
THE
AAF COMPANY
ANNUAL REPORT 2015 - 2016

THE
AAF COMPANY
(as Trustee of the)
ARMY AMENITIES FUND
and
MESSES TRUST FUND

Annual Report

For the period

1 July 2015 to 30 June 2016

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The Secretary
AAF Company
R1-3-A080, PO Box 7901
Department of Defence
CANBERRA BC ACT 2610

DIRECTORS OF THE

AAF COMPANY

Brigadier **L.S WILTON** (Chair)

*

Colonel **A.J.HOCKING**

*

Colonel **G.E. MASON**

*

Colonel **M.C.ASCOUGH**

*

Colonel **J.A.KING**

*

Colonel **A.R.FIELDING**

*

Major **M. WYATT, OAM, CSM**

*

Warrant Officer **D. SPINKS**

*

Warrant Officer D.A. **GALLOWAY**

*

Mr **G.E. WARNER**

Secretary: Ms **L.D. JOHNSTONE**

Assistant Operations Officer: Mrs **D.L. Perry**

Table of Contents**Page No.**

Directors of the AAF Company	1
Table of Contents	2
Directors Report of Operations	3-10
Annual Performance Statement	11-14
Audit Report	15-17
Directors' Statement	18
Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
Consolidated Statement of Financial Position	20
Consolidated Statement of Changes in Equity	21
Consolidated Cash Flow Statement	22
Note 1: Statement of significant accounting policies	23-26
Note 2: Events after reporting period	26
Note 3: Own Source Revenue	27
Note 4: Expenses	28
Note 5: Fair value measurements	29
Note 6: Financial Assets	30-31
Note 7: Non-financial Assets	32-35
Note 8: Payables	36
Note 9: Provisions	36
Note 10: Cash flow reconciliation	37
Note 11: Contingent liabilities and assets	38
Note 12: Related party disclosures	38
Note 13: Remuneration of auditors	39
Note 14: Financial instruments	40-42
Note 15: Company details	42

AAF COMPANY**DIRECTORS REPORT OF OPERATIONS**

The Hon Dan Tehan MP

Dear Minister

The Directors of the AAF Company have the pleasure in submitting their Report of Operations for the year ended 30 June 2016.

Enabling Legislation and Responsible Minister

The AAF Company was incorporated on 17 July 1987 to administer the assets of the Army Amenities Fund and is subject to the Corporation Act 2001.

The AAF Company operates within the Defence portfolio, reporting to the Minister for Defence Personnel (the Minister), as at the time of this report.

During the period under review, the AAF Company also reported to the Hon Stuart Robert MP, Hon Darren Chester MP and the Hon Michael McCormack MP.

Public Governance, Performance and Accountability Act 2013

The AAF Company 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 AAF Company 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.

Ministerial Direction**Statement of Expectation**

In a letter to the Chairman of Trustees dated 27 May 2009, the then Minister for Defence Science and Personnel, the Hon Warren Snowdon MP, provided the following Statement of Expectations for the Board's guidance in the performance of its functions:

This Statement of Expectations formally outlines my expectations concerning the operations and performance of the AAF Company.

The Government's vision for the AAF Company is that it will successfully manage, promote and support the Army Amenities Fund and the Messes Trust Fund.

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

My expectations for the Board are that it will ensure that the AAF Company will:

1. manage the assets of the identified Trusts in a manner which ensures financial independence and long term viability;
2. encourage continuous improvement practices to maximise opportunities that will ensure its long term viability;
3. in response to this Statement of Expectations, provide the Minister with its Statement of Intent;
4. make both Statements publicly available;
5. provide the Minister with its quarterly and annual financial and compliance reports, with copies to be provided to the Secretary for Defence, the Chief of the Defence Force and the Chief of Army;
6. adopts best practice governance principles and implement risk management strategies as determined by the Commonwealth, as appropriate for the operation of small agencies;
7. identify and manage all actual and perceived conflicts of interest, promptly advising the Minister of any significant issues as they arise; and
8. demonstrate its compliance with appropriate government policy and directions.

Statement of Intent

This statement outlines the Board of Directors of the AAF Company (as trustee of the Army Amenities Fund) intent concerning the operations and performance of the AAF Company, as detailed in the Minister's Statement of Expectation.

The Board of Directors, through the Chairman, will also ensure that the Minister is kept fully informed of any significant event or issue that may impact the operations of the AAF Company and all communication provided to the Minister will be forwarded, in parallel, to the Department of Defence.

The Board of Directors of the AAF Company, through the Chairman, will:

1. manage the assets of the AAF Company in a manner which ensures financial independence and long term sustainability;
2. encourage continuous improvement practices to maximise opportunities that will ensure its long term sustainability;
3. in response to the Statement of Expectations, provides this Statement of Intent and make both statements publicly available;
4. provide the Minister with quarterly and annual financial and compliance reports, with copies to be provided to the Secretary for Defence, the Chief of the Defence Force and the Chief of Army;
5. adopt best practice governance principles and implement risk management strategies as determined by the Commonwealth, as appropriate for the operation of small agencies;

6. identify and manage all actual and perceived conflicts of interest, promptly advising the Minister of any significant issues as they arise; and
7. demonstrate compliance with appropriate government policy and directions.

Organisational Structure

The AAF Company is a Commonwealth Company within the GGS and is managed by the Board of Directors, appointed by the Chief of Army and the Chair. Secretariat support is performed by shared APS staff. The AAF Company head office is located in Canberra, ACT.

Review of Operations and Future Prospects

Operations were in accordance with the AAF Company statutory objects and comprised of the provision of discounted holiday accommodation for Army members, their families and other eligible persons and to provide financial support to Units to assist in the provision of amenities to Army members. There were no significant changes in the AAF Company state of affairs or principal activities during the financial year.

In the opinion of the Directors, 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 AAF Company operations, the results of those operations, or the AAF Company's state of affairs in future financial years after this financial year.

Reviews by Outside Bodies

The AAF Company Annual Reports are subject to review by the Senate Foreign Affairs, Defence and Trade Legislation Committee.

The AAF Company financial statements are subject to audit by the Australian National Audit Office.

Significant non-compliance issues with finance law

Section 17AG and 17BE of the PGPA Rule require that Commonwealth entities' annual report 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 and outline the actions taken to remedy the non-compliance. There have been no non-compliance issues this reporting period.

AAF Company Board of Directors

All members of the Board are appointed by the Chief of Army or Chair. The Board comprises of serving members of the Army and a Defence civilian.

During 2015-2016 the AAF Company Board met four times including the AGM. These meetings were held in Canberra.

Board Member's Attendance at Meetings

Name	Responsibilities	Number of Possible Attendances	Number Actually Attended
Peter Edmond Daniel	Chair 2015	2	2
Leigh Suzanne Wilton	Chair 2016	2	2
Cheryl Pearce	Director 2015	2	2
Gabrielle Maree Follett	Director 2015	2	2
Andrew John Hocking	Director 2016	2	1 *
Grant Ernest Mason	Director 2016	2	2
Mark Christopher Ascough	Director 2016	2	2
Jocelyn Anne King	Director 2016	1	1
Amanda Ruth Fielding	Director 2016	0	0 #
Michelle Wyatt	Director	4	1 *
Donald Garry Spinks	Director	4	3 *
David Alexander Galloway	Director 2016	2	1 *
Kate Victoria Radcliffe	Director / Chair Audit Committee 2015	2	2
Grant Eric Warner	Director / Chair Audit Committee 2016	2	2

Appointed after June meeting.

* Absences due to primary Army work commitments.

Current Directors of the AAF Company

Brigadier Leigh Wilton graduated from the Royal Military College, Duntroon, to the Royal Australian Army Ordnance Corps (RAAOC) in 1991. Her early appointments included regimental and staff positions as a supply officer and as a project manager involved in the enhancement of the Standard Defence Supply System. Brigadier Wilton's command experience includes a posting as the Officer Commanding Supply Company, 7th Combat Service Support Battalion and, being appointed as the inaugural Commanding Officer/Chief Instructor of the Army School of Ordnance. Brigadier Wilton has held a range of staff appointments at both Lieutenant Colonel and Colonel. She has held positions as the Senior Officer Manager within the Career Management Agency, Directing Staff at both the Australian Command and Staff College (ACSC) and the Centre for Defence and Strategic Studies (CDSS), and as the Chief of Staff for Headquarters 633 - Afghanistan, and Chief of Staff for Army Headquarters.

