
THE
AAF COMPANY
ANNUAL REPORT 2011 - 2012

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

Annual Report

For the period

1 July 2011 to 30 June 2012

© Commonwealth of Australia 2011

ISSN 0728-6996

This work is copyright. Apart from any use permitted under the Copyright Act 1968, no part may be reproduced by any process without prior written permission from the AAF Company. Requests and inquiries concerning reproduction and rights should be addressed to:

The Secretary
AAF Company
R1-3-A099A
Department of Defence
CANBERRA ACT 2600

DIRECTORS
OF THE
AAF COMPANY

Brigadier **G.J. REYNOLDS, AM** (Chairman)

*

Brigadier **P. NOTHARD, AM, CSC**

*

Colonel **C. PEARCE, AM**

*

Lieutenant Colonel **R. TALBOT**

*

Ms **K. RADCLIFFE**

*

Warrant Officer **D. Ashley, OAM**

*

Warrant Officer **K. BULLMAN, OAM**

Secretary: **Mr P.D. ALOMES, OAM**

AAF COMPANY
REPORT OF OPERATIONS

Minister for Defence Personnel

Dear Minister

This report of operations by the Directors of the AAF Company is for the year ended 30 June 2012. The report is accompanied by the Financial Statements for the period and other information which are to be read as part of this report.

Enabling Legislation and Responsible Minister

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

The AAF Company operates within the Defence portfolio, reporting to the Minister for Veterans' Affairs and Defence Personnel (the Minister).

Commonwealth Authorities and Companies Act 1997

The AAF Company also complies with the requirements of the *Commonwealth Authorities and Companies Act 1997* 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.

CAC Act Compliance

Under section 12 of the Commonwealth Authorities and Companies (Report of Operations) Orders 2008, the AAF Company is required to provide particulars of Ministerial directions issued under any other legislation, and also of general policies of the Australian Government notified by the responsible Minister under section 28 of the CAC Act:

- (i) during the financial year;
- (ii) since the end of the financial year; and
- (iii) continuing from previous financial years.

Where a direction or general policy reported under subclause (i) has not been fully complied with, the report is required to include an explanation of the extent of, and reasons for, the non-compliance.

Ministerial Direction

Statement of Expectation

In a letter to the Chairman of Trustees dated 27 May 2009, the 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.

SIGNED – WARREN SNOWDON
Minister for Defence Science and Personnel

This statement outlines the Board of Directors of the AAF Company (as trustee of the Army Central 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 viability;
2. encourage continuous improvement practices to maximise opportunities that will ensure its long term viability;
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.

Compliance Reporting

CAC Act bodies in the General Government Sector (GGS) must report on legislative compliance and financial sustainability, on an annual basis, to the responsible Minister and the Minister for Finance and Deregulation (Finance Minister). To give effect to the policy, the Finance Minister requires the directors of each GGS CAC Act authority to provide a Compliance Report indicating whether or not, in their opinion:

- a. the provisions and requirements of the CAC Act, the *Commonwealth Authorities and Companies Regulations 1997* (CAC Regulations) and the *Commonwealth Authorities and Companies (Report of Operations) Orders 2008* (CAC Orders), collectively 'the CAC Act legislation' have been complied with; and
- b. the costs of the body are forecast to be within estimated sources of external receipts for the current financial year, including, where appropriate, estimates of external receipts in the Australian Government's central budget system.

The Compliance Report is to be provided to the responsible Minister and the Finance Minister by the fifteenth day of the fourth month after the end of the financial year.

Organisational Structure

The AAF Company is a Commonwealth statutory authority within the GGS and is managed by Directors who are appointed by the Chief of Army and Chairman. 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 recreational accommodation for Army members, their families and other eligible persons and to provide financial support to, and assist in the provision of, recreational facilities and services 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 financial statements are lodged with ASIC every year.

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

AAF Company Board of Directors

All members of the Board are appointed by the Chief of Army or Chairman. The Board comprises serving and ex-serving members of the Army.

During 2011-2012 the AAF Company Board met 4 times. These meetings were held in Canberra.

Board Member's Attendance at Meetings

Name	Special Responsibilities	Number of Possible Attendances	Number Actually Attended
G. Reynolds	Chairman	4	4
P. Nothard		4	4
C. Pearce		4	4
D. Ashley*		4	2
R. Talbot		1	1
B. Chapman	Audit Committee	3	3
K. Radcliffe	Audit Committee	1	1
K. Bullman*		4	1

* Absences due to primary Army work commitments or illness.

Directors of the AAF Company

Brigadier Gavan J. Reynolds AM, present appointment is Director General Personnel – Army in Army Headquarters. Throughout his military career, he has held a range of intelligence and personnel appointments and has served on operations overseas on numerous occasions and as a commanding officer. Brigadier Reynolds holds a Bachelor of Arts in Geography (Honours), a Masters of Defence Studies and Masters of Business Administration; he is a Graduate of the Australian Institute of Company Directors.

Brigadier Paul M. Nothard AM, CSC, present appointment is Director General Army Operations in Army Headquarters. Throughout his military career he has served primarily in logistics roles at various levels of command and in instructor appointments in Australia and overseas. Brigadier Nothard has served on operations overseas and was awarded the Conspicuous Service Cross in 1999 and appointed a Member of the Order of Australia in 2008. He holds qualifications as a Bachelor of Professional Studies, Masters of Strategic Studies and a Masters of Management; he is a Graduate of the Australian Institute of Company Directors.

Colonel Cheryl Pearce AM, present appointment is Director Special Operations Support at Special Operations Headquarters. Colonel Pearce has served in a number of Corps, Non Corps and staff positions throughout her military career. It was during her deployment as a United Nations Observer in East Timor during July 2002 that Colonel Pearce received a Chief of Defence Force Commendation for bravery. In the Australia Day 2007 Honours and Awards, Colonel Pearce was appointed as a Member of the Order of Australia for exceptional Service as Commandant Defence Police Training Centre, Provost Marshal – Army and Commanding Officer 1st Military Police Battalion. Colonel Pearce holds a Masters of Policing, Intelligence and Counter Terrorism.

Lieutenant Colonel Rebecca Talbot present appointment is Staff Officer Grade One Support at Headquarters 17th Combat Service Support Brigade. Throughout her military career she has held a range of command, training and staff appointments in Australia and overseas; she has also deployed on operations overseas where she was awarded the US Meritorious Service Medal. Lieutenant Colonel Talbot holds the qualifications of Bachelor of Arts and Masters of Business (Logistics Management).

Warrant Officer David Ashley OAM, present appointment is the Regimental Sergeant Major – Army (RSM-A) in Army Headquarters. The RSM-A is the senior soldier of non-commissioned rank in the Australian Army and advises the Chief of Army and other senior commanders on matters concerning soldiers. Throughout his military career, he has served in a number of disciplines including training and command and has had several appointments as a Regimental Sergeant Major. Warrant Officer Ashley was awarded the Medal of the Order of Australia in the 2003 Queens Birthday Honours List for services to the 6th Battalion, the Royal Australian Regiment and to Army training. He was appointed Regimental Sergeant Major of the Australian Army on 4 October 2011. He has also served on operations overseas.

Warrant Officer Class One Kenneth Bullman OAM, present appointment is the Regimental Sergeant Major of the Royal Military College of Australia. The RSM is the senior soldier of the non-commissioned ranks at the Royal Military College and advises the Commanding Officer and other key staff on matters such as discipline, ceremonial, career management and welfare that affect the unit. Throughout his military career, he has served as both an Infantry soldier and a Military Policeman in numerous regimental and training units. He was awarded the Medal of the Order of Australia (OAM) in the 2008 Queen's Birthday Honours. In addition to his regimental and Corps training courses, he has achieved

qualifications in Close Personal Protection, Civil Military Cooperation, Crime Prevention and non-lethal proficiencies.

Ms Kate Radcliffe. Kate Radcliffe commenced with the Department of Defence in 1997 and is currently the Director of Budget Management within Army Group, holding this position since November 2011. Prior to commencing with Army, Kate held various positions within the Chief Finance Officer Group between 2005 and 2011, mainly as a Project Director for a number of business process improvement projects, including the Chart of Accounts Reform Project and the Asset Accounting Process Improvement Project. Kate has also held a number of financial management positions within the Defence Material Organisation including Commercial Director for the Communications Branch in Electronic Systems Division. Kate has completed a Bachelor of Science degree at the Australian National University with a double major in psychology and a Masters of Professional Accounting degree from the University of Canberra.

Board Committees

Audit Committee

The AAF Company has established an audit committee in accordance with the CAC Act. The committee is comprised of three members in accordance with regulations prescribing the minimum composition of audit committees. 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:

- Mr Ben Chapman - Director and Chairman of the Committee (resigned 26 Jun 12);
- Ms Kate Radcliffe - Director and Chairman of the Committee (appointed 26 Jun 12);
- Mr David Markwick – Independent member.

Freedom of Information Procedures and Initial Contact Points

Requests for access to AAF Company documents should be directed to the Board of Directors of the AAF Company, R1-3-AO99A, Department of Defence, CANBERRA, ACT, 2610.

