



Royal Australian Navy  
Central Canteens Board  
**RANCCB**

# 2010-11

## ANNUAL REPORT



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## Corporate Directory

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### Legislation

The Royal Australian Navy Central Canteens Board (RANCCB) was established by the *Navy (Canteens) Regulations 1954* under the *Naval Defence Act 1910* and is a prescribed *Commonwealth Authority* under the *Commonwealth Authorities and Companies Act 1997*.

### Responsible Minister

The Hon. Warren Snowdon MP, Minister for Defence Science and Personnel has portfolio responsibility for the Royal Australian Navy Central Canteens Board.

### Principal

The Chief of Navy, VADM R. Griggs AM CSC, RAN acted as principal of the Royal Australian Navy Central Canteens Board from 8 Jun 2011 and VADM R.H Crane AO CSM, RAN for the balance of the Financial Year.

### Management Structure

Chairman:	RADM Peter Marshall AM, RAN (resigned 23 May 11)
Chairman:	CDRE Clinton Thomas AM CSC, RAN (appointed 23 May 11)
Deputy Chairman:	CMDR Christine Clarke, RAN
Secretary:	Mr Harish Anand CA, CPA
Chief Executive Officer:	Mr Barnie van Wyk B-IUR, LLB, FAICD
Chief Financial Officer:	Mr Harish Anand CA, CPA

### Head Office

Street Address:	Level 5, D-Node, Campbell Park Offices, Northcott Drive Canberra ACT 2600
Postal Address:	CP4-5-174, Campbell Park Offices, Canberra ACT 2600
Telephone:	(02) 6266 4985
Facsimile:	(02) 6266 3645
Website:	<a href="http://www.ranccf.com">www.ranccf.com</a>

### Bankers

Australian Defence Credit Union  
Defence Credit Union

### Solicitors

Clayton Utz

### Auditors

Australian National Audit Office (ANAO)

## REPORT OF OPERATIONS

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The Hon. Warren Snowdon MP,  
Minister for Defence Science and Personnel.

Dear Minister,

The Directors of the Royal Australian Navy Central Canteens Board (RANCCB) have the pleasure to submit their Report of Operations for the year ended 30 June 2011.

### Enabling Legislation and Responsible Minister

The RANCCB delivers lifestyle benefits and services to the officers and sailors of the Royal Australian Navy in accordance with the *Navy (Canteens) Regulations, 1954*. These Regulations provide that the Directors shall, subject to and in accordance with the Regulations, apply monies and property of the Board; provide grants, loans and benefits for members of the Royal Australian Navy and further provide grants to the Royal Australian Navy Relief Trust Fund (RANRTF).

The Minister for Defence Science and Personnel, the Hon. Warren Snowdon MP is the Minister responsible for the Royal Australian Navy Central Canteens Board at the date of this report.

The RANCCB is a prescribed *Commonwealth Authority* under the *Commonwealth Authorities and Companies Act 1997* with effect from 01 July 2007. The attached audited financial statements read together with the notes to the financial statement form an integral part of the report.

### Organisational Structure

The RANCCB is a Statutory Authority with body corporate status and perpetual succession. The RANCCB's operations are overseen by a Board of Directors who are appointed by the Chief of Navy by means of a delegation from the Minister under the provisions of the *Navy (Canteens) Regulations 1954*. The operations of the RANCCB are managed by a Chief Executive Officer assisted by park managers and administrative staff.

The administrative affairs of the organisation are managed in Canberra, with ancillary businesses located at Fyshwick (ACT), Nowra and Sydney. The RANCCB also owns and operates holiday centres and units located on the coast. They are Amblin Park near Busselton (WA), Big 4 Bungalow Park at Ulladulla (Southern NSW), Forster Holiday Village in Forster (Central NSW) and Pandanus Pocket near Tweed Heads (Northern NSW).

### Review of Operations and Future Prospects

The RANCCB has performed exceptionally well delivering another year of strong performance. This performance was attributable to the Directors, Executive Management, Managers and Staff of the RANCCB who are dedicated to providing improved lifestyle benefits to all permanent Navy members as their core responsibility; as well as to Reserve and Retired members. The RANCCB has excelled in all aspects of its strategy and has augmented its product offering and benefit streams throughout the financial year.

The most significant achievements experienced were the distribution of grants to Navy members and entities from the Win with Navy Raffle, the introduction of canteens and coffee vans at HMAS CAIRNS and HMAS PENGUIN, the installation of fully serviced sites at BIG4 Bungalow Park and the park qualifying for three significant acknowledgements including Milton/ Ulladulla Rotary Business of the Year and best Caravan and Tourist Park in the Milton Ulladulla district.

Management has shaped a number of products, business processes, policies and technology to ensure best service

delivery to our members.

## Products and Benefits

The strategic goals of the RANCCB included the provision of benefits to members of the Royal Australian Navy either directly through: the introduction of Navy Service Canteens, the introduction of a Wi-Fi service at Navy establishments; the provision of lifestyle benefits; the supply of goods and services; or indirectly through the growth of membership of the Win with Navy Raffle and the provision of grants and loans to the Royal Australian Navy Relief Trust Fund (RANRTF), the Navy Sports Council (NSC) and Ships Company Amenity Fund's (SCAF's).

The RANCCB operates the following core product lines:

- a. Holiday parks, accommodation and amenities; providing discounted holiday accommodation to Naval and Defence members locally and also internationally through the newly launched Armed Forces Vacation Club.
- b. A theatre and entertainment ticketing agency; providing discounted theatre tickets to Naval and Defence members.
- c. A retail e-Commerce facility called SALT; selling Navy memorabilia generating revenue for the Board.
- d. A raffle for Navy members; to generate additional revenue for grants and reinvestment into other benefit product lines.
- e. A retail operation at the Fleet Air Arm Museum in Nowra; to support the Museum and generate revenue for the Board.
- f. Canteens and mobile coffee carts; to provide a service to Naval members at Navy establishments.
- g. Wholesale supply services to canteens, messes and clubs; to provide a discounted service to Naval members.

