for involvement or engagement from the Commanding Officer.

Eligibility for the 2016 Christmas Loan was restricted to personnel not already holding a General Purpose or Special Loan in order to manage the demand on the Fund's limited cash reserves. The increased repayment rate for the \$6,000 loan has now stabilised the Fund's cash flow as expected. The Trustees consider that ensuring that funds are available to satisfy the demand for the General Purpose loan, as the Fund's primary product, should be the priority.

¹ Feedback from recipient of General Purpose Loan