Indemnities and Insurance Premiums for Officers

The AAF Company has taken out insurance coverage with AON Risk Services Australia Limited for Association Liability Insurance. The premium paid for financial year 2011-2012 was \$4 368.02 (GST exclusive). Where applicable, the insurance cover is provided for all Directors, staff and contractors.

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.

Occupational Health and Safety

Staff 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 OH&S purposes.

AAF Company Governance Statement

The AAF Company is responsible for governance within the company. Three Board members have been assigned responsibility as a Management and Audit Committee which provides advice to the Board on issues of governance.

As a guide to their activities, the Management and Audit Committee are developing an AAF Company Audit Plan which, from a governance sense, will direct regular or periodic confirmation of AAF Company activities in areas such as;

- Books of original entry reflect a true financial record of the company;
- Reports on company performance are reported to the Board;
- Sufficiency of business controls within the company operating procedures;
- Invoices are correctly paid and are for appropriate transactions;
- Occupancy levels match rental receipts; and
- Investments are properly managed and authorised.

As a consequence of the management and Audit Committee activity, the following is offered in response to the request made under New Auditing Standards ASA 240 and ASA 315.

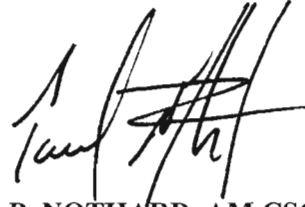
- The AAF Company Board is not aware of any fraud or any suspicion that a fraud has or may have occurred during the period covered by the audit.
- The AAF Company Audit Plan and the programmed activity of the Management and Audit Committee will mitigate the risk of fraud and provide an assessment of company performance with regard to potential fraudulent actions.
- The AAF Company Board is aware of its responsibility for the design and implementation of internal controls to prevent and detect fraud as evidenced by the development and implementation of the AAF Company Audit Plan.
- The AAF Company Board and the Management and Audit Committee are not aware of any error or circumstances that may cause a material error in the accounts.

CONCLUSION

The Directors are responsible under section 9 of the CAC Act for the preparation and content of the Report of Operations in accordance with Finance Minister's Orders. This report of operations is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors.



G.J. REYNOLDS, AM
Brigadier
Chairman of AAF Company



P. NOTHARD, AM CSC
Brigadier
Director

19 October 2012

19 October 2012

CHAIRMAN'S ANNUAL REPORT

It is with pleasure I present my second report on the activities of the AAF Company as Trustee of the Army Amenities Fund and Messes Trust Fund.

In last year's report, I foreshadowed a year of consolidation in which the Board could move forward after a period of stagnant activity for reasons that have been well documented. The following report highlights that the Board has indeed made progress and put in place strategies to measure the current activities of the AAF Company and how those activities support Army.

Staffing. The Board has been well supported by its Secretariat (bearing in mind staff also provide Secretariat support to the Trustees of the Army Relief Trust Fund). The transition to Army Headquarters has been a success and staff are now well embedded within the Personnel Branch.

The dual Secretariat role is working. Notwithstanding, the Board's of both entities need to maintain a 'watching' brief on workloads to ensure staff are able to continue to effectively manage the activities of both Funds. I must add that staff also provides support to the Defence Community Organisation by managing the finances of the Defence Family Financial Emergency Fund.

Board Membership. There have been a number of changes in Board membership. The AAF Company is committed to ensuring its Board composition reflects gender balance and accords with Government guidance. We farewell and thank Colonel Warwick Austin, Warrant Officer Stephen Ward and Mr Ben Chapman for their contributions and welcome Lieutenant Colonel Rebecca Talbot, Warrant Officer David Ashley and Ms Kate Radcliffe.

Department of Finance and Deregulation Reporting. The business entity continues to meet all Whole of Government reporting obligations in a timely manner. Once again, I would like to formally acknowledge the assistance provided to the Secretariat by Defence's CFO Group (Accounting and Financial Policy Shareholder Advisory Cell).

Strategic Intent. The Board's Strategy meeting held during March 2012 reaffirmed outcomes of the 2009 Strategic Review. The difference noted was that 2009 outcomes had not been prosecuted and, as such, the Board has now determined a way forward to map and measure the effectiveness of services to Army. Several initiatives will be undertaken (including a new web site and an aggressive marketing campaign) to determine if the business entity provides services that members of the Army desire. After an appropriate timeframe, the Board will reflect on performance indicators and, where necessary, refocus the entities business model to ensure it remains relevant to changing needs of its customer base, that is, members of the Army.

Investments. Returns for the two investment portfolios reflected the somewhat difficult investment climate that existed throughout the financial year. The overall balance of investments decreased from \$6.768 142 to \$6.4982 639 mainly due to a volatile last quarter return impacted by negative market sentiment.

Financial Position. The overall financial position of the entity remains very strong despite incurring additional expenses for maintenance on the holiday facilities and the negative returns on investments. Assets of the Fund are \$9 922 682. The Fund has liabilities of \$26 207 and thus the entity has a net 'worth' of \$9 896 475.

Holiday Facilities. Part of the Strategic Intent is to focus on 'owned' holiday facilities. One key reason for this is the introduction of the *Work Health and Safety Act 2012*. After consideration of legal advice in relation to leased properties, the Board concluded that it could not be guaranteed the level of comfort desired to fulfil its obligations under the Act. As such, leases on apartments at the Grande Florida Resort on the Gold Coast will not be renewed.

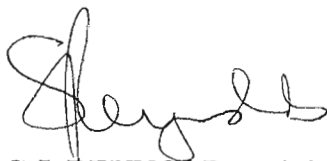
Other key initiatives in relation to holiday facilities was the placement of the Alpine Lodge at Mt Buller on the market (an outcome of the 2009 Retreat – once again, a leased entity) and a moderate maintenance and asset renewal program across the remaining 'owned' holiday facilities.

Loans and Grants. Grants to the value of \$23 353 were paid during the financial year. Promoting the availability of funds for worthwhile projects is also a component of the marketing initiative flowing from the March meeting.

Summary

The benefit of a stable support environment has been evident through the year. The Board has made decisions which, although difficult, reflect its commitment to effective management of the entity in today's governance and business environment. Additionally, decisions are balanced against the need to support Army in the most effective way.

I look forward to the continued commitment of the Board to refine and reshape activities to maximise the AAF Company's utility to Army.



G.J. REYNOLDS, AM
Brigadier
Chairman

AAF COMPANY

ACN 008 629 490

Financial Report for the Financial Year Ended 30 June 2012

AAF COMPANY
DIRECTORS' REPORT

The Directors present this report on the entity for the financial year ended 30 June 2012.

DIRECTORS

The names of each person who has been a director during the year and to the date of this report are:

Gavan John Reynolds	Army Officer (Appointed 17 June 2011)
Stephen Charles Ward	Army Officer (Resigned 18 October 2011)
Warwick James Austin	Army Officer (Resigned 12 August 2011)
Paul Michael Nothard	Army Officer (Appointed 1 February 2009)
Cheryl Pearce	Army Officer (Appointed 8 March 2011)
David Malcolm Ashley	Army Officer (Appointed 18 October 2011)
Kenneth John Bullman	Army Officer (Appointed 17 June 2011)
Benjamin Robert Chapman	Public Servant (Resigned 26 June 2012)
Rebecca Sue Talbot	Army Officer (Appointed 29 May 2012)
Kate Victoria Radcliffe	Public Servant (Appointed 26 June 2012)

Directors have been in office since the start of the financial year to the end date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activity of the entity during the financial year was to act as trustee for the Army Amenities Fund and the Messes Trust Fund.

No significant changes in the nature of the entity's activity occurred during the financial year.

OPERATING RESULTS

Since the Company acted solely as Trustee and did not carry on any business activity on its own behalf, the Company did not earn a profit or incur a loss during the year.

DIVIDENDS / DISTRIBUTIONS

There were no dividends / distributions recommended, declared or paid to members.

AAF COMPANY

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

A review of operations is not applicable, as the Company has not carried on any business activity on its own behalf during the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of Directors there were no significant changes in the entity's state of affairs during the financial year under review not otherwise disclosed in this report or the company's accounts.

AFTER BALANCE DATE EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to effect substantially the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

FUTURE DEVELOPMENTS

The company will continue to act solely as trustee and, at the date of this report, the Directors believe the Company will not carry out any business activity on its own behalf in the foreseeable future. Accordingly, no operating result is likely to arise in the future.

MEETINGS OF DIRECTORS

During the financial year, 4 meetings of directors and one general meeting were held. Attendees by each director were as follows:

NAME	GENERAL MEETINGS ELIGIBLE TO ATTEND	GENERAL MEETINGS ATTENDED	DIRECTORS MEETINGS ELIGIBLE TO ATTEND	DIRECTORS MEETINGS ATTENDED
Gavan John Reynolds	1	1	4	4
Paul Michael Nothard	1	1	4	4
Cheryl Pearce	1	1	4	4
Kenneth John Bullman	1	0	4	1
Benjamin Chapman	1	1	3	3
David Malcolm Ashley	1	1	4	2
Warwick James Austin	0	0	0	0
Stephen Charles Ward	0	0	0	0
Rebecca Sue Talbot	0	0	1	1
Kate Victoria Radcliffe	0	0	1	1

In the case of absences, Directors were absent due to primary work commitments.