Brigadier Wilton is a graduate of ACSC and CDSS. She holds a Master of Arts in Strategic Studies, a Master of Management, a Bachelor of Business and a Graduate Diploma in Information Systems. Brigadier Wilton has also completed the Australian Institute of Company Directors Course.

Brigadier Wilton was appointed as the Director General Personnel - Army in 2016.

Colonel Andrew Hocking attended the Australian Defence Force Academy and graduated from The Royal Military College Duntroon in 1993. As an infantry officer he has served in regimental appointments in both Townsville and Darwin, including Battalion command of The First Battalion, The Royal Australian Regiment. Colonel Hocking has seen operational service in East Timor and Afghanistan, including as a Battle Group Commander of Mentoring and Reconstruction Task Force - Two. Other notable postings include two overseas exchanges as an instructor at Sandhurst and as a Plans Branch Chief at United States Pacific Command, a posting to DOCM-A as Career Adviser Infantry and then Senior Career Adviser and a twelve month secondment to the Department of Prime Minister and Cabinet as a Defence Policy Adviser.

Colonel Hocking has a Bachelor of Science (Maths and History) and a Masters of Management (Defence Studies) and is a Graduate of the Australian Institute of Company Directors.

Colonel Grant Mason is a graduate and member of the Australian Institute of Company Directors and holds a Masters in Business Administration (Executive) from the Australian Graduate School of Management (UNSW). Grant read History and Politics at the UNSW (Canberra) and also holds a Diploma of Management in Defence Studies and a Graduate Diploma in Operations Management and a Associate Diploma in Vocational Studies. The AAF Company is Grant's first NED appointment.

Colonel Mark Ascough, CSC, joined the AAF Company Board in January 2016. Colonel Ascough graduated from the Royal Military College – Duntroon in 1996 and has served in a range of Army regimental and staff appointments including operational service in East Timor and Afghanistan.

Colonel Ascough is a graduate of the UNSW Canberra having completed an History Honours Degree in 1997, Deakin University and Kings College, London University having been awarded Masters of Arts in International Relations and Defence Studies from those respective institutions in 2003 and 2009 respectively. Colonel Ascough is a Graduate of the Australian Institute of Company Directors and the AAF Company is his first board appointment.

Colonel Jocelyn King has served in the Australian Army since 1990 and is currently appointed as the Director of Soldier Career Management-Army within the Career Management Agency. She joined the Australian Regular Army in 1995, following a period of service as an Army Reservist while completing university studies in Western Australia. She graduated from the Royal Military College into the Royal Australian Army Medical Corps in 1996.

Throughout her career, Colonel King has completed a broad range of regimental, administrative and training appointments. She has worked in health and logistic units, as well as completing staff officer roles at the Australian Defence College and Army Headquarters. She completed Australian Command and Staff College in 2008 and unit command as the Commanding Officer of the Army School of Health from 2011-2013.

Colonel King's operational service has included deployments to Operations MAZURKA, SOLOMON ASSIST and SLIPPER. She was awarded a DCJOPS Commendation for her role as Officer-in-Charge of the Army Health Team that responded to the Solomon Islands Tsunami in 2007. For her work as the Deputy CJ4 and Deputy Support on the US-led Headquarters Regional Command-South (Afghanistan) in 2014, she was awarded the NATO Meritorious Service Medal.

Colonel King holds a Bachelor of Arts (Law and Industrial Relations) from the University of Western Australia, a Master of Management Studies (Human Resource Management) from the University of New South Wales and a Master of Arts (Strategy and Management) from the University of New South Wales.

Colonel Amanda Fielding has been in the Australian Regular Army for 24 years having trained at both the Australian Defence Force Academy and the Royal Military College of Australia. The majority of her career has been spent in supply and logistics appointments, mainly in combat service support units, supporting the Australian Army's 3rd Brigade. She has also worked as a Logistic Planner at Headquarters Joint Operations Command and as the Chief of the ISAF Redeployment Cell in Afghanistan.

She has personnel policy and training experience, having spent time working at Defence Force Recruiting, as an instructor at the Royal Military College - Australia and in Army career

management. She has also assisted in facilitating Flexible Work Arrangements workshops for the Australian Regular Army and she has completed the Australian Chief Executive Women's Program. Her command experience includes time as a Platoon Commander, Officer Commanding and most recently as the Commanding Officer and Chief Instructor of the Army School of Ordnance. While in command, she also undertook the duties of the Deputy Head of Corps for the Royal Australian Army Ordnance Corps.

COL Fielding has operational experience in East Timor, Iraq and Afghanistan. She has recently completed her second tour of Afghanistan, this time as the Senior Gender Advisor for the NATO led Resolute Support Mission, working directly to Commander Resolute Support. COL Fielding currently works as the Gender Advisor to the Australian Defence Force's, Chief of Joint Operations.

She has a Bachelor of Arts majoring in Politics and Geography and a Master of Arts in Strategic Policy and Management.

Major Michelle Wyatt OAM, CSM, enlisted into the Australian Regular Army as a Nursing Assistant in the Royal Australian Army Nursing Corps on the 2 February 1984. She has served in a variety of trade, instructional and staff positions through out her career to date. Significantly, as the Training Development Officer for the health services where she was awarded a Training Commanders Commendation in 2001, and as the Health Services Career Adviser at the Soldier Career Management Agency in 2002 / 2003. Her first appointment as a Regimental Sergeant Major was at the 3rd Health Support Battalion in 2004. Major Wyatt deployed on Operation PAKISTAN ASSIST as the Regimental Sergeant Major for JTF 632 in November 2005, for which she was honoured with a Conspicuous Service Medal in the 2007 Queen's Birthday Honours. In 2014, Major Wyatt was further honoured with a Medal of the Order of Australia.

Major Wyatt commissioned as an Officer in the Royal Australian Army Medical Corps in January 2015 and took up her current position as the Employment Category Manager for Health at ALTC.

Major Wyatt holds Diplomas in Training and Development, Health Administration and Human Resources as well as a Certificate IV in Training and Education. She is currently undertaking a Bachelor of Training and Development at the University of New England part time. A graduate of the Institute of Company Directors, Major Wyatt has been a Director on the Board of the Army Amenities Fund since 2013.

Warrant Officer Donald Garry Spinks, OAM, was born, raised and educated in the Upper Hunter Valley, New South Wales. He enlisted in the Australian Regular Army in January 1979. Warrant Officer Spinks' Regimental Sergeant Major appointments include the 2nd Cavalry Regiment, Multi National Force and Observers - Sinai Egypt in 2004, Royal Australian Armoured Corps, 1st Brigade in 2008-2009 and Joint Task Force 633 on Operation Slipper in 2010. In 2011, he was appointed Command Sergeant Major Forces Command – Army. In January 2007 he was awarded the Medal for the Order of Australia for meritorious service to the Royal Australian Armoured Corps and to the Multi-National Force and Observers - Sinai. He commenced his appointment as the 10th Regimental Sergeant Major of the Australian Army on 9 July 2015.

He is a graduate of the Australian Institute of Company Directors 2015 (Not for Profit Course). Throughout his military career he has held numerous committee appointments for Army Messes, to include President of the 1st Brigade Sergeant Mess on two occasions.

Warrant Officer Class One David Galloway has served in the Royal Australian Infantry Corps since his enlistment in the Australian Regular Army in 1982. His service in the Royal

Australian Regiment has been with the 8th/9th, 2nd/4th, and the 2nd Battalions. He has also served with the North West Mobile Force, the 5th/6th Battalion the Royal Victoria Regiment, and the 51st Battalion the Far North Queensland Regiment. Warrant Officer Galloway has instructed recruits at the First Recruit Training Battalion; soldiers on promotion courses for Corporal and Sergeant; Officers at the Officer Cadet School of New Zealand, and United States Marines in Twenty Nine Palms, California. He has also completed the Foundation Studies and Single Service component of the Australian Command and Staff College.