The Board has continued with the capital investment programme set out in the previous financial year to replace the tiring infrastructure at its holiday parks. The Board is facing a risk with the current downturn in occupancy experienced across the tourism and accommodation sector and has adopted various approaches to attract custom and service the requirements of Navy and Defence members.

An additional \$82,000 was invested in the holiday parks during the year to provide additional powered sites to attract the growing "camping" market and upgrades were done to existing cottages and cabins which include the replacement of televisions, provision of granite kitchen bench tops, flooring and refurbishment of interiors. These additions are expected to generate revenue growth over the future years.

The 'Win with Navy' raffle aimed at providing revenue to support the recreation and lifestyle benefits of Navy members has experienced a significant growth trend and has assisted greatly in the provision of increased benefits.

The Board has approved a venture to introduce a Wi-Fi Service trial at three establishments. Subject to satisfactory take up, this service will be institutionalised across the RAN to all establishments.

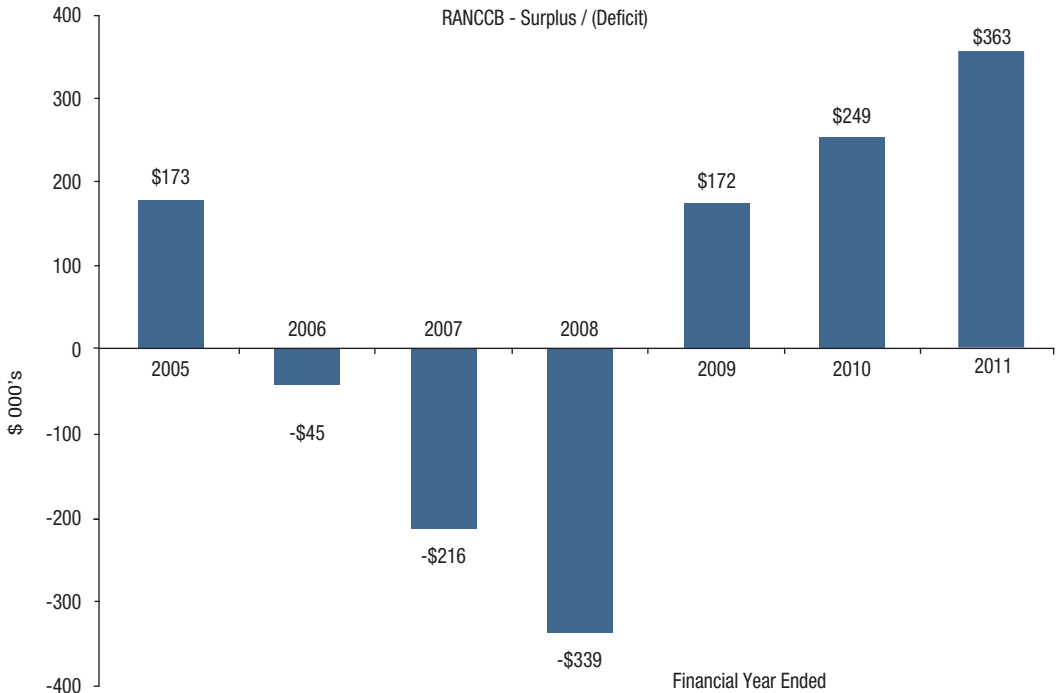
The Board met all financial targets and finished the financial year in a sound fiscal position. Cash balances increased by \$544,000 notwithstanding unbudgeted expenditure to perform due diligences on the introduction of Navy Service Canteens and the appointment of a National General Manager (Canteens). The increase was mostly attributable to the growth in membership of the Raffle and the very good performance of a number of the RANCCB businesses.

Overall Board Net Assets increased by \$363,000. For the fiscal year 2010/11 the RANCCB produced operating revenues of \$5,217,000 (P.Y. \$4,381,000) driven by the performance of the 'Win with Navy' raffle, better than expected return of levies and performance of the SALT e-Commerce platform.

Costs have increased by \$722,000 to \$4,854,000 (P.Y. \$4,132,000) as a result of increased revenue generating activity, disproportional increase in the costs of utilities and losses incurred at BIG4 Bungalow Park resulting from storm damage.

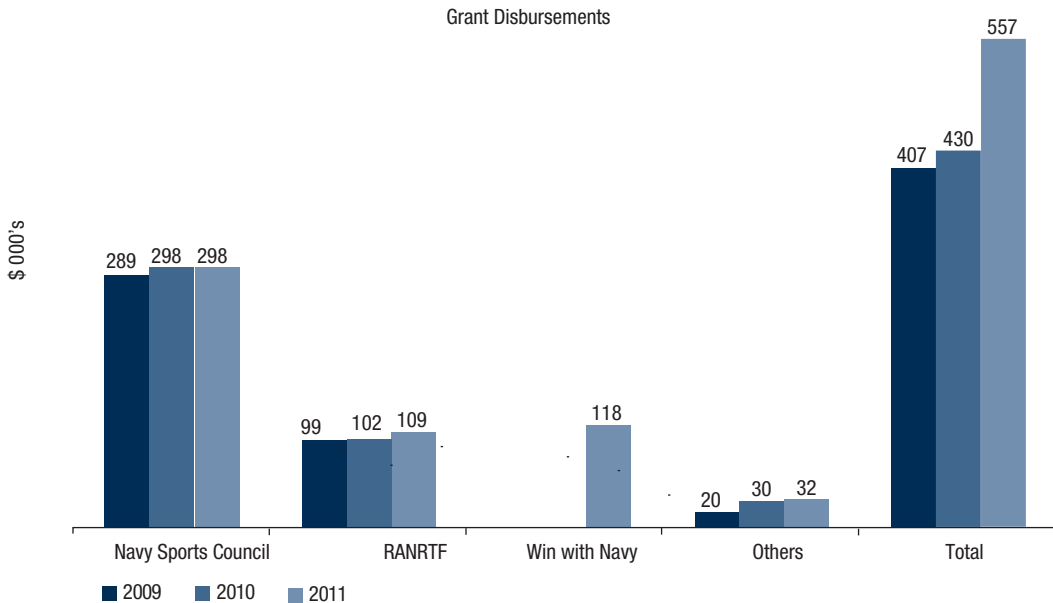
The overall operating result was a surplus of \$363,000 (P.Y. \$249,000 excluding revaluation adjustments) which is 46% up on last year.