AAF COMPANY**DIRECTORS' REPORT (CONTINUED)****DIRECTORS' INTERESTS AND BENEFITS**

During or since the financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the accounts, or the fixed salary of a full-time employee of the Company or of a related corporation) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

AUDITOR'S INDEPENDENCE DECLARATION

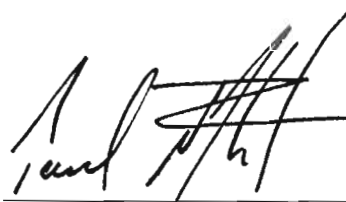
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5

Dated at Canberra this 19th day of October 2012.

Signed in accordance with a resolution of the Board of Directors.



G.J. REYNOLDS, AM
Director



P. NOTHARD, AM CSC
Director



Sensitive



Brigadier Gavin Reynolds AM
Chairman
AAF Company
Russell Offices
RI-3-A099
PO Box 7910
Canberra BC
ACT 2600

**AAF COMPANY
2011-12 FINANCIAL REPORT
AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my audit of the financial report of the AAF Company for the year ended 30 June 2012, to the best of my knowledge and belief, there have 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

Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
19 October 2012

Sensitive



INDEPENDENT AUDITOR'S REPORT

To the Directors of AAF Company

I have audited the accompanying financial report of the AAF Company, which comprises the Balance Sheet as at 30 June 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, Notes to and Forming Part of the Financial Statements, including a Summary of Significant Accounting Policies, and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The directors of the AAF 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 as 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 AAF 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 AAF 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*.

Opinion

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

- (a) giving a true and fair view of the AAF Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Australian National Audit Office

A handwritten signature in black ink, appearing to read 'Ron Wah', written in a cursive style.

Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
19 October 2012

AAF COMPANY
DIRECTORS' DECLARATION

The Directors of the Company declare that:


1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date;
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.


Dated at Canberra this

19th

day of October 2012.



G.J. REYNOLDS, AM
Director



P. NOTHARD, AM CSC
Director

AAF COMPANY
STATEMENT OF COMPEHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
Revenues		-	-
Expenses		-	-
		<hr/>	<hr/>
Current year surplus / (loss)		-	-
		<hr/>	<hr/>
Total comprehensive income		-	-
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

AAF COMPANY
BALANCE SHEET
AS AT 30 JUNE 2012

	Notes	2012 \$	2011 \$
ASSETS			
Current Assets			
Receivables		-	-
TOTAL CURRENT ASSETS		<u>-</u>	<u>-</u>
Non-Current Assets			
Receivables		-	-
TOTAL NON CURRENT ASSETS		<u>-</u>	<u>-</u>
TOTAL ASSETS		<u>-</u>	<u>-</u>
LIABILITIES			
Current Liabilities			
Payables		-	-
TOTAL CURRENT LIABILITIES		<u>-</u>	<u>-</u>
Non Current Liabilities			
Payables		-	-
TOTAL NON CURRENT LIABILITIES		<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>-</u>	<u>-</u>
NET ASSETS		<u>-</u>	<u>-</u>
EQUITY			
Retained Surplus		-	-
TOTAL EQUITY		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

AAF COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Retained Surplus \$	Revaluation Surplus \$	Total \$
Balance at 1 July 2010	-	-	-
Total comprehensive income attributable to members of the company	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2011	-	-	-
Total comprehensive income attributable to members of the company	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2012	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements.

AAF COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received / (used)	-	-
Net cash from (used in) operating activities	<u>-</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Cash received / (used)	-	-
Net cash from (used in) investing activities	<u>-</u>	<u>-</u>
	-	-
NET INCREASE / (DECREASE) IN CASH HELD	<u>-</u>	<u>-</u>
Cash and cash equivalents at the beginning of the financial year	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

**AAF COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report is for the AAF Company as an individual entity. The Company is a company limited by guarantee, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuation of non-current assets. Cost is based on fair values of the consideration given in exchange for assets.

(a) Segment information

The Company acts as Trustee of the Army Amenities Fund and Messes Trust Fund, which operates predominately in one business and geographical segment, being the tourism and hospitality industry throughout Australia.

The Company did not trade in its own right during the financial year.

(b) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the assets or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

NOTE 2 OPERATING REVENUE

All expenditure incurred in administering the AAF Company is reimbursed from the Army Amenities Fund (Fund). Accordingly, there was no result for the financial year, nor any information concerning financial performance items required to be disclosed.

NOTE 3 FUND LIABILITIES

Liabilities incurred on behalf of the Fund are liabilities of the Company and have been included in the Fund Balance Sheet, together with the corresponding right to be

AAF COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

indemnified out of Fund assets. Only liabilities (including provisions) of a legal or statutory nature have been included with the Financial report.

NOTE 4 RIGHT OF INDEMNITY

The book value of the assets of the Fund, based on the Fund's accounting policies and as reflected in the Fund's Balance Sheet as at 30 June 2012, exceed the liabilities of the Fund and are both in a form appropriate and are sufficient to meet the trustee's right of indemnity from the Fund for liabilities incurred on behalf of the Fund as and when they fall due. However, the Fund's assets supporting the right of indemnity are not directly available to meet any liabilities by the Company acting in its own right.

NOTE 5 STATEMENT OF CASH FLOWS

The Company acted solely as Trustee of the Fund and did not carry on any business activity on its own behalf during the current or preceding financial year. Therefore, there were no cash flows in relation to the Company during the current or preceding financial year. All movements in assets and liabilities relate to the Fund and are not cash flows of the Trustee.

NOTE 6 COMPANY LIMITED BY GUARANTEE

The AAF Company is a company limited by guarantee and by its constitution, members' liability is restricted to \$100 per member. As at 30 June 2012, the Company had seven members (2011:7).

NOTE 7 AUDITORS' REMUNERATION

	2012	2011
	\$	\$
Amounts received, or due and receivable, by the auditors in relation to auditing of the financial report.	-	-
	-	-

AAF COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

NOTE 8 ASSETS AND LIABILITIES OF THE ARMY AMENITIES FUND

The company acts solely as trustee of a trust and liabilities have not been incurred on behalf of that trust in the company's capacity as corporate trustee.

Liabilities incurred on behalf of the trust are not recognised in the financial report when it is not probable that the company will have to meet any of those trust liabilities from its own resources. When it is probable that the company will have to meet some trust liabilities a liability for the Deficiency in Trust Right of Indemnity is brought to account.

Details of the trust liabilities, the offsetting right of indemnity and any deficiency in the right of indemnity are disclosed by way of note to the financial statements.

	2012	2011
	\$	\$
Liabilities of the Army Amenities Fund not recorded in the financial statements of the company were:		
Current Liabilities		
Payables	23,633	18,587
Other	<u>2,574</u>	<u>5,617</u>
Total Current Liabilities	<u>26,207</u>	<u>24,204</u>
 TOTAL LIABILITIES	 <u>26,207</u>	 <u>24,204</u>
 Rights of indemnity for liabilities incurred by the company on behalf of Army Amenities Fund not recorded in the financial statements of the company were:		
TOTAL ASSETS	<u>26,207</u>	<u>24,204</u>

The assets of the trust, which lie behind the right of indemnity, are not directly available to meet any liabilities of the company acting in its own right. The assets of the trust were sufficient to discharge all liabilities of the trust at 30 June 2012 and 30 June 2011.

AAF COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

NOTE 9 ASSETS AND LIABILITIES OF THE MESSES TRUST FUND

The company acts solely as trustee of a trust and liabilities have not been incurred on behalf of that trust in the company's capacity as corporate trustee.

Liabilities incurred on behalf of the trust are not recognised in the financial report when it is not probable that the company will have to meet any of those trust liabilities from its own resources. When it is probable that the company will have to meet some trust liabilities a liability for the Deficiency in Trust Right of Indemnity is brought to account.

Details of the trust liabilities, the offsetting right of indemnity and any deficiency in the right of indemnity are disclosed by way of note to the financial statements.

	2012	2011
	\$	\$
Liabilities of the Messes Trust Fund not recorded in the financial statements of the company were:		
Current Liabilities		
Payables	-	-
Other	-	-
	-	-
Total Current Liabilities	-	-
TOTAL LIABILITIES	-	-

Rights of indemnity for liabilities incurred by the company on behalf of Messes Trust Fund not recorded in the financial statements of the company were:

TOTAL ASSETS	-	-
	-	-

The assets of the trust, which lie behind the right of indemnity, are not directly available to meet any liabilities of the company acting in its own right. The assets of the trust were sufficient to discharge all liabilities of the trust at 30 June 2012 and 30 June 2011.

NOTE 10 EVENTS AFTER THE BALANCE DATE

There have been no events subsequent to reporting date that require disclosure in the financial report.

**AAF COMPANY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)**

NOTE 11 RELATED PARTY DISCLOSURES

There were no transactions with Directors or Director-related entities during the year. The Company acts solely as the Trustee for the Army Amenities Fund and Messes Trust Fund.