Warrant Officer Galloway has deployed on Active Service to Rwanda, East Timor, and Afghanistan. In January 2015 he was appointed as the Command Sergeant Major of Forces Command in Sydney.

Mr Grant Warner has worked in Commonwealth Departments as an Australian Public Servant since 1990 and has been with the Department of Defence since 2003. Mr Warner is currently the Deputy Director Financial Management -Army. Prior to his current role, Mr Warner was the Deputy Director Asset Accounting (Defence Materiel Organisation) from 2003 to 2006. Mr Warner has worked in financial accounting and reporting roles in the Australian Customs Service, Department of Immigration and Multicultural Affairs, Department of the Parliamentary Library and the Australian National Audit Office

In January 2016 Mr Warner became a Director and Member of the AAF Company and chairs the Audit Committee. Grant has a Bachelor of Arts (Accounting) and Graduate Diploma (Accounting) from the University of South Australia and is a member of CPA Australia.

Audit Committee

The AAF Company has established an audit committee in accordance with the PGPA Act. The committee is comprised of three members, in accordance with regulations prescribing the minimum composition of audit committees, and meet prior to each Board meeting. The primary objectives of the Audit Committee are:

- improving the effectiveness and efficiency of the AAF Company internal control framework;
- ensuring that the AAF Company has appropriate risk identification and management practices in place;
- improving the objectivity and reliability of financial reporting;
- ensuring that AAF Company has adequate procedures on matters of audit independence; and
- assisting the Board to comply with all governance and other obligations.

The Committee comprised of the following persons:

- Ms Kate Radcliffe - Chair of the Committee (2015);
- Mr Grant Warner - Chair of the Committee (2016);
- Mr Saurabh Singh - Independent member (2015);
- MAJ Wayne Beresford – Independent member (2016); and
- Mr Peter Alomes - Independent member.

Freedom of Information

There was one FOI enquiry received which has been referred on to the Australian Federal Police. Requests for access to AAF Company documents should be directed to the Board of Directors of the AAF Company, R1-3-A080, Department of Defence, CANBERRA, ACT, 2610.

Indemnities and Insurance Premiums for Officers

The AAF Company has coverage with COMCOVER for Association Liability Insurance. The premium paid for financial year 2015-2016 was \$2,222 (GST exclusive). Where applicable, the insurance cover is provided for all Directors, staff and contractors. No indemnity has been provided to an officer against any potential liability for legal costs.

Risk Management and Fraud Control

The Directors have established a risk management and fraud control plan in line with the Commonwealth's endeavours to make risk management an integral part of everyday business practice. The AAF Company does not receive any funding from the Commonwealth and therefore does not need to apply the promulgated *Commonwealth Fraud Control Guidelines* (Guidelines). However, the Directors have adopted the Guidelines as best practice standards for fraud control and have implemented fraud control arrangements commensurate with the AAF Company's activities.

Work Health and Safety

Staffs supporting the operations of the AAF Company are employed by the Commonwealth (Department of Defence) and, as such, fall within the policies and procedures of the Department for WH&S purposes.

CONCLUSION

The Directors are responsible under the PGPA Act for the preparation and content of the report of operations in accordance with *Finance Reporting Rule*. This report of operations is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors.



L.S. WILTON
Brigadier
Chair of AAF Company



G.E. WARNER
Mr
Director, AAF Company

30. September 2015

30 September 2015

ANNUAL PERFORMANCE STATEMENT 2015-16

Introductory statement

We, the Board of Directors of the AAF Company, as the Accountable Authority of the Fund present the Annual Performance Statement 2015-16. The reporting of the actual performance of companies in the annual report against the planned performance information outlined in their corporate plans is an important part of the Commonwealth's performance framework, established under the PGPA Act.

In our opinion, this Annual Performance Statement is based on properly maintained records, and accurately reflects the performance of the AAF Company.

AAF Company purpose

The purpose of the AAF Company is to provide amenity and related services to Army members and their families not normally provided at Departmental level.

The AAF Company continually achieves the purpose through; amenity grants and loans, affordable holiday accommodation for Army members and other eligible persons, and sound financial management for self sustainment.

Results

Amenity related services

<p><i>Performance criterion</i> Provide financial assistance to fund local amenity initiatives.</p>
<p><i>Criterion source</i> Corporate Plan 2015-16. Activity 1</p>
<p><i>Results against performance criterion</i></p> <ol style="list-style-type: none"> 1. During the reporting period 10 new grant bids were received from units, with 8 being funded to a total of \$25,353. The grants ranged from \$500 up to \$15,000 and overall were well within available funds. The decrease from previous year 2014/15 \$54,855 is mainly attributed to the individual grant amounts being of lesser value. The intention is to promote the availability of amenity funds to ensure future funding of the grant bids. 2. Sponsorship recognition of assistance provided through Army Amenities Fund is used for marketing purposes. The Army Amenity Funds logo is supplied for this purpose and units have used the logo by various means i.e. T-shirts, plaques or flyers. There was also recognition in a local newspaper article of the sponsors for Army participants in a high profile 'adventure training' activity. 3. For this reporting period funds have mainly been used to help sponsor the amenity costs for a number of sporting or adventure training activities, a commercial fridge for an Army social club facility and sponsorships for two events attended by Army members and their families.

Holiday facilities

<p><i>Performance criterion</i> Provide economically priced quality accommodation for occupation by eligible persons through Company holiday properties.</p>

Criterion source Corporate Plan 2015-16. Activity 2.1			
Results against performance criterion			
1. Holiday accommodation properties are to be self-sustaining and achieve at least a cash break even outcome. For 2015-16 reporting period a total cash profit of \$18,781 (2014-15 loss -\$16,523) has been achieved. Coogee and Docklands have seen an increase in revenue while Goolwa remains unchanged this period.			
2. Occupancy levels: during the reporting period have performed well against their targets. Docklands has exceeded expectations and is continually booked out months in advance. The highest occupancy level continues to be attributed to Army compared to other Services and eligible persons – see below table.			
Location	Target %	Actual %	Army%
Coogee	65	63	53
Goolwa	60	61	60
Docklands	60	86	45
Kalbarri	60	n/a *	n/a *
3. Bookings: during this reporting period 40% of bookings came from Army's members. When looking at the individual facilities Army has the highest level of bookings compared to other services, civilians and retired/others; Army members were 46% at Coogee, 33% at Goolwa and 43% at Docklands respectively. * Sold in Sept 2015			

Performance criterion Maximise the holiday accommodation profile potential for Army
Criterion source Corporate Plan 2015-16. Activity 2.2
Results against performance criterion
1. In September 2015 the last unit in Kalbarri sold for \$128,000 (slightly under the fair value \$130,000). The sale finalised the Company's objective to move away from regional facilities in WA to the popular model of quality accommodation in population centres such as Docklands.
2. As at 30 June 2016 an adjustment for fair value (market value) saw an increase for Coogee and Docklands. Though, Goolwa property market remained unchanged. The current value for Land and Building is \$4,063,499 (2014-15 \$3,868,444)

Management

Performance criterion Through the use of sound management practices conduct the business activities of the Fund to meet current and future operational objectives

Criterion source Corporate Plan 2015-16. Activity3.1
Results against performance criterion <ol style="list-style-type: none"> 1. All statutory lodgement timeframes were met within the reporting period. 2. Any other requirement under the Corporation ACT 2001 (Cth), PGPA Act 2013, WH&S ACT, Australian Accounting Standards and AAF Constitution as well as The Australian Securities and Investments Commission and Australian Charities and Not for Profit Commission have been met within the reporting period.