The following is a representation of the surplus/ (deficit) declared by the RANCCB since 30 Jun 2005:



## Disbursements

A key focus of the RANCCB is to support RAN members through various activities such as the provision of grants, sponsorship of sport, lifestyle entertainment and other activities. The cash disbursements for the year under review are as follows:



Grant allocations have increased by \$127,000 (P.Y. \$23,000).

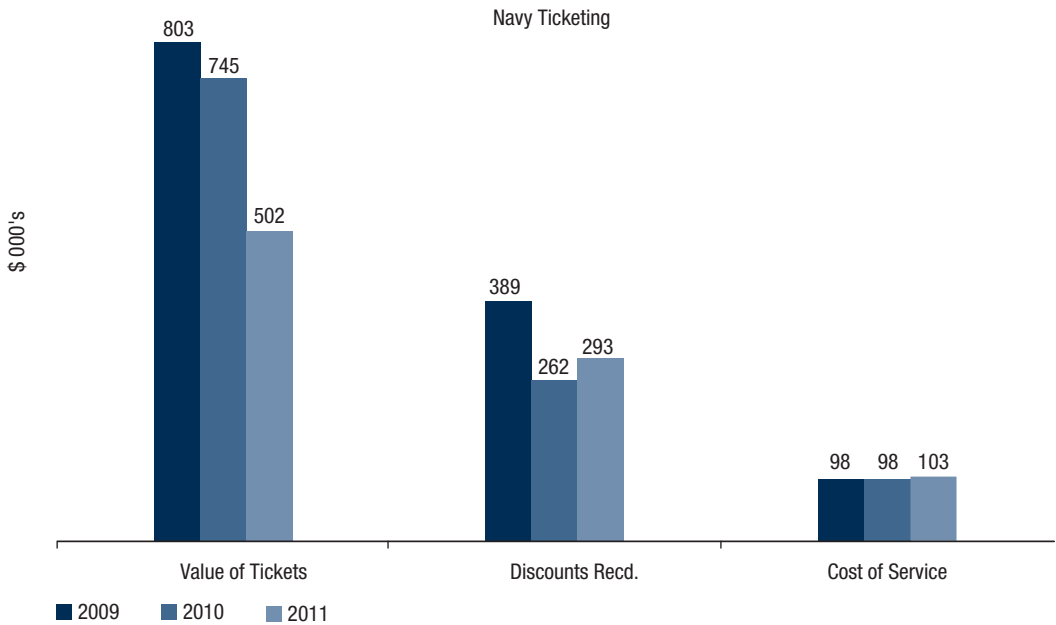
## Loans

The Board approved a short term loan to the RANRTF for the amount of \$400,000 (2010: \$400,000) to facilitate Christmas loans to approximately 400 serving Naval members repayable by April 2011. This loan was repaid in full before the due date. The ability to provide this loan to the RANRTF and through them to Naval personnel is considered to be an immense benefit and has been increasing in popularity with Navy members.

## Navy Ticketing

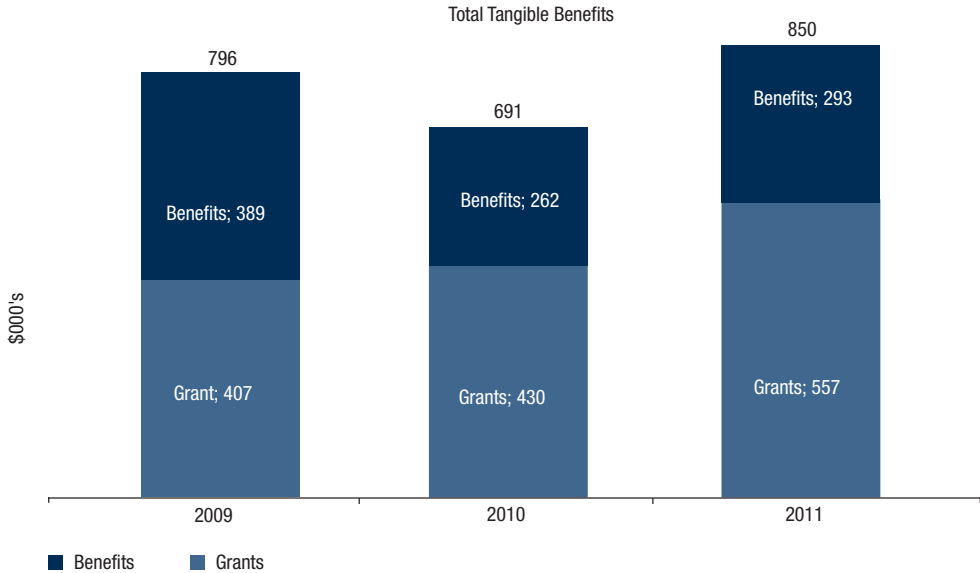
The RANCCB ticketing agency, Navy Ticketing (NT) is located in Sydney (NSW). Navy Ticketing provides discounted or free tickets sourced from on-sellers such as Ticketek, Ticketmaster 7, Showbiz and other event co-ordinators. The provision of tickets has reduced as result of the reduced productions and limited shows arranged by promoters. During the financial year 8,428 (2010: 11,087) tickets were distributed at a cost to benefit ratio of \$ 2.84 per ticket (2010: \$2.67).

NT recognises the limitations deployed personnel face when it comes to acquiring tickets to popular shows. Where possible, NT assesses demand and purchases tickets for offer to deployed personnel and receives many acknowledgements every year from this service.



The Board is currently investigating a new e-Commerce initiative aimed at further assisting deployed Australian Defence Force members to access shows and events electronically from remote or deployed locations. Arrangements are afoot to secure a percentage of presale tickets from promoters. Ticketek, a major on-seller has also been approached to assist with the back office management of the initiative.

The total of all tangible benefits provided to Navy members or members in association with Defence and their families for the financial year are as follows:



## RANCCF Holiday Accommodation

The RANCCB owns and operates holiday centres and units located on the coast. They are Amblin Park near Busselton (WA), Big 4 Bungalow Park at Ulladulla (Southern NSW), Forster Holiday Village in Forster (Central NSW) and Pandanus Pocket near Tweed Heads (Northern NSW).