DIRECTORS

The names of each person holding the position of Director of the Company during the financial year are:

BRIGADIER	Gavan John Reynolds, AM
BRIGADIER	Paul Michael Nothard, AM, CSC
COLONEL	Cheryl Pearce, AM
COLONEL	Warwick James Austin
LIEUTENANT COLONEL	Rebecca Sue Talbot
WARRANT OFFICER	Stephen Charles Ward, OAM
WARRANT OFFICER	David Malcolm Ashley, OAM
WARARNT OFFICER	Kenneth John Bullman, OAM
Mr	Benjamin Robert Chapman
Ms	Kate Victoria Radcliffe

NOTE 12 COMPANY DETAILS

The registered office of the company is:

Phipsons Corporate Services
25 National Circuit
Forrest ACT 2603

ARMY AMENITIES FUND

Report for the Financial Year Ended

30 JUNE 2012

Table of Contents

Description	Page Number
Audit Report	1-2
Statement by Officers	3
Statement of Comprehensive Income	4
Balance Sheet	5
Statement of Changes in Equity	6
Cash Flow Statement	7
Schedule of Commitments	8
Schedule of Contingencies	9
Notes	Note Number
Summary of significant accounting policies	1 10 - 15
Events after reporting period	2 15
Expenses	3 16 - 17
Own source revenue	4 17
Cash and cash equivalents	5 18
Trade and other receivables	6 18 - 19
Other financial assets	7 19
Other non financial assets	8 19 - 23
Payables	9 23
Employee provisions	10 24
Cash flow reconciliation	11 24
Related party disclosures	12 25
Remuneration of auditors	13 25
Financial instruments	14 26 - 27
Sensitivity analysis	15 27 - 29
Contigent assets and liabilities	16 29
Compensation and debt relief	17 30
Reporting outcomes of the Fund	18 30
Fund details	19 30



INDEPENDENT AUDITOR'S REPORT

To the Minister for Defence Science and Personnel

I have audited the accompanying financial statements of the Army Amenities Fund for the year ended 30 June 2012, which comprise: the Trustees' Declaration; the Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes to and Forming Part of the Financial Statements, including a Summary of Significant Accounting Policies.

The Trustees' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Army Amenities Fund's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Army Amenities Fund's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Opinion

In my opinion, the financial statements of the Army Amenities Fund:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Army Amenities Fund's financial position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
19 October 2012

ARMY AMENITIES FUND

TRUSTEES' DECLARATION

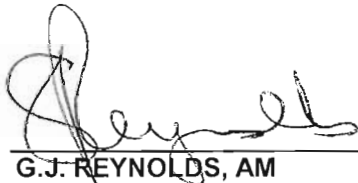
The Directors of the AAF Company, trustees of the Army Amenities Fund, declare that:

- 1 the financial statements and notes, as set out on pages 4 to 30 present fairly the Army Amenities Fund financial position as at 30 June 2012 and its performance for the year ended on that date in accordance with Australian Accounting Standards (including Australian Accounting Interpretations); and
- 2 in the directors' opinion, at the date of this statement there are reasonable grounds to believe that the Army Amenities Fund will be able to pay its debts when they become due and payable.

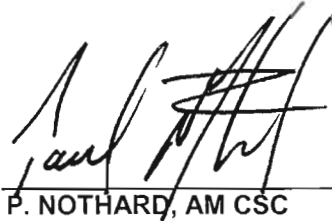
Dated at Canberra the

19th

day of October 2012



G.J. REYNOLDS, AM
Director



P. NOTHARD, AM CSC
Director

ARMY AMENITIES FUND
Statement of Comprehensive Income
for the period ended 30 June 2012

	Note:	2012 \$	2011 \$
EXPENSES			
Employee benefits	3A	74,550	73,580
Supplier	3B	410,525	346,985
Depreciation	3C	86,449	88,005
Finance costs	3D	37,306	44,962
Write down and impairment of assets	3E	716,582	-
Other	3F	-	402
Total expenses		<u><u>1,325,412</u></u>	<u><u>553,934</u></u>
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	216,010	226,472
Interest	4B	730,544	490,620
Other revenue	4C	74,550	73,580
Total own-source revenue		<u><u>1,021,104</u></u>	<u><u>790,672</u></u>
Gains			
Other		-	-
Total gains		-	-
Total own-source income		<u><u>1,021,104</u></u>	<u><u>790,672</u></u>
Net cost of services		<u><u>304,308</u></u>	<u><u>(236,738)</u></u>
Surplus (Deficit) on continuing operations		<u><u>(304,308)</u></u>	<u><u>236,738</u></u>
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation surplus		16,375	20,625
Losses on available for sale financial assets		(112,126)	(135,221)
Total other comprehensive income / (loss)		<u><u>(95,751)</u></u>	<u><u>(114,596)</u></u>
Total comprehensive income / (loss)		<u><u>(400,059)</u></u>	<u><u>122,142</u></u>

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

ARMY AMENITIES FUND

Balance Sheet

as at 30 June 2012

	Notes	2012 \$	2011 \$
ASSETS			
Financial assets			
Cash and cash equivalents	5	26,815	83,249
Trade and other receivables	6	11,536	14,768
Other financial assets	7	6,482,639	6,768,142
Total financial assets		<u>6,520,990</u>	<u>6,866,159</u>
Non-financial assets			
Land and buildings	8A	2,882,500	3,402,375
Property, plant and equipment	8B	39,787	44,109
Other non-financial assets	8C	13,805	7,778
Total non-financial assets		<u>2,936,092</u>	<u>3,454,262</u>
Assets held for sale	8D	465,600	-
Total assets held for sale		<u>465,600</u>	<u>-</u>
Total assets		<u>9,922,682</u>	<u>10,320,421</u>
LIABILITIES			
Payables			
Suppliers	9A	(23,633)	(18,587)
Other payables	9B	(1,772)	(2,606)
Total payables		<u>(25,405)</u>	<u>(21,193)</u>
Provisions			
Employee Provisions	10	(802)	(3,011)
Total liabilities		<u>(26,207)</u>	<u>(24,204)</u>
Net assets		<u>9,896,475</u>	<u>10,296,217</u>
EQUITY			
Reserves		1,649,809	1,745,560
Retained surplus		8,246,666	8,550,657
Total equity		<u>9,896,475</u>	<u>10,296,217</u>

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

ARMY AMENITIES FUND
Statement of Changes in Equity
for the period ended 30 June 2012

	Retained Surplus		Asset Revaluation Surplus		Financial Assets Reserve		Total Equity	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
Opening balance								
Balance carried forward from previous period	8,550,657	8,313,919	1,633,434	1,612,809	112,126	247,347	10,296,217	10,174,075
Prior year adjustment	317						317	
Adjusted opening balance	8,550,974	8,313,919	1,633,434	1,612,809	112,126	247,347	10,296,534	10,174,075
Comprehensive income								
Other comprehensive income	-	-	16,375	20,625	(112,126)	(135,221)	(95,751)	(114,596)
Deficit for the period	(304,308)	236,738	-	-	-	-	(304,308)	236,738
Total comprehensive income	(304,308)	236,738	16,375	20,625	(112,126)	(135,221)	(400,059)	122,142
Closing balance as at 30 June	8,246,666	8,550,657	1,649,809	1,633,434	-	112,126	9,896,475	10,296,217

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

ARMY AMENITIES FUND
Cash Flow Statement
for the period ended 30 June 2012

	Notes	2012 \$	2011 \$
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering services		226,462	235,099
Net GST received		-	6,097
Interest		34	83
Total cash received		<u>226,496</u>	<u>241,279</u>
Cash used			
Employees		(15,351)	(15,482)
Suppliers		(405,771)	(334,444)
Net GST paid		(553)	-
Total cash used		<u>(421,675)</u>	<u>(349,926)</u>
Net cash used by operating activities	11 (b)	<u>(195,179)</u>	<u>(108,647)</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of financial instruments		150,000	125,000
Proceeds from sale of property, plant and equipment		-	445
Proceeds from loan repayments		-	-
Total cash received		<u>150,000</u>	<u>125,445</u>
Cash used			
Purchase of property, plant and equipment		(11,255)	(2,976)
Purchase of financial instruments		-	-
Other		-	-
Total cash used		<u>(11,255)</u>	<u>(2,976)</u>
Net cash from investing activities		138,745	122,469
Net increase / (decrease) in cash held		(56,434)	13,822
Cash and cash equivalents at the beginning of the reporting period		83,249	69,427
Cash and cash equivalents at the end of the reporting period	11 (a)	<u>26,815</u>	<u>83,249</u>

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

ARMY AMENITIES FUND
Schedule of Commitments
as at 30 June 2012

	2012	2011
	\$	\$
BY TYPE		
Commitments payable		
Other commitments		
Operating leases	46,719	46,719
Total other commitments	<u>46,719</u>	<u>46,719</u>
BY MATURITY		
Commitments payable		
Operating lease commitments		
One year or less	46,719	46,719
Total operating lease commitments	<u>46,719</u>	<u>46,719</u>

The commitments stated are in relation to leases held at Mt Buller, Victoria and Grande Florida Resort on the Gold Coast for 2011/2012. The lease for Mt Buller is on a month by month basis currently paid to 30 October 2012 pending lease re-newal. The leases at the Grande Florida Resort conclude on 26 November 2012.