Performance criterion Develop a Risk Management and Fraud Control Plan
Criterion source Corporate Plan 2015-16. Activity3.2
Results against performance criterion <ol style="list-style-type: none"> 1. The Board endorsed Risk Management and Fraud Control Plan dated March 2015 was deemed as still current during the reporting period and will be reviewed late 2016 by AAF Company's Audit Committee.

Finances

Performance criterion Conduct the financial activities of the Fund, using sound financial management practices in accordance with Australian Accounting Standards.
Criterion source Corporate Plan 2015-16. Activity4.1
Results against performance criterion <ol style="list-style-type: none"> 1. The financial position of the Army Amenity Fund remains very strong. Reporting a net worth of \$12,476,247 (2014-15 \$12,199,935) 2. Tariffs were reviewed against local commercial rental rates in June 2016 and the Directors agreed to increase Coogee and Docklands as at 1 July 2016. These rates still meet the Not-for-Profit requirement to be less than 75% of like commercial accommodation. 3. The Company's insurance policy is held with Comcover and is renewed annually. 4. The ANAO successfully completed the audit on the reporting periods Financial Statements and the Independent Auditor's Report forms part of the Annual Report.

Performance criterion Monitor investment options to ensure optimum returns from investments
Criterion source Corporate Plan 2015-16. Activity4.2
Results against performance criterion <ol style="list-style-type: none"> 1. The investment portfolios, Fiducian and Asgard, currently total \$8,289,975. The

past reporting period has seen a volatile market leaving the end result of a capital loss -\$265,934. This loss has been reduced by sound investment strategies and by reinvesting dividend income resulting in the period reporting a capital increase of \$154,871 plus a \$100,000 cash transfer.

2. 'Administrative' component of investment portfolio is to generate sufficient income to fund loans and grants and 'normal' operations. Asgard's overall gain in capital was \$58,856. Although funds were not required to be drawn, the gain was close to covering 'normal' head office operating costs \$35,395 and grants \$25,353.
3. 'Growth' component is expected to generate a positive return and is to be invested at the direction of the Board. During this reporting period Fiducian's capital investment increased by \$154,872 plus the \$100,000 cash transfer. There was no decision by the Board to withdraw funds to inject into the property portfolio during this period.

Analysis of performance against purpose

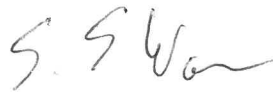
The contributing factors that have enabled the performance of the Company to achieve its purpose as set out in its Corporate Plan 2015-16 are:-

- a. the delivery of its activities through the Secretariat using the guidance and decisions of the Board, and the Audit Committee ensuring the intended results were achieved and performance indicators met.
- b. the Company's self sustainment was achieved through rental revenue from the holiday accommodation and investments income.
- c. the environment that Company operates in did not experience any significant changes.



L.S. WILTON
Brigadier
Chair of AAF Company

30 September 2015



G.E. WARNER
Mr
Director, AAF Company

30 September 2015



INDEPENDENT AUDITOR'S REPORT

To the members of the Army Amenities Fund Company

I have audited the accompanying financial report of the Army Amenities Fund Company, which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position as at 30 June 2016, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for the year then ended, Notes to and Forming Part of the Consolidated Financial Statements comprising a Statement of Significant Accounting Policies and other explanatory information, and the Statement by the Directors of the consolidated entity comprising the Army Amenities Fund Company and the entities it controlled at the years end or from time to time during the financial year.

Opinion

In my opinion, the financial report of the Army Amenities Fund Company is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Army Amenities Fund Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Directors' Responsibility for the Financial Report

The directors of the Army Amenities Fund Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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 complied with the independence requirements of the *Corporations Act 2001*.

Australian National Audit Office

A handwritten signature in dark ink, appearing to be 'S. Benfield', written in a cursive style.

Sean Benfield
Audit Principal
Delegate of the Auditor-General

Canberra
30 September 2016



Brigadier Leigh Wilton
Chairperson
Army Amenities Fund Company
Department of Defence
Russell Offices R1-3-A080
PO Box 7901
Russell ACT 2601

**ARMY AMENITIES FUND COMPANY FINANCIAL REPORT 2015–16
AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my audit of the financial report of the Army Amenities Fund Company and consolidated entities for the year ended 30 June 2016, to the best of my knowledge and belief, there has been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

Sean Benfield
Audit Principal
Delegate of the Auditor-General

Canberra
30 September 2016

AAF Company

STATEMENT BY THE DIRECTORS

In our opinion, the attached financial statements for the year ended 30 June 2016 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.

The Directors of the AAF Company declare that:

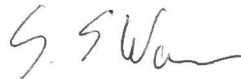
1. The attached consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position of the AAF Company as at 30 June 2016 and of its performance for the year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the AAF Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



L.S. WILTON
Chair and Director

30 September 2016



G.E. WARNER
Director

30 September 2016

AAF Company
Consolidated Statement of Comprehensive Income
for the year ended 30 June 2016

	Notes	Army Amenities Fund		Messess Trust Fund		Consolidated	
		2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
CONTINUING OPERATIONS							
Sale of goods and rendering of services	3A	173,427	133,702	-	-	173,427	133,702
Interest	3B	101	42	16,315	18,058	16,416	18,100
Finance Income	3B	303,214	549,082	-	-	303,214	549,082
Other revenue	3C	75,256	74,357	-	-	75,256	74,357
Net gain on available for sale financial assets	3D	-	373,257	-	-	-	373,257
Total own source revenue		551,998	1,130,440	16,315	18,058	568,313	1,148,498
Employee benefits	4A	75,256	74,357	-	-	75,256	74,357
Supplier	4B	204,146	235,356	-	-	204,146	235,356
Depreciation	4C	87,897	77,396	-	-	87,897	77,396
Net loss on sale of asset	4D	35,139	7,902	-	-	35,139	7,902
Investment Expense	4E	48,771	48,686	-	-	48,771	48,686
Net loss on available for sale financial assets	4F	99,571	-	-	-	99,571	-
Total expenses		550,780	443,697	-	-	550,780	443,697
Profit for the year from continuing operations		1,218	686,743	16,315	18,058	17,533	704,801
OTHER COMPREHENSIVE INCOME							
Items not subject to subsequent reclassification to profit or loss							
Revaluation of land and buildings		275,094	231,311	-	-	275,094	231,311
Other comprehensive income for the year		275,094	231,311	-	-	275,094	231,311
Total comprehensive income for the year attributable to owners of the Company		276,312	918,054	16,315	18,058	292,627	936,112

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

AAF Company
Consolidated Statement of Financial Position
as at 30 June 2016

	Notes	Army Amenities Fund		Messess Trust Fund		Consolidated	
		2016	2015	2016	2015	2016	2015
		\$	\$	\$	\$	\$	\$
ASSETS							
Financial assets							
Cash and cash equivalents	6A	149,757	156,308	674,332	661,350	824,089	817,658
Trade and other receivables	6B	2,220	3,427	4,943	1,610	7,163	5,037
Other financial assets	6C	8,289,975	8,035,103	-	-	8,289,975	8,035,103
Asset held for sale	6D	0	130,000	-	-	0	130,000
Total financial assets		8,441,952	8,324,838	679,275	662,960	9,121,227	8,987,798
Non-financial assets							
Land and buildings	7A	4,063,499	3,868,444	-	-	4,063,499	3,868,444
Plant and equipment	7B	22,912	29,587	-	-	22,912	29,587
Other non-financial assets	7C	5,418	12,686	-	-	5,418	12,686
Total non-financial assets		4,091,829	3,910,717	-	-	4,091,829	3,910,717
Total assets		12,533,781	12,235,555	679,275	662,960	13,213,056	12,898,515
LIABILITIES							
Current liabilities							
Trade payables	8A	37,052	22,187	-	-	(37,052)	(22,187)
Other payables	8B	14,617	8,636	-	-	(14,617)	(8,636)
Total current liabilities		51,669	30,823	-	-	(51,669)	(30,823)
Non-current liabilities							
Employee Provisions	9A	5,865	4,797	-	-	(5,865)	(4,797)
Total non-current liabilities		5,865	4,797	-	-	(5,865)	(4,797)
Total liabilities		57,534	35,620	-	-	(57,534)	(35,620)
Net assets		12,476,247	12,199,935	679,275	662,960	13,155,522	12,862,895
EQUITY							
Reserves		2,455,839	3,416,977	-	-	2,455,839	3,416,977
Retained earnings		10,020,408	8,782,958	679,275	662,960	10,699,683	9,445,918
Total equity		12,476,247	12,199,935	679,275	662,960	13,155,522	12,862,895