The RANCCB, like last year, faced some challenges during the year with extended rain periods impacting on occupancy, the threat of a cyclone necessitating the evacuation of its facilities in WA and a windstorm on the NSW South Coast; all impacting on the performance of the RANCCB Holiday Parks.

Other risks currently faced by the Board are the reduced occupancy experienced by all tourism and accommodation businesses especially in NSW and WA. This and generational shifts in customer attitudes and preferences have had a negative impact on the performance of the holiday parks. Nevertheless a profit of \$531,000 was achieved from these businesses overall in FY 2010/ 11.

## e-Commerce Solution

The RANCCB's Retail e – Commerce business SALT is located in Fyshwick (ACT) and has returned a profit of \$40,000 (2010: \$35,000). The increase can be attributed to strong database marketing and cross selling opportunities.

There is an expectation to increase the revenue in this business as the Navy Service Canteens come on line. However, the higher manufacturing and import costs from China and India is taking its toll and is expected to have an impact on sales in the next financial year.

## Significant Events

The Chief of Navy approved the management of all shore based Navy Service Canteens by the Board in May 2011. This decision addressed a shortcoming identified in the governance of these Canteens. The Board approved a program to bring these Canteens online over a period of three years. Two canteen solutions were introduced at HMAS CAIRNS and HMAS PENGUIN approximately 6 months before the original scheduled dates. HMAS CAIRNS traded profitably for the first time in many years within two months of opening and HMAS PENGUIN has been outsourced to contractors of the RANCCB.

HMAS CERBERUS Service Canteen was taken over on 1 July 2011 and its computing and accounting systems are used to centralise administrative functions for the Canteen arm on the one database. All sales, stock, invoicing and similar data is remotely sent direct to HMAS CERBERUS from the HMAS CAIRNS site. This successful proof of concept will enable national control from the one administrative centre, with each new Canteen being added to the network.

Much work has been accomplished and continues on negotiating Australia-wide supplier contracts. Using the collective buying power of all the Canteens will achieve economies of scale and allow similar retail pricing around the country.

## Matters subsequent to the end of the financial year

Subsequent to the Chief Of Navy's delegation under Section 3(1)(a) of the *Navy (Canteens) Regulations 1954*, empowering the RANCCB to manage, introduce and provide Navy Canteen Service operations onboard all HMA Ships and establishments, the RANCCB has, effective from 01 July 2011, secured control over the management of the HMAS CERBERUS service canteen.

Of the ten shore establishments, there are currently eight operating canteens. The Board intends to take over these operations or re-establish Canteens over the next three years.

## Significant Changes

There have been no significant changes to the Board's state of affairs or principal activities during the financial year. In the opinion of the Directors, and subject to the above points, there has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may affect the Board's operations, the result of those operations, or the Board's state of affairs in the financial years following the period under review.

## Effects of Ministerial Directions

There were no directions received, nor any notification of general policies of the Commonwealth Government to be applied to the authority, by the responsible Minister.

## Statement on Governance

This statement provides an outline of the key corporate governance practices of the RANCCB throughout Financial Year 2010/11.

The Board has a number of Board Committees to assist in the execution of its responsibilities. They are the Finance and Operations Committee, the Audit, Risk and Governance Committee, the Remuneration Committee and the Strategic Committee.

All Committees have charters providing guidelines for a solid management framework including a set of internal controls to assist with assessments of risk and complying with reporting requirements.

The Board had eight scheduled meetings, including two strategic and planning meetings, and approved via email, or other means, correspondence 'out of session' that required a more immediate response.

The Board reviewed the monthly and year to date financial results, key performance indicators and approved budgets and capital expenditure requests, reviewed policies and considered internal audit reports.

The Board further intends to review and refine the RANCCB Committee structure in Financial Year 2011/12 to ensure that evolving and contemporary Governance arrangements continue to match the CN approved business growth.

## Finance and Operations Committee

The Finance and Operations Committee's role is to monitor the organisation's performance to budget and its performance against the approved capital expenditure plan. The Chair of the Committee is LCDR E Gaudry. The Committee is assisted by the Chief Executive Officer and Chief Financial Officer.

## Audit Risk and Governance Committee

The Audit Risk and Governance Committee's role is to monitor responsibilities relating to Board accounting and reporting, internal and external audit processes, risk management and performance and compliance with policies. The Chair of the Committee is CMDR H Cameron. The Committee is assisted by the Chief Executive Officer and Chief Financial Officer.

## Remuneration Committee

The Remuneration Committee's role is to make an annual recommendation on the remuneration of the Chief Executive Officer and direct reports to the CEO. The Chair of the Committee was RADM P Marshall. The Committee is assisted by the Chief Executive Officer.

## Strategic Committee

The Strategic Committee's role is to plan and monitor the strategic direction of the organisation through medium and long term goals. The Chair of the Committee is CAPT I Murray. The Committee is assisted by the Chief Executive Officer and Chief Financial Officer.

## Conflicts of Interest

The Directors, Executive Management and Staff are expected to comply with the Conflict of Interest policy and declare any potential conflict according to the policy at the start of each Board and/ or Committee meeting.

## Ethical Standards

Directors, Executive management and staff are expected to act with integrity with a view of enhancing the reputation of the RANCCB.

## Board Assessments

The effectiveness of Board Meetings is measured by a self-assessment mechanism at the end of every meeting and forms part of each agenda.

## Directors Benefits

Defence and Australian Public Service personnel appointed to the Board are not entitled to any benefits as stated by the *Navy (Canteens) Regulations 1954*.

## Gender Diversity

The RANCCB recognises the benefits of having diversity in the boardroom. There are two female Directors on the Board, representing 29% of the Board membership.

## Insurance of Officers

The RANCCB paid premiums of \$720.33 for the year ended 30 June 2011 in respect of director's and officer's liability and company reimbursement policies. The liabilities included costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the RANCCB.

## Principal Activities

The principal activities of the Board are to provide lifestyle related benefits and services to Navy members and their families. The implementation of successful strategies has ensured the long term profitability of the Board.