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

ARMY AMENITIES FUND

Schedule of Contingencies

as at 30 June 2012

	2012	2011
	\$	\$
Contingent assets		
Guarantees	-	-
Indemnities	-	-
Claims for damages or costs	-	-
Total contingent assets	<u>-</u>	<u>-</u>
Contingent liabilities		
Guarantees	-	-
Indemnities	-	-
Claims for damages or costs	-	-
Total contingent liabilities	<u>-</u>	<u>-</u>
Net contingent assets (liabilities)	<u>-</u>	<u>-</u>

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

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

Note 1 - Summary of Significant Accounting Policies

1.1 Objective of the Army Amenities Fund

The object of the Army Amenities Fund is to provide amenities for members of the Australian Army, their families and other eligible persons. It is a not-for-profit entity. The Army Amenities Fund does not receive nor is it reliant on Australian Government funding.

This financial report covers the Army Amenities Fund as an individual entity.

The Army Amenities Fund is a discretionary trust established and domiciled in Australia.

1.2 Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

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

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

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar unless otherwise specified.

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

Liabilities and assets that are unrecognised are reported in the schedule of commitments or schedule of contingencies.

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

1.3 Significant Accounting Judgements and Estimates

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

The fair value of land and buildings has been taken to be the market value as determined by an independent valuer.

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.

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

Note 1 - Summary of Significant Accounting Policies *(continued)*

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

All new or revised standards and interpretations issued prior to the signing of the Statement by the Chairman of the Army Amenities Fund and one of the Directors, that were applicable to the current reporting period had no material financial impact on the Army Amenities Fund and are not expected to have a future financial impact.

Future Australian Accounting Standard Requirements

All new or revised standards and interpretations that were issued by the Australian Accounting Standards Board prior to the signing of the statement by the Chairman of the Army Amenities Fund and one of the Directors, are not expected to have a material financial impact on the Army Amenities Fund for future reporting periods.

Other new standards/revised standards/interpretations/amending standards that were issued prior to the signing of the statement by the Chairman of the Army Amenities Fund and one of the Directors and are applicable to the future reporting period are not expected to have a future financial impact on the entity.

1.5 Revenue

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

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

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

All revenue is stated net of the amount of goods and services tax (GST).

1.6 Gains

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

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

Note 1 - Summary of Significant Accounting Policies (continued)

1.7 Employee benefits

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

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

Leave

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

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

Superannuation

The Fund contributes to the employees' superannuation scheme at rates determined under the Superannuation Guarantee Charge guidelines.

1.8 Leases

A distinction is made between operating and finance leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits. Operating lease payments are expenses on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.9 Cash

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

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

1.10 Financial Assets

The Fund classifies its financial assets in the following categories:

- a. available-for-sale financial assets; and
- b. loans and receivables.

Recognition

Financial assets 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 assets are measured as set out below.

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortised cost using the effective interest rate method.

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.

1.11 Financial Liabilities

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

Trade and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Trust Fund prior to the end of the financial year that are unpaid and arise when the Trust Fund becomes obliged to make future payments in respect of the purchase of these goods and services.

1.12 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability which 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 has no contingencies in either the current or preceding reporting periods.

1.13 Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, 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>
Land	Market selling price
Buildings excluding leasehold improvements	Market selling price
Infrastructure, plant and equipment	Market selling price

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Following initial recognition at cost, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. It is the policy of the Fund to have land and buildings independently valued progressively every two to three years.

Revaluation adjustments were made on a class basis. Any relevant 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 in the surplus/deficit. Revaluation decrements for a class of assets were recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class. Any accumulated depreciation as at the revaluation date was eliminated against the gross carrying amount of the asset and the asset was restated to the revalued amount.

Plant and Equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed periodically by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected cash flows have not been discounted to their present value in determining the recoverable amounts.

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.

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

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

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.

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

Note 1 - Summary of Significant Accounting Policies (continued)

Impairment

All assets were tested for impairment at 30 June 2012. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

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.

1.14 Comparative Figures

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

1.15 Taxation

The Fund is exempt from all forms of taxation except 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

2.1 Events after the reporting period

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

2.2 Prior year adjustment

Accumulated depreciation figures had been under and over stated in prior years. Entries have been passed to re-align the figures are reflected in a change in the Statement of Changes in Equity.

	Accumulated depreciation	Asset register	Change
Office Equipment	122,928.58	122,150.55	778.03
Furniture and Fittings	2,500.10	2,960.71	-460.61
Net Adjustment to equity	125,428.68	125,111.26	317.42

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

		2012	2011
NOTE 3	EXPENSES	\$	\$
NOTE 3A	Employee benefits		
	Wages and Salaries	(74,550)	(73,580)
	Total employee benefits	<u>(74,550)</u>	<u>(73,580)</u>
NOTE 3B	Supplier		
	Goods and services		
	Property expenses	(213,185)	(195,371)
	Head office expenses	(44,822)	(26,058)
	Other	(25,353)	(14,991)
	Total goods and services	<u>(283,360)</u>	<u>(236,420)</u>
	Goods and services are made up of:		
	Provision of goods - related entities	-	-
	Provision of goods - external entities	(283,360)	(236,420)
	Rendering of services - related parties	-	-
	Rendering of services - external parties	-	-
	Total goods and services	<u>(283,360)</u>	<u>(236,420)</u>
	Other supplier expenses		
	Operating lease rentals - related entities:		
	Minimum lease payments	(127,165)	(110,565)
	Total other supplier expenses	<u>(127,165)</u>	<u>(110,565)</u>
	Total supplier expenses	<u>(410,525)</u>	<u>(346,985)</u>
NOTE 3C	Depreciation		
	Depreciation:		
	Property, plant and equipment	(15,799)	(14,755)
	Buildings	(70,650)	(73,250)
	Total depreciation	<u>(86,449)</u>	<u>(88,005)</u>
NOTE 3D	Finance costs		
	Finance costs	(37,306)	(44,962)
	Total finance costs	<u>(37,306)</u>	<u>(44,962)</u>
NOTE 3E	Write-down and impairment of assets		
	Impairment on managed funds	(716,582)	-
	Total write-down and impairment of assets	<u>(716,582)</u>	<u>-</u>

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 3	EXPENSES (continued)	2012	2011
		\$	\$
NOTE 3F	Other		
	Other expenses	-	402
	Total other expenses	<u>-</u>	<u>402</u>
 NOTE 4 OWN-SOURCE REVENUE			
NOTE 4A	Sale of goods and rendering of services		
	Provision of goods - external parties	216,010	226,472
	Total sale of goods and rendering of services	<u>216,010</u>	<u>226,472</u>
NOTE 4B	Interest		
	Bank	34	-
	Managed Funds	730,510	490,620
	Total interest	<u>730,544</u>	<u>490,620</u>
NOTE 4C	Other Revenue		
	Resources received free of charge	74,550	73,580
	Other	-	-
	Total other revenue	<u>74,550</u>	<u>73,580</u>

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

	2012 \$	2011 \$
NOTE 5 - Cash and cash equivalents		
Cash on hand or on deposit	26,815	83,249
Total cash and cash equivalents	<u>26,815</u>	<u>83,249</u>

	2012 \$	2011 \$
NOTE 6 - Trade and other receivables		
Goods and Services:		
Goods and services - external parties	6,502	6,502
Total receivables for goods and services	<u>6,502</u>	<u>6,502</u>
Other receivables:		
GST receivable from the Australian Taxation Office	5,034	8,266
Total other receivables	<u>5,034</u>	<u>8,266</u>
Total trade and other receivables (net)	<u>11,536</u>	<u>14,768</u>
Less impairment allowance account:		
Goods and services	-	-
Total impairment allowance account	-	-
Total trade and other receivables (net)	-	-
Receivables are expected to be recovered in:		
No more than 12 months	11,536	14,768
Total trade and other receivables (net)	<u>11,536</u>	<u>14,768</u>
Receivables are aged as follows:		
Not overdue	11,536	14,768
Total receivables (gross)	<u>11,536</u>	<u>14,768</u>

Credit risk - trade and other receivables

The Fund has no significant concentration of credit risk with respect to any single counter party or trust of counter parties other than those receivables specifically provided for and, if any provision is made, mentioned within Note 6. The main source of credit risk to the Fund is considered to relate to sundry debtors receivable.

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 6 - Trade and other receivables (continued)

The following table details the Fund's accounts receivables exposed to credit risk with aging analysis and impairment provided for therein. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Fund and the member or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Fund.

The balance of receivables that remain within initial terms (as detailed in the table) are considered to be of high credit quality.

	Gross Amount	Past due & impaired	< 30	31 - 60	61 - 90	< 90	Within Trade terms
	\$	\$	\$	\$		\$	\$
2012							
Trade receivables :	-	-	-	-	-	-	-
Other receivables :	11,536	-	-	-	-	-	11,536
Total	11,536	-	-	-	-	-	11,536
2011							
Trade receivables :	-	-	-	-	-	-	-
Other receivables :	14,768	-	-	-	-	-	14,768
Total	14,768	-	-	-	-	-	14,768

The Fund does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

There are no balances within trade receivables that contain assets that are not impaired and are past due. It is expected that these balances will be received when due.