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

AAF Company
Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

	Retained earnings			Financial Asset Reserves			Total Equity		
	Army Amenities Fund	Messes Trust Fund	Consolidated	Army Amenities Fund	Messes Trust Fund	Consolidated	Army Amenities Fund	Messes Trust Fund	Consolidated
Balance at 01 July 2015	10,019,190	662,961	10,682,151	2,180,745	-	2,180,745	12,199,935	662,961	12,862,896
	10,019,190	662,961	10,682,151	2,180,745	-	2,180,745	12,199,935	662,961	12,862,896
Other comprehensive income:	-	-	-	-	-	-	-	-	-
Revaluation of assets	-	-	-	275,094	-	275,094	275,094	-	275,094
Profit/(loss) for the year	1,218	16,315	17,533	-	-	-	1,218	16,315	17,533
Total comprehensive income	1,218	16,315	17,533	275,094	-	275,094	276,312	16,315	292,627
Balance at 30 June 2016	10,020,408	679,276	10,699,684	2,455,839	-	2,455,839	12,476,247	679,276	13,155,523

for the year ended 30 June 2015

	Retained earnings			Financial Asset Reserves			Total Equity		
	Army Amenities Fund	Messes Trust Fund	Consolidated	Army Amenities Fund	Messes Trust Fund	Consolidated	Army Amenities Fund	Messes Trust Fund	Consolidated
Balance at 01 July 2014	9,332,447	644,903	9,977,350	1,949,434	-	1,949,434	11,281,881	644,903	11,926,784
	9,332,447	644,903	9,977,350	1,949,434	-	1,949,434	11,281,881	644,903	11,926,784
Other comprehensive income	373,257	-	373,257	-	-	-	373,257	-	373,257
Revaluation of assets	-	-	-	231,311	-	231,311	231,311	-	231,311
Profit/(loss) for the year	313,486	18,058	331,544	-	-	-	313,486	18,058	331,544
Total comprehensive income	686,743	18,058	704,801	231,311	-	231,311	918,054	18,058	936,112
Balance as at 30 June 2015	10,019,190	662,961	10,682,151	2,180,745	-	2,180,745	12,199,935	662,961	12,862,896

The above statements should be read in conjunction with the accompanying notes.

AAF Company
Consolidated Cash Flow Statement

for the year ended 30 June 2016

	Army Amenities Fund		Messes Trust Fund		Consolidated	
Notes	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received						
Sale of goods and rendering services	192,794	144,874	-	-	192,794	144,874
Net taxation receipts from ATO	7,760	14,089	-	-	7,760	14,089
Interest	101	42	12,982	18,478	13,083	18,520
Total cash received	200,655	159,005	12,982	18,478	213,637	177,483
Cash used						
Employees	43,181	17,569	-	-	43,181	17,569
Suppliers	148,711	234,973	-	-	148,711	234,973
Net GST paid	8,504	14,379	-	-	8,504	14,379
Total cash used	200,396	266,921	-	-	200,396	266,921
Net cash from / (used by) operating activities	10B 259	(107,916)	12,982	18,478	13,241	(89,438)
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash received						
Proceeds from redemption of financial assets	-	926,000	-	-	-	926,000
Proceeds from disposal of property, plant and equipment	128,000	127,000	-	-	128,000	127,000
Proceeds from loan repayments	-	-	-	-	-	-
Total cash received	128,000	1,053,000	-	-	128,000	1,053,000
Cash used						
Payments for property, plant and equipment	11,627	923,931	-	-	11,627	923,931
Payments for GST on sale of properties	23,182	-	-	-	23,182	-
Payments for financial assets	100,000	-	-	-	100,000	-
Total cash used	134,809	923,931	-	-	134,809	923,931
Net cash from investing activities	(6,809)	129,069	-	-	(6,809)	129,069
Net increase in cash held	(6,551)	21,153	12,982	18,478	6,431	39,631
Cash and cash equivalents at the beginning of the reporting period	156,308	135,155	661,350	642,872	817,658	778,027
Cash and cash equivalents at the end of the reporting period	10A 149,757	156,308	674,332	661,350	824,089	817,658

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

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

Note 1: Statement of Significant Accounting Policies

The AAF Company is an Australian Government Commonwealth Company. It is a not-for-profit entity. The AAF Company is to act as Trustees for the Army Amenities Fund and Messes Trust Fund. The Company does not receive nor is it reliant on Australian Government funding.

1.1 Basis of Preparation of the Financial Statements

Under section 97 of the Public Governance, Performance and Accountability Act 2013 and Corporations Act 2001 the Company is required to produce a financial report.

The financial report has been prepared in accordance with:

- a) Financial Reporting Rule (FRR); and
- b) Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accruals basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value.

The financial report is presented in Australian dollars and values are rounded to the nearest dollar.

1.2 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the AAF Company has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- a) The fair value of land and buildings is taken to be the market value as determined annually by a third party independent evaluator.
- b) No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

Revaluation of Land and Buildings

Where there is no material shift, values remain unadjusted. Where market evaluations reveal a material shift in values, an adjustment in value is then made.

1.3 New Australian Accounting Standards

Adoption of New Australian Accounting Standards Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

All new, revised or amending standards and/or interpretations that were issued prior to the signing 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 AAF Company financial statements.

Future Australian Accounting Standard Requirements

All other new, revised or amending standards and/or interpretations that were issued prior to the signing date and are applicable to future reporting period(s) are not expected to have a future material impact on the AAF Company financial statements.

1.4 Consolidation

AASB 10 (Consolidated Financial Statements) requires a parent entity that is in a group to present consolidated financial reports for the controlled entities.

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 1: Statement of Significant Accounting Policies (continued)

The parent and controlled entities apply consistent accounting policies and the effects of all transactions and balances between the entities are eliminated in full. The financial reports of the controlled entities are prepared for the same reporting period as the parent entity.

Corporations Regulation 2M.3.01 requires the following disclosures in relation to the parent entity:

Total Assets of the Parent Entity:	nil
Total Liabilities of the Parent Entity:	nil
Total Equity of the Parent Entity:	nil

1.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from rental accommodation is recognised on a proportional basis taking into account the period which rent is received.

Revenue from the sale of goods is recognised upon delivery to the customer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the assets.

Revenue from managed investment funds are recognised as and when distributions are declared by the Fund financial Manager.

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.

Sale of Assets

Gains or losses from disposal of assets are recognised when control of the asset has passed to the buyer.

1.6 Employee benefits

Liabilities

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Superannuation

Contributions are made to the employees' superannuation scheme at rates determined under the Superannuation Guarantee Charge guidelines and are charged as expenses when incurred.

1.7 Cash

Cash and cash equivalents comprise of cash on hand and managed funds portfolio, which are highly liquid investments that are readily convertible into known amounts of cash but subject to market risk of changes in value.

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

Note 1: Statement of Significant Accounting Policies (continued)

1.8 Financial Assets

Financial instruments

Financial instruments are initially measured at cost on trade date, which includes transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition the following instruments are measured as set out below.

Trade and other receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "trade and other receivables". They are included in current assets except for maturities greater than 12 months after balance sheet date. These are classified as non current assets. Trade and other receivables are measured at cost on trade date.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Other Investments at Fair Value through Statement of Comprehensive Income

Assets in this category are classified as current assets. Other Investments at fair value through the profit and loss are stated at fair value, with any resultant gain or loss recognised in the profit and loss. The net gain or loss recognised in the profit and loss incorporates unrealised gains and losses at year end on Other Investments.