As part of its strategic plan the RANCCB has recently introduced canteen services in a number of Navy bases. This initiative is a significant change aimed at aligning the operations of the RAN Service System Canteens; applying business practices and strategies to be more efficient, productive and profitable in order to support the increasing member demands for welfare, lifestyle, sport and recreational support.

## Meetings of Directors

Directors are appointed by the Chief of Navy who takes advice from the Chairman of the Board. All Directors are required to undertake a formal process of education on their responsibilities and rights, typically through the completion of the Australian Company Directors Course. During this reporting period the Board also approved funding for ongoing Directors training.

The following outlines the number of meetings attended by each Director during the reporting period:

Director	Experience	Committees											
		Board Meetings		Remuneration		Finance and Operations		Strategy & Investment		Audit Risk & Governance			
		Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended		
RADM Peter Marshall AM	1	8	5	2	1	8	6	3	2	8	4		
CDRE Clinton Thomas AM CSC	3	2	2	0	0	2	2	1	1	2	2		
CAPT Neville Teague CSM	1	8	8	2	2	8	8	3	2	8	8		
CAPT Ian Murray	2	8	6	2	2	8	6	3	3	8	4		
CMDR Christine Clarke	1	8	5	2	1	8	5	3	3	8	5		
CMDR Hugh Cameron CSC	1	8	8	2	2	8	8	3	3	8	8		
LCDR Emma Gaudry	1	8	8	2	2	8	8	3	3	8	8		
WO Martin Holzberger CSC	1	8	5	2	2	8	5	3	2	8	5		

Notes:

1. All Directors are Non Executive Directors.
2. Directors share equal responsibilities.
3. Experience denotes the number of Board memberships.

## Director Qualifications

Director	
RADM Peter J Marshall, AM	BEng, MEngSc, GAICD, MIEAUST, MAIPM
CDRE Clinton Thomas AM CSC	Dip App Sci (UNSW), Grad Dip of Resource Management, Adv Dip of Project Management, Adv Dip of Government (Strategic Procurement), Dip of Government (Contract Management), Diploma CD, M Mgmt (Ops/Log) (MGSM), GIACD, MAMI, MRMIA, FCILTA, AMAIPM
CAPT Ian Murray	BA, Grad Dip HRM, Master of Defence Studies, MBA, GAICD
CAPT Neville Teague CSM	Certified Practicing Logistician, Grad Cert in Management, Grad Cert in Strategic Studies
CMDR Christine Clarke	BBus, MHRM, MAICD
CMDR Hugh Cameron CSC	BA, LLB, Grad Dip Legal Practice and Grad Dip Mil Law, MAICD
LCDR Emma Gaudry	BA, MA (International Relations), Master of International & Community Development, GAICD
WO Martin Holzberger CSC	Diploma in Applied Science, Diploma of Frontline Management, Grad Cert in Management, Grad Cert in Maritime Studies.

## Declaration

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



**C.W. Thomas AM CSC**

CDRE, RAN  
Chairman  
30 September 2011



**I.G. Murray**

CAPT, RAN  
Director  
30 September 2011

## ATTACHMENT A2

**STATEMENT OF EXPECTATIONS FOR THE  
ROYAL AUSTRALIAN NAVY CENTRAL CANTEENS FUND**

**Chairman**  
**Royal Australian Navy Central Canteens Fund**

26 SEP 2008

This statement formally outlines my expectations concerning the operations and performance of the Royal Australian Navy Central Canteens Fund (RANCCF).

The government's vision for RANCCF is that it will be a high-performing and self-supporting organisation which provides welfare and recreational benefits for Navy personnel, and fosters a sense of support for their families, to enhance their living conditions and social environment.

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

My expectations for the Board of Trustees are that it will ensure that RANCCF:

1. operates in accordance with relevant legislation (including the *Navy (Canteens) Regulations 1954* and the *Commonwealth Authorities and Companies Act 1997*);
2. complies with the appropriate government policy, including directions made by the Finance Minister;
3. is a commercially viable organisation utilising contemporary business management practices to extend its commercial operations to support the long term provision of financial aid and assistance to members of the Royal Australian Navy and their families, whilst maintaining its financial independence from government;
4. encourages continuous improvement practices to maximise opportunities that will ensure its long term viability;
5. in response to this Statement of Expectations, provides the Minister with its Statement of Intent and make both Statements publicly available;
6. provides the Minister with its quarterly and annual financial and compliance reports, with copies to be provided to the Secretary for Defence, the Chief of the Defence Force and the Chief of Navy;
7. adopts best practice governance principles and implement risk management strategies as determined by the Commonwealth, as appropriate for the operation of small agencies; and
8. identifies and manages all actual and perceived conflicts of interest, promptly advising the Minister of any significant issues as they arise.



**JOEL FITZGIBBON**  
Minister for Defence

## Corporate Governance

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### STATEMENT OF INTENT FROM THE RAN CENTRAL CANTEENS BOARD

1. The Chief of Navy intends to:

- a. operate the Royal Australian Navy Central Canteens Fund (RANCCF) in accordance with the relevant legislation including the *Navy (Canteens) Regulations 1954* established under the *Naval Defence Act 1910* and the *Commonwealth Authorities and Companies Act 1997*;
- b. comply with the appropriate government policy, including directions made by the Finance Minister;
- c. remain a commercially viable organisation utilising contemporary business management practices to extend its commercial operations to support the long term provision of financial aid and assistance to members of the RAN and their families, whilst maintaining its financial independence from government;
- d. encourage continuous improvement practices to maximise opportunities that will ensure long term viability;
- e. publish the Minister for Defence's *Statement of Expectations* and this *Statement of Intent* in the RANCCF's annual report;
- f. provide a copy of the RANCCF's annual report, compliance report and quarterly reports to the Minister for Defence, the Secretary for Defence, the Chief of the Defence Force and the Chief of Navy;
- g. adopt best practice governance principles and implement risk management strategies as determined by the Commonwealth, as appropriate for the operation of small agencies;
- h. keep the Minister for Defence fully informed on relevant activities of the RANCCF and alert the Minister to any significant events related to the RANCCF's core business; and
- i. identify and manage all actual and perceived conflicts of interest, advising the Minister of any significant issues as they arise