NOTE 7 - Other financial assets

Available for sale financial assets	2012	2011
	\$	\$
- Managed funds	6,482,639	6,768,142

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 8 - Non - Financial Assets

Note 8A - Land and Buildings	2012	2011
	\$	\$
Land		
Land at fair value	<u>690,000</u>	<u>750,000</u>
Total Land	<u>690,000</u>	<u>750,000</u>
Buildings on freehold land:		
Fair value	<u>2,192,500</u>	2,725,625
Accumulated depreciation	-	(73,250)
Total buildings on freehold land	<u>2,192,500</u>	<u>2,652,375</u>
Total land and buildings	<u><u>2,882,500</u></u>	<u><u>3,402,375</u></u>

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

Note 8B - Property, plant and equipment	2012	2011
	\$	\$
Other property, plant and equipment:		
Fair value	164,898	155,867
Accumulated depreciation	(125,111)	(111,758)
Total other property, plant and equipment	39,787	44,109
Total property, plant and equipment	2,922,287	3,446,484
Furniture and Fittings		
At cost	161,078	152,032
<u>Less</u> : Accumulated depreciation	(122,150)	(109,631)
	38,928	42,401
Computer Hardware		
At cost	3,820	3,835
<u>Less</u> : Accumulated depreciation	(2,961)	(2,127)
	859	1,708
Land and Buildings		
Goolwa		
- Land - At valuation (a)	690,000	750,000
- Buildings - At valuation (a)	300,000	315,000
<u>Less</u> : Accumulated depreciation	-	-
	990,000	1,065,000
Mt Buller		
- Buildings - At independent valuation (b)	-	480,000
<u>Less</u> : Accumulated depreciation	-	-
	-	480,000
Kalbarri		
- Buildings - At valuation (c)	357,500	400,000
- Buildings - At cost	-	-
<u>Less</u> : Accumulated depreciation	-	(10,000)
	357,500	390,000
Coogee		
- Buildings - At valuation (d)	1,535,000	1,505,000
<u>Less</u> : Accumulated depreciation	-	(37,625)
	1,535,000	1,467,375
Total property, plant and equipment	2,922,287	3,446,484

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 8B - Property, Plant and Equipment (continued)

Land and Buildings (continued)

Revaluations of non-financial assets

- (a) The revaluations were certified as at the financial year ended 30 June 2012 in accordance with an independent valuation by Mr Barry Curzons, Certified Practicing Valuer, of South Coast Valuations.
- (b) The revaluation was performed in the financial year ended 30 June 2011, in accordance with an independent appraisal by Mr Tim Skinner, Property Manager, Mansfield Real Estate.
- (c) The revaluation was certified as at the financial year ended 30 June 2012, in accordance with an independent valuation by Mr Paul Brandenburg of Ray White Kalbarri.
- (d) The revaluation was certified as at the financial year ended 30 June 2012, in accordance with an independent valuation by Mr B. Lee, Certified Practicing Valuer, of Ark property Valuers Military Road, Cremorne, NSW.

The valuations have been performed on the basis of current market buying values and are in accordance with a regular policy of revaluation as outlined in Note 1.

A revaluation decrement of \$60 000 for land (2011: decrement of \$30 000) and an increment of \$76 375 for buildings resulted from the valuations. The net movement in the Asset Revaluation surplus is \$16 375 (2011: \$20 625).

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 8B - Property, Plant and Equipment *(continued)*

Reconciliation of the opening and closing balances of property, plant and equipment

	Land	Buildings	Total - Land and Buildings	Property, Plant and Equipment	TOTAL
As at 1 July 2010					
Gross book value	780,000	2,675,000	3,455,000	187,925	3,642,925
Accumulated depreciation and impairment	-	-	-	(129,702)	(129,702)
Net book value 01 July 2010	780,000	2,675,000	3,455,000	58,223	3,513,223
Additions:					
By purchase	-	-	-	2,976	2,976
Revaluations and impairments recognised in other comprehensive income	(30,000)	50,625	20,625	-	20,625
Disposals:					
From operations	-	-	-	(2,335)	(2,335)
Depreciation expense	-	(73,250)	(73,250)	(14,755)	(88,005)
Net book value 30 June 2011	750,000	2,652,375	3,402,375	44,109	3,446,484
As at 1 July 2011					
Gross book value	750,000	2,725,625	3,475,625	188,566	3,664,191
Accumulated depreciation and impairment	-	(73,250)	(73,250)	(144,457)	(217,707)
Net book value 01 July 2011	750,000	2,652,375	3,402,375	44,109	3,446,484
Additions:					
By purchase	-	-	-	11,255	11,255
Revaluations and impairments recognised in other comprehensive income	(60,000)	76,375	16,375	-	16,375
Assets held for sale	-	(465,600)	(465,600)	-	(465,600)
Depreciation expense	-	(70,650)	(70,650)	(15,799)	(86,449)
Other movements:					
Disposals:					
From operations	-	-	-	(95)	(95)
Adjustment	-	-	-	317	317
Net book value 30 June 2012	690,000	2,192,500	2,882,500	39,787	2,922,287
Net book value 30 June 2012 represented by:					
Gross book value	690,000	2,192,500	2,882,500	164,898	3,047,398
Accumulated depreciation	-	-	-	(125,111)	(125,111)
	690,000	2,192,500	2,882,500	39,787	2,922,287

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 8C - Other non-financial assets	2012	2011
	\$	\$
	13,805	7,778
Total other non financial assets	13,805	7,778
Total other non-financial assets expected to be recovered in:		
no more than 12 months	13,805	7,778
more than 12 months	-	-
Total other non-financial assets	13,805	7,778

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

NOTE 8D - Asset held for sale

The Mt Buller Lodge is a ski lodge built in the mid to late 1980's. The Board of Director's are no longer entering into leasing arrangements and, in the case of the Mt Buller Lodge, the building is classified as improvements on the leased site (land).

The Lodge was advertised in March 2012 and the Board anticipates sale within 12 months. The Board is committed to the sale of the Lodge and there is no plan to alter the sale strategy.

	2012	2011
	\$	\$
Mt Buller Alpine Lodge		
Fair Value of Mt Buller Lodge	480,000	-
Less: Accumulated Depreciation	(14,400)	-
Carrying amount	465,600	-

NOTE 9 - Payables	2012	2011
	\$	\$
9A. Suppliers		
Trade creditors and accruals	(23,633)	(18,587)
Total supplier payables	(23,633)	(18,587)
Supplier payables expected to be settled within 12 months	(23,633)	(18,587)
External parties	(23,633)	(18,587)
Total	(23,633)	(18,587)
Total supplier payables	(23,633)	(18,587)
9B. Other payables		
Prepayments received/unearned income	(1,772)	(2,606)
Total other payables	(1,772)	(2,606)
Total other payables expected to be settled in:		
No more than 12 months	(1,772)	(2,606)
Total other payables	(1,772)	(2,606)

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 10 - Employee Provisions	2012	2011
	\$	\$
Leave	(802)	(3,011)
Total employee provisions	<u>(802)</u>	<u>(3,011)</u>
Employee provisions are expected to be settled in:		
No more than 12 months	(802)	(3,011)
Total employee provisions	<u>(802)</u>	<u>(3,011)</u>

NOTE 11 - Cash Flow Reconciliation

	2012	2011
	\$	\$
11a. Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	26,815	83,249
Balance sheet	<u>26,815</u>	<u>83,249</u>
Difference	<u>-</u>	<u>-</u>
11b. Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	304,308	(236,738)
Adjustments for non-cash items		
Depreciation / amortisation	(86,449)	(88,005)
Resources free of charge - goods	74,550	73,580
Resources free of charge - services	(74,550)	(73,580)
Impairment of financial asset	(716,582)	-
Return on investments	693,204	445,815
Loss (Profit) on disposal of assets	(95)	(1,888)
Changes in assets and liabilities		
(Increase) / Decrease in prepayments	6,027	(514)
(Increase) / Decrease in receivables	(3,218)	(10,766)
Increase / (Decrease) in payables	(5,659)	1,327
Increase / (Decrease) in other liabilities	3,043	(584)
Net cash from operating activities	<u>(195,179)</u>	<u>108,647</u>

11c. The Army Amenities Fund has no credit stand-by or financing facilities in place.

11d. There were no non-cash financing or investing activities during the period.

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 12 - Related Party disclosures

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

Gavan John Reynolds	Army Officer	Appointed 17 June 2011
Stephen Charles Ward	Army Officer	Resigned 18 October 2011
Warwick James Austin	Army Officer	Resigned 12 August 2011
Paul Michael Nothard	Army Officer	Appointed 1 February 2009
Cheryl Pearce	Army Officer	Appointed 8 March 2011
David Malcolm Ashley	Army Officer	Appointed 18 October 2011
Kenneth John Bullman	Army Officer	Appointed 17 June 2011
Benjamin Robert Chapman	Public Servant	Resigned 26 June 2012
Rebecca Sue Talbot	Army Officer	Appointed 29 May 2012
Kate Victoria Radcliffe	Public Servant	Appointed 26 June 2012

No income was received or due or receivable by any director of the Trustee company:

- from the Fund or any related party in connection with the management of the Fund, or
- from the Fund in connection with the management of a related party.