1.9 Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction cost. They are recognised and derecognised upon trade dates.

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

1.10 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the 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. The Army Amenities Fund and Messes Trust Fund have no contingencies in either the current or preceding reporting periods.

1.11 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$250 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

Fair values for each class of asset are determined as shown below:

<i>Asset class</i>	<i>Fair value measurement</i>
Buildings excluding leasehold improvements	Market selling price
Property, plant and equipment	Depreciated replacement cost

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 1: Statement of Significant Accounting Policies (continued)

Following the initial recognition at cost, property, plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at reporting date. The Army Amenity Fund requires land and buildings to be independently valued every 3 - 5 years with market appraisals every other year.

Revaluation adjustments are made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation reserve, except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised through the Statement of Financial Position. Revaluation decrements for a class of assets are recognised directly through the Statement of Financial Position, except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the re-valued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the entity using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

The depreciation rates used for each class of depreciable asset are:

Class of Asset	Rate
Buildings	2 - 4%
Furniture & Fittings	6 - 25%

Impairment

All assets were assessed for impairment at 30 June 2016. Where indications of impairment exist, the assets recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

1.12 Comparative Figures

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

1.13 Taxation

The Company is Income Tax exempt but not exempt from Fringe Benefits Tax and the Goods and Services Tax (GST). Revenues, expenses and assets are recognised net of GST except:

- a) where the amount of the GST incurred is not recoverable from the Australian Taxation Office; and
- b) for receivables and payables.

Note 2: Events After the Reporting Period

No other matters or circumstances have arisen since the end of period which significantly affected the operations the AAF Company.

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 3: Revenue

	Army Amenities Fund		Messess Trust Fund		Consolidated	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
<u>Note 3A: Sale of Goods and Rendering of Services</u>						
Provision of goods - external parties	173,427	133,702	-	-	173,427	133,702
Total sale of goods and rendering of services	173,427	133,702	-	-	173,427	133,702
<u>Note 3B: Interest</u>						
Bank	101	42	16,315	18,058	16,416	18,100
Managed Funds	303,214	549,082	-	-	303,214	549,082
Total interest	303,315	549,124	16,315	18,058	319,630	567,182
<u>Note 3C: Other revenue</u>						
Resources received free of charge	75,256	74,357	-	-	75,256	74,357
Total other revenue	75,256	74,357	-	-	75,256	74,357
<u>Note 3D: Net gain on available for sale financial assets</u>						
Net gain on available for sale financial assets	-	373,257	-	-	-	373,257
Total Net gain on available for sale financial assets	-	373,257	-	-	-	373,257

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

Note 4: Expenses

	Army Amenities Fund		Messess Trust Fund		Consolidated	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Note 4A: Employee Benefits						
Wages and Salaries	75,256	74,357	-	-	75,256	74,357
Total employee benefits	75,256	74,357	-	-	75,256	74,357
Note 4B: Suppliers						
Goods and services or rendered						
Property expenses	144,763	140,713	-	-	144,763	140,713
Head office expenses	34,030	39,788	-	-	34,030	39,788
Other (Grants)	25,353	54,855	-	-	25,353	54,855
Total goods and services or rendered	204,146	235,356	-	-	204,146	235,356
Goods and services supplied in connection with						
Provision of goods - external entities	204,146	235,356	-	-	204,146	235,356
Total goods and services supplied	204,146	235,356	-	-	204,146	235,356
Total suppliers	204,146	235,356	-	-	204,146	235,356
Note 4C: Depreciation						
Property, plant and equipment	7,858	6,380	-	-	7,858	6,380
Buildings	80,039	71,016	-	-	80,039	71,016
Total depreciation	87,897	77,396	-	-	87,897	77,396
Note 4D: Losses on sale of assets						
Net loss on sale of asset	35,139	7,902	-	-	35,139	7,902
Total losses on sale of assets	35,139	7,902	-	-	35,139	7,902
Note 4E: Investment expenses						
Investment expenses	48,771	48,686	-	-	48,771	48,686
Total finance costs	48,771	48,686	-	-	48,771	48,686
Note 4F: Net loss on available for sale financial assets						
Net loss on available for sale financial assets	99,571	-	-	-	99,571	-

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 5: Fair Value Measurements

The following table provides an analysis of assets and liabilities that are measured at fair value

The different levels of fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) to active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Note 5A: Fair Value Measurements, Valuation Techniques and Inputs Used

Fair value measurements at the end of the reporting period				For Level 2 and 3 fair value measurements	
	2016	2015	Category (level 1,2 or 3)	Valuation technique	Inputs used
	\$	\$			
Non-financial assets					
Land	690,000	690,000	2	Market comparables	Sale prices of comparable land size. Long term land appreciation rate.
Buildings	3,373,499	3,178,444	2	Market comparables	Sale prices of comparable buildings. An estimate of the amount the asset would exchange between
Plant & Equipment	22,912	29,587	3	Depreciated replacement cost	Asset replacement cost reduced
Total non-financial assets	4,086,411	3,898,031			
Total fair value measurements of assets in the statement of financial position	4,086,411	3,898,031			

Level 3 fair value measurements - valuation process

The significant unobservable inputs used in the fair value measurement of the entity's plant and equipment is the ATO depreciation rate guide of the different assets.

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

Note 6: Financial Assets

	Army Amenities Fund		Messess Trust Fund		Consolidated	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Note 6A: Cash and Cash Equivalents						
Cash on hand or on deposit	149,757	156,308	674,332	661,350	824,089	817,658
Total cash and cash equivalents	149,757	156,308	674,332	661,350	824,089	817,658
Note 6B: Trade and Other Receivables						
Goods and Services receivables in connection with						
Interest	-	-	4,943	1,610	4,943	1,610
External parties	-	-	-	-	-	0
Total goods and services receivables	-	-	4,943	1,610	4,943	1,610
Other receivables						
GST receivable from the Australian Taxation Office	2,220	3,427	-	-	2,220	3,427
Total other receivables	2,220	3,427	-	-	2,220	3,427
Total trade and other receivables (net)	2,220	3,427	4,943	1,610	7,163	5,037
Trade and other receivables (net) expected to be recovered						
No more than 12 months	2,220	3,427	4,943	1,610	7,163	5,037
Total trade and other receivables (net)	2,220	3,427	4,943	1,610	7,163	5,037
Trade and other receivables (gross) aged as follows						
Not overdue	2,220	3,427	4,943	1,610	7,163	5,037
Total trade and other receivables (gross)	2,220	3,427	4,943	1,610	7,163	5,037

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

Note 6: Financial Assets (continued)

	Army Amenities Fund		Messes Trust Fund		Consolidated	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Note 6C: Other financial assets						
Available for sale financial assets						
Managed funds	8,289,975	8,035,103	-	-	8,289,975	8,035,103
	<u>8,289,975</u>	<u>8,035,103</u>	<u>-</u>	<u>-</u>	<u>8,289,975</u>	<u>8,035,103</u>

Available for sale financial assets comprise investments in the ordinary share capital of various entities.

There are no fixed returns or fixed maturity dates attached to these investments.

Note 6D: Asset held for sale

After a review of all holiday facilities was conducted the Board decided to sell the properties at Kalbarri in WA . As the location was no longer attracted Army members the sale would allow alternative locations to be investigated for future purchases.

Kalbarri unit 62 was sold in March 2015 and unit 19 was sold September 2015.