Signed

**R CRANE AO CSM**

VADM, RAN  
Chief of Navy  
5 Dec 2008

## OBJECTIVES AND STRATEGIC INTENT

1. The directors of the Royal Australian Navy Central Canteens Board have the following objectives:
  - a. Protection of the rights, interests, and benefits of members and stakeholders.
  - b. Introduction of value added initiatives governed by the changes in the demographic of Navy.
  - c. Proper direction to management on achieving strategic goals set by the Board.
  - d. Supervision of all activities and services introduced by management.
2. The function of the Board is outlined in the *Navy (Canteens) Regulations, 1954* and includes the following as outlined in Regulation 10:

The Board may make recommendations to the Minister or to the Chief of Navy concerning:

- a. the opening, conducting and closing of canteens; and
  - b. the imposition and variation of levies in respect of canteens trading; and
  - c. the authorisation of persons to open and conduct clubs, cinemas and other institutions and facilities for the welfare or entertainment of members of the Navy, and the closing of those clubs, cinemas, institutions and facilities; and
  - d. matters incidental to the exercise by the Minister or the Chief of Navy of powers in respect of a matter referred to in any of the preceding paragraphs.
3. The powers of the Board are outlined in the *Navy (Canteens) Regulations, 1954* and more specifically Regulation 11.

## CHARTER

1. The Royal Australian Navy Central Canteens Board is committed to continuous improvement of its corporate governance.
2. The Board applies all relevant governance principles in a manner that is best suited to the business and to best address the accountability of directors and stakeholders of the organisation. This intent is supported by an organisational commitment to risk management assessments, legislative compliance, superior standards of service and required financial and ethical behaviour.
3. A description of the Board's main governance practices are outlined below.
4. The Charter of the Board is supported by the *Navy (Canteens) Regulations 1954*:
  - a. The Minister delegates to the Chief of Navy.
  - b. The Chief of Navy appoints a Chairman and 6 other Navy members.
  - c. A Chief Executive Officer is appointed by the Board.

## Charter

5. The Board operates its Committees and Board responsibilities, obligations and requirements according to its Governance Charter.

## Evaluation of the CEO

6. The Board introduced key performance indicators for the CEO which supports the outcomes and corporate governance requirements of the Board. The performance of the CEO is measured and reviewed by the Chairman and Board.

## Remuneration Committee

7. The remuneration of the CEO is determined by the board on the recommendation of the Remuneration Committee, which was chaired by RADM PJ Marshall (Chairman). The outcome of any decision is approved and circulated to all directors.
8. The key functions of the committee are to:
  - a. manage CEO performance and remuneration; and
  - b. provide a forum for CEO to raise issues of concern regarding compliance with employment legislation or issues of employee management.

## Finance and Operations Committee

9. The chairperson of the committee is LCDR E Gaudry. The CEO and CFO attend all the meetings at the discretion and invitation of the committee to address questions of the committee on financial and operational matters.
10. This committee is a standing committee and members are appointed for the duration of their appointment. The main responsibilities of the committee are to ensure:
  - a. the financial statements represent the RANCCB's status; and
  - b. that the RANCCB's operations are operating within the approved budget.

## Strategy Committee

11. The committee consists of CAPT I Murray (Chairman) and all other directors. The CEO attends all the meetings at the discretion and invitation of the committee.
12. This committee operates under an approved Charter from the Board. The main responsibilities of the committee are to:
  - a. manage the long term strategic planning process, to ensure that the strategic plan remains relevant to achieving RANCCB's goals;
  - b. ensure RANCCB strategic planning decisions occur in the timeframe required by the CEO for the purposes of business planning and statutory returns; and
  - c. monitor the performance of RANCCB's investments as a matter of routine.

## Audit, Risk, Compliance and Governance Committee

13. The chairman of the committee is CMDR H Cameron. The CEO attends all the meetings at the discretion and invitation of the committee.
14. This committee is a standing committee and members are appointed for the duration of their appointment and operate under an Audit Charter. The main responsibilities of the committee are to:
  - a. review the annual financial statements prior to their consideration by the RANCCB;
  - b. assess any proposed changes in accounting practices or policies (by February each year), prior to their consideration by the RANCCB;
  - c. review jointly with management, the external auditors and, if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, which could have a material effect upon the financial position or operating results of the Corporation. The Committee will also review the manner in which these matters have been disclosed in the financial statements;
  - d. consider any other matter, which affects its recommendation to the RANCCB concerning the adoption of the financial statements;
  - e. monitor the standard of corporate conduct in transactions with related parties;
  - f. monitor the adequacy of financial information provided to the RANCCB; and
  - g. ensure a summary of the Committee's responsibilities and the action it has taken to fulfill those responsibilities is included in the RANCCB's Annual report.



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Defence Science and Personnel

I have audited the accompanying financial statements of the Royal Australian Navy Central Canteens Board for the year ended 30 June 2011, which comprise: a Statement by the Directors, Chief Executive Officer and Chief Financial Officer; the Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Schedule of Asset Additions; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

#### *Director's Responsibility for the Financial Statements*

The directors of the Royal Australian Navy Central Canteens Board, are responsible for the preparation of the financial statements that gives 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 the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial 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 statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Royal Australian Navy Central Canteens Board's preparation of the financial statements 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 Royal Australian Navy Central Canteens Board'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 statements.

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

GPO Box 707 CANBERRA ACT 2601  
19 National Circuit BARTON ACT  
Phone (02) 6203 7300 Fax (02) 6203 7777

***Independence***

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

***Opinion***

In my opinion, the financial statements of the Royal Australian Navy Central Canteens Board:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Royal Australian Navy Central Canteens Board's financial position as at 30 June 2011 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Jocelyn Ashford  
Executive Director

Delegate of the Auditor-General

Canberra  
28 September 2011

STATEMENT BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2011 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, as amended.