NOTE 13 - Remuneration of Auditors

	2012	2011
	\$	\$
Fair value of the services provided		
Financial statement audit services	14,000	14,000
Total	<u>14,000</u>	<u>14,000</u>

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

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 14 - Financial Instruments

	2012	2011
	\$	\$
(a) Categories of financial instruments		
Financial assets		
Loans and receivables:		
Cash on hand or on deposit	26,815	83,249
Trade and other receivables	11,536	14,768
Other investments - managed funds - FIDUCIAN	3,900,977	3,106,977
Other investments - managed funds - ASGARD	2,581,662	3,661,165
Total financial assets	6,520,990	6,866,159
Carrying amount of financial assets	6,520,990	6,866,159
Financial Liabilities		
At amortised cost:		
Trade creditors	23,633	18,587
Total financial liabilities	23,633	18,587
Carrying amount of financial liabilities	23,633	18,587
(b) Net income and expense from financial assets		
Loans and receivables:		
Interest revenue	34	(157)
Net gain/(loss) loans and receivables	34	(157)
Net gain/(loss) from financial assets	34	(157)

(c) Fair value of financial instruments

Financial Liabilities

	Carrying Amount 2012	Fair Value 2012	Carrying Amount 2011	Fair Value 2011
Payables	23,633	23,633	18,587	18,587
Total	23,633	23,633	18,587	18,587

The Army Amenities Fund financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The Army Amenities Fund does not have any derivative instruments as at 30 June 2012.

Treasury Risk Management

The trustees' analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 14 - Financial Instruments (continued)

Financial Risk Exposures and Management

The main risks that the Fund is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

(a) Interest rate risk

The Fund 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.

Weighted average effective interest rate	Non-interest bearing rate	Fixed interest rate	Floating interest rate	Totals
--	---------------------------	---------------------	------------------------	--------

Financial

Assets	2012		2011		2012		2011		2012		2011	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Cash	0.55	0.55	-	-	26,815	-	-	-	83,249	26,815	-	83,249
Other	0.0	0.0	6,482,639	6,768,142	-	-	-	-	-	6,482,639	6,768,142	6,768,142
Receivable:	N/A	N/A	11,536	14,768	-	-	-	-	-	11,536	14,768	14,768
Total Financial Assets			6,494,175	6,782,910	26,815	-	-	-	83,249	6,520,990	6,866,159	6,866,159

Financial

Liabilities												
Payables	N/A	N/A	(23,633)	(18,587)	-	-	-	-	-	(23,633)	(18,587)	(18,587)
Total Financial Liabilities			(23,633)	(18,587)	-	-	-	-	-	(23,633)	(18,587)	(18,587)

(b) Liquidity Risk

The Fund manages liquidity risk by monitoring forecast cash flows.

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

Maturities for non-derivative financial liabilities - 2012

Trade creditors

Within 1 year	Total
\$	\$
(23,633)	(23,633)

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 14 - Financial Instruments (continued)

(b) Liquidity Risk (continued)

Maturities for non-derivative financial liabilities - 2011

	Within 1 year	Total
	\$	\$
Trade creditors	(18,587)	(18,587)

(c) 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 Fund 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 :

	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2012	2011	2012	2011
	\$	\$	\$	\$
Cash at bank	26,815	83,249	-	-
Receivables from goods and services	11,536	14,768	-	-
Other investments - managed funds	6,482,639	6,768,142		
Total	6,520,990	6,866,159	-	-

Net Fair Values

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

NOTE 15 - Sensitivity Analysis

Interest Rate Risk

The Fund 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.

As at 30 June 2012 the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as per the following table:

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 15 - Sensitivity Analysis (continued)

Interest rate risk (continued)

Sensitivity Table - Market Risk (Interest Rate Movement)

Risk to which the Trust was exposed as at 30 June 2012

Moneys held at 30 June		Change in risk variable	Effect on Profit & Loss 2012
Decrease in Interest Rate	Risk Variable	%	\$
		-1%	(268)
Increase in Interest Rate		1%	268

Risk to which the Trust was exposed as at 30 June 2011

Moneys held at 30 June		Change in risk variable	Effect on Profit & Loss 2011
Decrease in Interest Rate	Risk Variable	%	\$
		-1%	(832)
Increase in Interest Rate		1%	832

The sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

NOTE 16 - Contingent Liabilities and Assets

Quantifiable Contingencies

The Army Amenities Fund had no quantifiable contingencies as at 30 June 2012 (2011: nil).

Unquantifiable Contingencies

As at 30 June 2012, the Army Amenities Fund had no unquantifiable contingencies (2011: nil).

Significant Remote Contingencies

The Army Amenities Fund has no significant remote contingencies as at 30 June 2012 (2011: nil).

ARMY AMENITIES FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2012

NOTE 17 - Compensation and Debt Relief

There were no payments made for compensation and debt relief during the reporting period (2011: Nil).

NOTE 18 - Reporting Outcomes of the Fund

The Fund does not receive any Australian Government budgetary funding. However, the Fund has a single outcome which follows directly from adhering to the stated purpose of the Fund. The operational result of the Fund outcome is demonstrated within the Fund financial statements.

NOTE 19 - Fund Details

The principal place of business for the Fund is :

Army Amenities Fund
R1-3-A099A, PO Box 7901
Russell Offices
CANBERRA ACT 2610

MESSES TRUST FUND

**Report for the Financial Year Ended
30 June 2012**

Table of Contents

Audit Report	2-3
Trustees Declaration	4
Statement of Comprehensive Income	5
Balance Sheet	6
Statement in Changes in Equity	7
Cash Flow Statement	8
Note 1 – Summary of Significant Accounting Policies	9-11
Note 2 – Events after the Reporting Period	12
Note 3 – Revenue	12
Note 4 – Cash and Cash Equivalents	12
Note 5 – Trade and other Receivables	12
Note 6 – Auditor’s Remuneration	12
Note 7 – Related Party Transactions	13
Note 8 – Cash Flow Reconciliation	13
Note 9 – Financial Instruments	14-16
Note 10 – Compensation and Debt Relief	16
Note 11 – Reporting Outcomes of the Fund	17
Note 12 – Fund Details	17



INDEPENDENT AUDITOR'S REPORT

To the Minister for Defence Science and Personnel

I have audited the accompanying financial statements of the Messes Trust Fund for the year ended 30 June 2012, which comprise: the Trustees' Declaration; the Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; and Notes to and Forming Part of the Financial Statements, including a Summary of Significant Accounting Policies.

The Trustees' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Messes Trust Fund's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Messes Trust Fund's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Opinion

In my opinion, the financial statements of the Messes Trust Fund:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Messes Trust Fund's financial position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
19 October 2012

MESSES TRUST FUND
TRUSTEES' DECLARATION

The Directors of the AAF Company, trustees for the Messes Trust Fund, declare that:

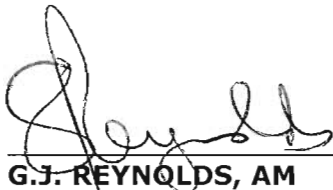
1. the financial statements and notes, as set out on pages 4 to 16 present fairly the trust's financial position as at 30 June 2012 and its performance for the year ended on that date in accordance with Australian Accounting Standards (including Australian Accounting Interpretations); and
2. in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Dated at Canberra this

19th

day of October 2012

This declaration is made in accordance with a resolution of the Board of Directors of the AAF Company.



G.J. REYNOLDS, AM
Director



P. NOTHARD, AM CSC
Director

MESSES TRUST FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$
EXPENSES			
Grants		-	-
Total expenses		<u>-</u>	<u>-</u>
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Interest		27,919	27,314
Funds from Disbanding Messes		-	-
Total own-source revenue	3	<u>27,919</u>	<u>27,314</u>
Total own-source income		<u>27,919</u>	<u>27,314</u>
Net cost of services		<u>(27,919)</u>	<u>(27,314)</u>
Surplus on continuing operations		<u>27,919</u>	<u>27,314</u>
OTHER COMPREHENSIVE INCOME			
Total other comprehensive income		-	-
Total comprehensive income		<u>27,919</u>	<u>27,314</u>

The accompanying notes form part of these financial statements

MESSES TRUST FUND**BALANCE SHEET****AS AT 30 JUNE 2012**

	Notes	2012 \$	2011 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	4	598,613	570,143
Trade and other receivables	5	<u>2,785</u>	<u>3,336</u>
Total financial assets		<u>601,398</u>	<u>573,479</u>
Total Assets		<u>601,398</u>	<u>573,479</u>
LIABILITIES			
Total Liabilities		<u>-</u>	<u>-</u>
Net Assets		<u>601,398</u>	<u>573,479</u>
EQUITY			
Retained surplus		<u>601,398</u>	<u>573,479</u>
Total Equity		<u>601,398</u>	<u>573,479</u>