	Army Amenities Fund	
	2016	2015
	\$	\$
Kalbarri property Unit 19		
Fair Value (b)	0	130,000
Less; Accumulated Depreciation		
Total asset held for sale	<u>0</u>	<u>130,000</u>

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 7: Non-financial Assets

	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Note 7A: Land and Buildings						
Land						
Land at fair value	690,000	690,000	-	-	690,000	690,000
Total Land	<u>690,000</u>	<u>690,000</u>	<u>-</u>	<u>-</u>	<u>690,000</u>	<u>690,000</u>
Buildings on freehold land:						
Fair value	3,390,000	3,201,554	-	-	3,390,000	3,201,554
Accumulated depreciation	(16,501)	(23,110)	-	-	(16,501)	(23,110)
Total buildings on freehold land	<u>3,373,499</u>	<u>3,178,444</u>	<u>-</u>	<u>-</u>	<u>3,373,499</u>	<u>3,178,444</u>
Total land and buildings	<u>4,063,499</u>	<u>3,868,444</u>	<u>-</u>	<u>-</u>	<u>4,063,499</u>	<u>3,868,444</u>
Note 7B - Plant and Equipment						
Plant and equipment:						
Fair value	130,696	146,598	-	-	130,696	146,598
Accumulated depreciation	(107,784)	(117,011)	-	-	(107,784)	(117,011)
Total plant and equipment	<u>22,912</u>	<u>29,587</u>	<u>-</u>	<u>-</u>	<u>22,912</u>	<u>29,587</u>
Total property, plant and equipment	<u>4,086,411</u>	<u>3,898,031</u>	<u>-</u>	<u>-</u>	<u>4,086,411</u>	<u>3,898,031</u>

Revaluations of non-financial assets

The valuations have been performed on the basis of current buying and selling market as at 30 June 2016.

- (a) No revaluation was required as at the financial year ended 30 June 2016, in accordance with a independent appraisal by Professionals Goolwa.
- (b) The revaluation was conducted as at the financial year ended 30 June 2016, in accordance with an independent appraisal by James & Fear Randwick.
- (c) The revaluation was conducted as at the financial year ended 30 June 2016, in accordance with an independent appraisal by Lucas Real Estate Docklands.

The increment for 2016 consisted of a revaluation increment of \$188,445 for buildings. The revaluation net surplus \$188,445 was credited to asset revaluation reserve in equity.

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

Note 7: Non-financial Assets (continued)**Note 7B - Reconciliation of the opening and closing balances of Property, Plant and Equipment**

	Land	Buildings	Total - Land and Buildings	Plant and Equipment	TOTAL
As at 1 July 2015					
Gross book value	690,000	3,201,554	3,891,554	146,598	4,038,152
Accumulated depreciation and impairment	-	(23,110)	(23,110)	(117,011)	(140,121)
Net book value 01 July 2015	690,000	3,178,444	3,868,444	29,587	3,898,031
Additions:					
By purchase	-	-	-	4,739	4,739
Revaluations and impairments recognised in other comprehensive income	-	188,445	188,445	-	188,445
Assets held for sale	-	130,000	130,000	-	130,000
Other movements:					
Depreciation expense	-	(80,039)	(80,039)	(7,858)	(87,897)
Disposals:					
Building	-	(130,000)	(130,000)	-	(130,000)
Plant and Equipment	-	-	-	(20,642)	(20,642)
Write-back accumulated depreciation	-	86,649	86,649	17,086	(103,735)
Net book value 30 June 2016	690,000	3,373,499	4,063,499	22,912	4,086,411
Net book value 30 June 2016 represented by:					
Gross book value	690,000	3,390,000	4,080,000	130,696	4,210,696
Accumulated depreciation	-	(16,501)	(16,501)	(107,784)	(124,285)
Net book value 30 June 2016	690,000	3,373,499	4,063,499	22,912	4,086,411

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

Note 7: Non-financial Assets (continued)**Note 7B - Reconciliation of the opening and closing balances of Property, Plant and Equipment**

	Land	Buildings	Total - Land and Buildings	Plant and Equipment	TOTAL
As at 1 July 2014					
Gross book value	690,000	2,382,500	3,072,500	138,088	3,210,588
Accumulated depreciation and impairment	-	-	-	(127,690)	(127,690)
Net book value 01 July 2014	690,000	2,382,500	3,072,500	10,398	3,082,898
Additions:					
By purchase	-	891,555	891,555	28,205	919,760
Revaluations and impairments recognised in other comprehensive income	-	185,000	185,000	-	185,000
					-
Other movements:					
Depreciation expense	-	(71,016)	(71,016)	(6,380)	(77,396)
Assets held for sale	-	(130,000)	(130,000)	-	(130,000)
Disposals:					
Building	-	(127,500)	(127,500)	-	(127,500)
Plant and Equipment	-	-	-	(19,695)	(19,695)
Write-back accumulated depreciation	-	47,905	47,905	17,059	64,964
Net book value 30 June 2015	690,000	3,178,444	3,868,444	29,587	3,898,031
Net book value 30 June 2015 represented by:					
Gross book value	690,000	3,201,554	3,891,554	146,598	4,038,152
Accumulated depreciation	-	(23,110)	(23,110)	(117,011)	(140,121)
Net book value 30 June 2015	690,000	3,178,444	3,868,444	29,587	3,898,031

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

*for the year ended 30 June 2016***Note 7: Non-financial Assets (continued)**

	Army Amenities Fund		Messess Trust Fund		Consolidated	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Note 7C: Other non-financial assets						
Prepayments	5,418	12,686	-	-	5418	12,686
Total other non-financial assets	5,418	12,686	-	-	5418	12,686
Total other non-current assets expected to be recovered in:						
no more than 12 months	5,418	12,686	-	-	5418	12,686
Total other non-financial assets	5,418	12,686	-	-	5418	12,686

No indicators of impairment were found for other non-financial assets.

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

Note 8: Payables

	Army Amenities Fund		Messess Trust Fund		Consolidated	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Note 8A: Suppliers						
Trade creditors and accruals	37,052	22,187	-	-	37,052	22,187
Total suppliers	37,052	22,187	-	-	37,052	22,187
Supplier payables expected to be settled						
No more than 12 months	37,052	22,187	-	-	37,052	22,187
Total suppliers	37,052	22,187	-	-	37,052	22,187
Suppliers in connection with						
External parties	37,052	22,187	-	-	37,052	22,187
Total suppliers	37,052	22,187	-	-	37,052	22,187
Note 8B: Other Payables						
Prepayments received/unearned income	14,617	8,636	-	-	14,617	8,636
Total other payables	14,617	8,636	-	-	14,617	8,636
Other payables expected to be settled						
No more than 12 months	14,617	8,636	-	-	14,617	8,636
Total other payables	14,617	8,636	-	-	14,617	8,636

Note 9: Provisions

	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Note 9A: Employee provisions						
Leave	5,865	4,797	-	-	5,865	(4,797)
Total employee provisions	5,865	4,797	-	-	5,865	(4,797)
Employee provisions are expected to be settled in:						
More than 12 months	5,865	4,797	-	-	5,865	(4,797)
Total employee provisions	5,865	4,797	-	-	5,865	(4,797)

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

Note 10: Cash Flow Reconciliation

	Army Amenities Fund		Messess Trust Fund		Consolidated	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Note 10A: Reconciliation of cash and cash equivalents as per statement of financial position to Cash Flow Statement						
Cash and cash equivalents as per						
Cash flow statement	149,757	156,308	674,332	661,350	824,089	817,658
Statement of financial position	149,757	156,308	674,332	661,350	824,089	817,658
Discrepancy	-	-	-	-	-	-
Note 10B: Reconciliation of net cost of services to net cash from/(used by) operating activities						
Net cost of services	1,218	(59,771)	16,315	18,058	17,533	(41,713)
Adjustments for non-cash items						
Depreciation / amortisation	87,897	77,396	-	-	87,897	77,396
Resources free of charge - goods	75,256	74,357	-	-	75,256	74,357
Resources free of charge - services	(75,256)	(74,357)	-	-	(75,256)	(74,357)
Income on investments	(302,724)	(551,270)	-	-	(302,724)	(551,270)
Loss (Gain) on investments	99,571	(373,257)	-	-	99,571	(373,257)
Expense on investments	48,771	48,686	-	-	48,771	48,686
Loss (Gain) on disposal of assets	35,138	7,902	-	-	35,138	7,902
Changes in assets and liabilities						
Assets						
(Increase) / Decrease in net receivables	1,206	(627)	(3,333)	420	2,127	(207)
(Increase) / Decrease in prepayments	7,268	(9,059)	-	-	7,268	9,059
Liabilities						
Increase / (Decrease) in payables	14,865	1,026	-	-	14,865	1,026
Increase / (Decrease) in other liabilities	7,049	4,544	-	-	7,049	4,544
Net cash from/(used by) operating activities	259	(107,916)	12,982	18,478	13,241	(89,438)

Note 10C: The Consolidated Entity has no credit stand-by or financing facilities in place.**Note 10D:** There were no non-cash financing or investing activities during the period.