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

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




**C.W. Thomas AM CSC**  
CDRE, RAN  
Chairman  
28 September 2011



**I.G. Murray**  
CAPT, RAN  
Director  
28 September 2011



**Mr. B. van Wyk**  
Chief Executive Officer  
28 September 2011



**Mr. H.K. Anand**  
Chief Executive Officer  
28 September 2011

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$'000	2010 \$'000
<b>EXPENSES</b>			
Employee benefits	3A	1,742	1,532
Goods and Services	3B	2,178	1,862
Grants	3C	586	438
Depreciation and amortisation	3D	348	284
Finance Costs	3E	-	-
Write down and impairment of assets	3F	-	16
<b>Total expenses</b>		<b>4,854</b>	<b>4,132</b>
<b>LESS: OWN SOURCE INCOME</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	4A	5,113	4,310
Interest	4B	104	71
<b>Total own-source revenue</b>		<b>5,217</b>	<b>4,381</b>
<b>Total own-source income</b>		<b>5,217</b>	<b>4,381</b>
<b>Net cost of services</b>		<b>363</b>	<b>249</b>
<b>Surplus attributable to the Australian Government</b>		<b>363</b>	<b>249</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in asset revaluation reserves			
Net gain / (loss) on revaluation of Land		-	(248)
Net gain / (loss) on revaluation of Building		-	102
Net gain / (loss) on revaluation of other IP&E		-	225
		-	79
<b>Total comprehensive income attributable to the Australian Government</b>		<b>363</b>	<b>328</b>

The above statement of comprehensive income is to be read in conjunction with the attached notes.

## BALANCE SHEET AS AT 30 JUNE 2011

	Note	2011 \$'000	2010 \$'000
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	5A	2,381	1,837
Trade and other receivables	5B	270	244
<b>Total Financial Assets</b>		<b>2,651</b>	<b>2,081</b>
<b>Non-Financial Assets</b>			
Land and buildings	6A	12,302	12,411
Infrastructure, plant and equipment	6B	647	707
Inventories	6E	206	162
Other non –financial assets	6F	8	4
<b>Total Non-Financial Assets</b>		<b>13,163</b>	<b>13,284</b>
<b>Total Assets</b>		<b>15,814</b>	<b>15,365</b>
<b>LIABILITIES</b>			
Payables	7A	102	139
Grants	7B	137	169
Other payables	7C	468	401
<b>Total payables</b>		<b>707</b>	<b>709</b>
<b>Interest bearing liabilities</b>			
Leases	8A	21	-
		<b>21</b>	<b>-</b>
<b>Provisions</b>			
Employee provisions	9A	241	174
<b>Total provisions</b>		<b>241</b>	<b>174</b>
<b>Total Liabilities</b>		<b>969</b>	<b>883</b>
<b>Net Assets</b>		<b>14,845</b>	<b>14,482</b>
<b>EQUITY</b>			
Contributed equity		81	81
Reserves		8,534	8,534
Retained surplus		6,230	5,867
<b>Total Equity</b>		<b>14,845</b>	<b>14,482</b>

The above balance sheet is to be read in conjunction with the attached notes.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Retained Earnings		Asset Revaluation Surplus		Contributed Equity/ Capital		Total Equity	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening Balance</b>								
Balance carried forward from previous period	5,867	5,617	8,534	8,454	81	81	14,482	14,152
Adjustment for errors	-	1	-	1	-	-	-	2
<b>Adjusted opening balance</b>	<b>5,867</b>	<b>5,618</b>	<b>8,534</b>	<b>8,455</b>	<b>81</b>	<b>81</b>	<b>14,482</b>	<b>14,154</b>
<b>Comprehensive Income</b>								
Other comprehensive income	-	-	-	79	-	-	-	79
Surplus (Deficit) for the period	363	249	-	-	-	-	363	249
<b>Total comprehensive income</b>	<b>363</b>	<b>249</b>	<b>-</b>	<b>79</b>	<b>-</b>	<b>-</b>	<b>363</b>	<b>328</b>
of which:								
<b>Attributable to the Australian Government</b>	<b>6,230</b>	<b>5,867</b>	<b>8,534</b>	<b>8,534</b>	<b>81</b>	<b>81</b>	<b>14,845</b>	<b>14,482</b>
<b>Closing balance attributable to the Australian Government</b>	<b>6,230</b>	<b>5,867</b>	<b>8,534</b>	<b>8,534</b>	<b>81</b>	<b>81</b>	<b>14,845</b>	<b>14,482</b>

The above statement of changes in equity is to be read in conjunction with the attached notes.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$'000	2010 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash Received</b>			
Goods and services		5,460	4,735
Canteen loans repaid		9	(35)
<b>Total cash received</b>		<b>5,469</b>	<b>4,700</b>
<b>Cash used</b>			
Employees		(1,664)	(1496)
Suppliers		(2,474)	(2018)
Grants		(617)	(370)
Net GST paid		(106)	(132)
<b>Total cash used</b>		<b>(4,861)</b>	<b>(4016)</b>
<b>Net cash flows from or (used by) operating activities</b>	<b>10</b>	<b>608</b>	<b>684</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash Received</b>			
Interest received		92	69
<b>Cash Used</b>			
Purchase of property, plant and equipment		(177)	(834)
<b>Net cash flows from or (used by) investing activities</b>		<b>(85)</b>	<b>(765)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from finance leases		21	-
<b>Net cash flows from or (used by) financing activities</b>		<b>21</b>	<b>-</b>
<b>Net increase or decrease in cash held</b>		<b>544</b>	<b>(81)</b>
Cash and cash equivalents at the beginning of the reporting period		1,837	1,918
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>5A</b>	<b>2,381</b>	<b>1,837</b>

The above statement of cash flows is to be read in conjunction with the attached notes.