The accompanying notes form part of these financial statements

MESSES TRUST FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2012

	Retained Earnings		Total Equity	
	2012	2011	2012	2011
	\$	\$	\$	\$
Opening balance: Balance carried forward from the previous period	573,479	546,165	573,479	546,165
Comprehensive income Other comprehensive income Surplus for the period	- 27,919	- 27,314	- 27,919	- 27,314
Total Comprehensive income	27,919	27,314	27,919	27,314
Closing balance as at 30 June	601,398	573,479	601,398	573,479

The accompanying notes form part of these financial statements

MESSES TRUST FUND
CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$
OPERATING ACTIVITIES			
Cash received			
Interest received		28,470	27,311
Funds from disbanded messes		-	-
Total cash received		<u>28,470</u>	<u>27,311</u>
Net cash from operating activities	8(b)	<u>28,470</u>	<u>27,311</u>
Net increase in cash held		28,470	27,311
Cash and cash equivalents at the beginning of the reporting period		<u>570,143</u>	<u>542,832</u>
Cash and cash equivalents at the end of the reporting period	8(a)	<u>598,613</u>	<u>570,143</u>

The accompanying notes form part of these financial statements

MESSES TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Objective of the Messes Trust Fund

The objective of the Messes Trust Fund is to provide financial assistance to newly formed Messes and existing Messes for worthwhile projects that benefit the wider mess membership.

1.1. Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

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

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

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar unless otherwise specified.

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

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

1.2. New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

All new or revised standards and interpretations issued prior to the signing of the Statement by the Chairman of the Messes Trust Fund and one of the Directors, that were applicable to the current reporting period had no material financial impact on the Messes Trust Fund and are not expected to have a future financial impact.

MESSES TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Australian Accounting Standard Requirements

All new or revised standards and interpretations that were issued by the Australian Accounting Standards Board prior to the signing of the statement by the Chairman of the Messes Trust Fund and one of the Directors, are not expected to have a financial impact on the Messes Trust Fund for future reporting periods.

1.3. Revenue

Revenue from the sale of goods is recognised when:

- The revenue and transaction costs incurred can be reliably measured; and
- It is probable that the economic benefits associated with the transaction will flow to the entity.

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

1.4. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

1.5. Financial Assets

Recognition

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortised cost using the effective interest rate method.

MESSES TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6. Taxation

The Fund is exempt from all forms of taxation except the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

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

1.7. Comparative Figures

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

1.8. Rounding of amounts

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar unless otherwise specified.

1.9. Contingent assets and liabilities

There were no material contingent liabilities or contingent assets existing at balance date.

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability which cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain. The Messes Trust Fund has no contingencies in either the current or preceding reporting periods and therefore a schedule for such items has not been included in the Financial Statements.

Quantifiable Contingencies

The Messes Trust Fund had no quantifiable contingencies as at 30 June 2012 (2011: nil).

Unquantifiable Contingencies

At 30 June 2012, the Messes Trust Fund had no unquantifiable contingencies (2011: nil).

Significant Remote Contingencies

The Messes Trust Fund has no significant remote contingencies (2011: nil).

MESSES TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 2 – EVENTS AFTER THE REPORTING PERIOD

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

NOTE 3 – REVENUE

	2012	2011
	\$	\$
Interest	27,919	27,314
Funds from Disbanded Messes	-	-
	<u>27,919</u>	<u>27,314</u>

NOTE 4 – CASH AND CASH EQUIVALENTS

	2012	2011
	\$	\$
Cash at Bank	96,170	96,161
Cash on Deposit	502,443	473,982
Total Cash Assets	<u>598,613</u>	<u>570,143</u>

NOTE 5 – TRADE AND OTHER RECEIVABLES

	2012	2011
	\$	\$
Current Receivables		
Interest	2,785	3,336
Total Receivables	<u>2,785</u>	<u>3,336</u>

Credit Risk — Trade and Other Receivables

The main source of credit risk to the trust is limited to interest income receivable. On a geographic basis, the trust's credit risk exposure is limited to Australia as the trust's investment is held domestically.

NOTE 6 - AUDITOR'S REMUNERATION

Amounts received, or due and receivable, by the auditors in relation to auditing of the financial report.

-	-
---	---

MESSES TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 7 - RELATED PARTY TRANSACTIONS

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

Gavan John Reynolds	Army Officer (Appointed 17 June 2011)
Cheryl Pearce	Army Officer (Appointed 8 March 2011)
Stephen Charles Ward	Army Officer (Resigned 18 October 2011)
Warwick James Austin	Army Officer (Resigned 12 August 2011)
Paul Michael Nothard	Army Officer (Appointed 1 February 2009)
David Malcolm Ashley	Army Officer (Appointed 18 October 2011)
Benjamin Robert Chapman	Public Servant (Resigned 26 June 2012)
Kenneth John Bullman	Army Officer (Appointed 17 June 2011)
Rebecca Sue Talbot	Army Officer (Appointed 29 May 2012)
Kate Victoria Radcliffe	Public Servant (Appointed 26 June 2012)

During the financial year, the directors did not receive any remuneration from the trust or any related entity in connection with the management of the trust.

	2012	2011
	\$	\$
NOTE 8 – CASH FLOW RECONCILIATION		
(a) Reconciliation of cash and cash equivalents as per Balance Sheet and Cash Flow statement		
Cash and cash equivalents as per:		
Cash Flow Statement	598,613	570,143
Balance Sheet	598,613	570,143
Difference	<u><u>-</u></u>	<u><u>-</u></u>
(b) Reconciliation of net cost of services to Net cash from operating activities:		
Net cost of services	(27,919)	(27,314)
Cash flows excluded from profit attributable to operating activities.	-	-
Changes in assets and liabilities:		
Increase in accounts receivable	(551)	3
Decrease in debtors	-	-
Net cash from operating activities	<u><u>28,470</u></u>	<u><u>27,311</u></u>

(c) The Fund has no credit stand-by or financing facilities in place.

(d) There were no non-cash financing or investing activities during the period.

MESSES TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 9 – FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012	2011
	\$	\$
Financial assets		
Loans and receivables:		
Cash on hand or on deposit	598,613	570,143
Trade and other receivables	2,785	3,336
Total financial assets	601,398	573,479
Carrying amount of financial assets	601,398	573,479
Financial liabilities		
At amortised cost:		
Trade creditors	-	-
Carrying amount of financial liabilities	-	-
(b) Net income and expense from financial assets		
Loans and receivables:		
Interest revenue	27,919	27,314
Net gain/(loss) loans and receivables	27,919	27,314
Net gain/(loss) from financial assets	27,919	27,314

The Messes Trust Fund's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The Messes Trust Fund does not have any derivative instruments at 30 June 2012.

Financial Risk Management Policies

The Messes Trust Fund monitors the transactions and reviews the effectiveness of controls relating to credit risk, financial risk, and interest rate risk. The overall risk management strategy seeks to ensure that the Messes Trust Fund meets its financial targets, whilst minimising potential adverse effects of cash flow shortfalls.

Financial Risk Exposures and Management

(c) Interest Rate Risk

The Messes Trust Fund's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities is as follows:

MESSES TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 9 – FINANCIAL INSTRUMENTS (Continued)

	Weighted Average Effective Interest Rate		Floating Interest Rate		Total	
	2012	2011	2012	2011	2012	2011
	%	%	\$	\$	\$	\$
Financial Assets						
Cash	2.80	3.08	598,613	570,143	598,613	570,143
Receivables	--	--	2,785	3,336	2,785	3,336
Total Financial Assets			601,398	573,479	601,398	573,479

(d) Liquidity Risk

The trust manages liquidity risk by monitoring forecast cash flows.

(e) 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 balance sheet and notes to the financial statements.

The Messes Trust Fund does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the trust.

(f) Net Fair Values

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

MESSES TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 9 – FINANCIAL INSTRUMENTS (continued)

Credit Risk Analysis

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 Fund 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

	Not Past Due Nor Impaired	Not Past Due Nor Impaired	Past due or impaired	Past due or impaired
	2012	2011	2012	2011
	\$	\$	\$	\$
Receivables from good and services	2,785	3,336	-	-
Total	2,785	3,336	-	-

Sensitivity Analysis

Interest rate risk

The Messes Trust Fund 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.

At 30 June 2012, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2012	2011
	\$	\$
Change in profit		
- increase interest rate by 1%	5,986	5,701
- decrease interest rate by 1%	(5,986)	(5,701)

NOTE 10 – COMPENSATION AND DEBT RELIEF

There were no payments made for compensation and debt relief during the reporting period (2011: nil).

MESSES TRUST FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 11 – REPORTING OUTCOMES OF THE FUND

The Fund does not receive any Australian Government budgetary funding. However, the Fund has a single outcome which follows directly from adhering to the stated purpose of the Fund. The operational result of the Fund outcome is demonstrated within the Fund financial statements.

NOTE 12 – FUND DETAILS

The principal place of business of the Fund is:

Messes Trust Fund
R1-3-A099A, PO Box 7901
Russell Offices
CANBERRA ACT 2600