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 11: Contingent Liabilities and Contingent Assets

Quantifiable Contingencies

The Consolidated Entity had no quantifiable contingencies as at 30 June 2016 (2015: nil).

Unquantifiable Contingencies

As at 30 June 2016, the Consolidated Entity had no unquantifiable contingencies (2015: nil).

Significant Remote Contingencies

The Consolidated Entity has no significant remote contingencies as at 30 June 2016 (2015: nil).

Note 12: Related Party Disclosures

The directors and alternate directors of the trustee company, the AAF Company, during the financial year were as follows:

Peter Edmond Daniel	Army Officer	Appointed 5 February 2014	Resigned 12 February 2016
Cheryl Pearce	Army Officer	Appointed 8 March 2011	Resigned 31 December 2015
Gabrielle Maree Follett	Army Officer	Appointed 18 August 2014	Resigned 31 December 2015
Kate Victoria Radcliffe	Public Servant	Appointed 26 June 2012	Resigned 31 December 2015
Michelle Wyatt	Army Officer	Appointed 25 July 2013	
Donald Garry Spinks	Army Officer	Appointed 9 July 2015	
Leigh Suzanne Wilton	Army Officer	Appointed 15 February 2016	
Andrew John Hocking	Army Officer	Appointed 27 January 2016	
Grant Ernest Mason	Army Officer	Appointed 27 January 2016	
Mark Christopher Ascough	Army Officer	Appointed 27 January 2016	
David Alexander Galloway	Army Officer	Appointed 27 January 2016	
Grant Eric Warner	Public Servant	Appointed 27 January 2016	
Jocelyn Anne King	Army Officer	Appointed 16 June 2016	
Amanda Ruth Fielding	Army Officer	Appointed 20 June 2016	

Directors act in a honorary capacity therefore no income was received or due or receivable by any director of the AAF Company during the financial year 2015-16:

- a. from the Consolidated Entity or any related party in connection with the management of the Consolidated Entity, or
- b. from the Consolidated Entity in connection with the management of a related party.

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 13: Remuneration of Auditors

	Army Amenities Fund		Messess Trust Fund		Consolidated	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Fair value of the services provided						
Financial statement audit services	15,500	12,500	-	-	15,500	12,500
Total	15,500	12,500	-	-	15,500	12,500

No other services were provided by the auditors of the financial statements.

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

Note 14: Financial Instruments

	Army Amenities Fund		Messess Trust Fund		Consolidated	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Note 14A: Categories of Financial Instruments						
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	149,757	156,308	674,332	661,350	824,089	817,658
Trade and other receivables	2,220	3,427	4,943	1,610	7,163	5,037
Other investments - managed funds - FIDUCIAN	6,393,794	6,197,779	-	-	6,393,794	6,197,779
Other investments - managed funds - ASGARD	1,896,181	1,837,324	-	-	1,896,181	1,837,324
Total Loans and receivables	8,441,952	8,194,838	679,275	662,960	9,121,227	8,857,798
Total financial assets	8,441,952	8,194,838	679,275	662,960	9,121,227	8,857,798
Financial Liabilities						
Financial liabilities measured at amortised cost						
Trade creditors	37,052	22,187	-	-	37,052	22,187
Total financial liabilities measured at amortised cost	37,052	22,187	-	-	37,052	22,187
Total financial liabilities	37,052	22,187	-	-	37,052	22,187
Note 14B: Net Gains or Losses on Financial Assets						
Loans and receivables						
Interest revenue	101	42	16,315	18,058	16,416	18,100
Net gain/(loss) on loans and receivables	101	42	16,315	18,058	16,416	18,100
Net gain/(loss) on financial assets	101	42	16,315	18,058	16,416	18,100

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 14: Financial Instruments (continued)

Note 14C: Fair Value of Financial Instruments

Financial assets and financial liabilities, both recognised and unrecognised, at balance date, are carried at their fair value. The carrying amounts of the Consolidated Entity's financial assets and financial liabilities are the same as their fair value.

Note 14D: Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial report.

The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Credit quality of financial instruments not past due or individually determined as impaired :

	Army Amenities Fund				Messes Trust Fund				Consolidated			
	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Cash at bank	149,757	156,308	-	-	674,332	661,350	-	-	824,089	817,658	-	-
Receivables from goods and services	2,220	3,427	-	-	4,943	1,610	-	-	7,163	5,037	-	-
Other investments - managed funds	8,289,975	8,035,103	-	-	-	-	-	-	8,289,975	8,035,103	-	-
Asset held for sale	-	130,000	-	-	-	-	-	-	-	130,000	-	-
Total	8,441,952	8,324,838	-	-	679,275	662,960	-	-	9,121,227	8,987,798	-	-

Note 14E: Liquidity Risk

The Consolidated Entity's financial liabilities are payables. The basis of exposure to liquidity risk is that the Consolidated Entity will have no difficulty meeting its liabilities. Given the internal policies adopted, there are appropriate checks, balances and resources available to ensure the Consolidated Entity meets its financial obligations.

Maturities for non-derivative financial liabilities

Trade creditors

2016		2015	
Within 1 year	Total	Within 1 year	Total
\$	\$	\$	\$
(37,052)	(37,052)	(22,187)	(22,187)

Note 14F: Market Risk

Interest rate risk

The Consolidated Entity has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

AAF Company

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

Note 14: Financial Instruments (continued)

Currency risk

The Army Amenity Fund has a Fiducian managed investment portfolio of \$6,393,794. Of which 35.5% or approx \$2,269,796 (2015 36.3% approx \$2,249,794) is in International Shares and is at risk of changes in the foreign exchange rate. The investment manager monitors risk and provides an active management overlay in order to achieve stated objectives and mitigate risk exposure.

A sensitivity analysis relating to its exposure to currency risk at balance date has been performed.

Sensitivity Table - Market Risk

Risk to which the Consolidated Entity was exposed as at 30 June 2016

Moneys held at 30 June

Decrease in Interest Rate
Increase in Interest Rate
Decrease in Foreign Currency Rate
Increase in Foreign Currency Rate

Risk Variable	Army Amenities Fund		Messers Trust Fund		Consolidated	
	Change in risk variable	Effect on Profit & Loss 2015	Change in risk variable	Effect on Profit & Loss 2015	Change in risk variable	Effect on Profit & Loss 2015
	%	\$	%	\$	%	\$
	-1%	(1,563)	-1%	(6,743)	-1%	(8,241)
	1%	1,563	1%	6,743	1%	8,241
	-10.90%	(247,408)	-	-	-10.90%	(247,408)
	10.90%	247,408	-	-	10.90%	247,408

Risk to which the Consolidated Entity was exposed as at 30 June 2015

Moneys held at 30 June

Decrease in Interest Rate
Increase in Interest Rate
Decrease in Foreign Currency Rate
Increase in Foreign Currency Rate

Risk Variable	Army Amenities Fund		Messers Trust Fund		Consolidated	
	Change in risk variable	Effect on Profit & Loss 2014	Change in risk variable	Effect on Profit & Loss 2014	Change in risk variable	Effect on Profit & Loss 2014
	%	\$	%	\$	%	\$
	-1%	(1,563)	-1%	(6,614)	-1%	(8,177)
	1%	1,563	1%	6,614	1%	8,177
	-10.90%	(245,228)	-	-	-10.90%	(245,228)
	10.90%	245,228	-	-	10.90%	245,228

Note 15: Company Details

The principal place of business for the AAF Company is :

AAF Company
R1-3-A080, Russell Offices
PO Box 7901
CANBERRA BC ACT 2610