## SCHEDULE OF COMMITMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$'000	2010 \$'000
<b>BY TYPE</b>		
<b>Commitments Receivable</b>		
GST recoverable on commitments	(24)	(15)
<b>Total Commitments Receivable</b>	<b>(24)</b>	<b>(15)</b>
<b>Commitments Payable</b>		
<b>Capital commitments</b>		
Capital improvements	-	39
<b>Total capital commitments</b>	<b>-</b>	<b>39</b>
<b>Other commitments</b>		
Other commitments	269	126
Total other commitments	269	126
<b>Net commitments by type</b>	<b>245</b>	<b>150</b>
<b>BY MATURITY</b>		
<b>Commitments receivable</b>		
One year or less	(9)	(9)
From one to five years	(15)	(6)
Over five years	-	-
<b>Total other commitments receivable</b>	<b>(24)</b>	<b>(15)</b>
<b>Commitments payable</b>		
<b>Capital commitments</b>		
One year or less	-	39
From one to five years	-	-
Over five years	-	-
<b>Total capital commitments</b>	<b>-</b>	<b>39</b>
<b>Other Commitments</b>		
One year or less	100	58
From one to five years	169	68
Over five years	-	-
Total other commitments	269	126
<b>Net Commitments by Maturity</b>	<b>245</b>	<b>150</b>

The RANCCB has an agreement to extend a recurring short term loan to the Royal Australian Navy Relief Trust Fund of \$400,000 to meet Christmas loan obligations. This amount has previously been disclosed as a commitment payable / receivable. However, since no binding contractual obligations exist, the amount has been excluded.

## SCHEDULE OF CONTINGENCIES AS AT 30 JUNE 2011

	2011	2010
	\$'000	\$'000
<b>Contingent liabilities</b>		
Guarantees	43	43
Indemnities	-	-
Claims for damages or costs	-	-
<b>Total contingent liabilities</b>	<b>43</b>	<b>43</b>
<b>Net contingent liabilities</b>	<b>43</b>	<b>43</b>

## SCHEDULE OF ASSET ADDITIONS

*The following non-financial non-current assets were added in 2010-11*

	Land	Buildings	Other IP & E	Total
	\$'000	\$'000	\$'000	\$'000
By purchases – other	0	52	127	179
<b>Total additions</b>	<b>0</b>	<b>52</b>	<b>127</b>	<b>179</b>

*The following non-financial non-current assets were added in 2009-10*

	Land	Buildings	Other IP & E	Total
	\$'000	\$'000	\$'000	\$'000
By purchases – other	104	412	317	833
<b>Total additions</b>	<b>104</b>	<b>412</b>	<b>317</b>	<b>833</b>

## RANCCB- FINANCIAL STATEMENTS

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## 1. Summary of Significant Accounting Policies

### 1.1 Objectives of The Royal Australian Navy Central Canteens Board

The Royal Australian Navy Central Canteens Board (RANCCB) was established by the *Navy (Canteens) Regulations, 1954*. These Regulations provide that the Directors shall, subject to and in accordance with the Regulations, apply monies and property of the Fund; provide grants, loans and benefits for members of the Royal Australian Navy and further provide grants to the Royal Australian Navy Relief Trust Fund (RANRTF).

The RANCCB was prescribed a Commonwealth Authority under the Regulations of *The Commonwealth Authorities and Companies Act 1997* commencing 01 Jul 2007.

The continued existence of the RANCCB is dependent upon the Chief of Navy requiring the provision of services elaborated above.

### 1.2 Basis of preparation of the Financial Statements.

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

The Financial Statements and notes have been prepared in accordance with:

- Finance Minister's Orders (or FMOs) for reporting periods ending on or after 01 July 2010; 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 is in accordance with historical cost convention, except for certain assets 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 Statement is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified. Rounding may cause totals to differ from the sum of the components.

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 economic benefits will be required and 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 the schedule of contingencies.

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

### 1.3 Significant Accounting Judgements and Estimates

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

For the purpose of determining the fair value of land, building and other plant and equipment the management has relied on third party Independent valuers.

With the absence of records reflecting the cost of the RANCCB holiday parks at acquisition date, the allocation of costs between land, buildings and other plant and equipment at acquisition date and subsequent additions

to land and buildings; management has relied upon land records, where available, to determine the allocation of revaluation surpluses. Revaluation surpluses have been allocated in the first instance to land and the residual apportioned between buildings and other plant and equipment based on the carrying costs of those assets. The RANCCB holiday parks were acquired between the early 1970's to mid 1980's.

For the purpose of determining employee entitlements assumptions have been made on future increases in wages and salaries, future on cost rates and employee departure and period of service.

## 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. No new standards, revised standards or interpretations that were issued prior to the signing of the statement by the chief executive and chief financial officer and were applicable to the current reporting period had a financial impact on the entity.

### Future Australian Accounting Standard Requirements

No new standards, revised standards and interpretations that were issued by the Australian Accounting Standards Board prior to the signing of the statement by the chief executive and chief financial officer is expected to have a financial impact on the entity for future reporting periods.

## 1.5 Revenue

Revenue from sale of goods is recognised when:

- The risks and reward of ownership have been transferred to the buyer.
- RANCCB does not retain managerial involvement or effective control over the goods.
- The revenue and transaction costs can be reliably measured.
- It is probable that economic benefits associated with the transaction will flow to the RANCCB.

Revenue from the rendering of services is recognised when:

- The stage of completion of the transaction at the reporting date can be reliably measured.
- The revenue and transaction costs can be reliably measured.
- It is probable that economic benefits associated with the transaction will flow to the RANCCB.

Interest revenue is recognised when it is probable that the benefits will flow to the RANCCB and the revenue can be measured reliably. Revenue is recognised using the effective interest rate method as set out in AASB 139.

### Sale of Assets

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

Donations and Rebates are recognised on receipt.

## 1.6 Employee Entitlements

### *Liabilities*

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months of balance date 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.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

### *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 RANCCB 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 the leave is likely to be taken during service rather than paid out on termination.

### *Superannuation*

Contributions are made by the RANCCB to employee superannuation funds and are charged as expenses when incurred.

## 1.7 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 6 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

## 1.8 Financial Assets

### *Financial Instruments*

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

### *Trade and other receivables*

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

### *Held-to-maturity investments*

These investments have fixed maturities, and it is the firm's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

## 1.9 Financial Liabilities

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

## 1.10 Leases

A distinction is made between finance and operating 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.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.

## 1.11 Property Plant and Equipment

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet.

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

Asset Class	Fair Value measured at
Land	Market selling price
Building	Market selling price
Plant and equipment	Market selling price

Following initial recognition at cost, property plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is recognised in Other Comprehensive Income and accumulated in equity under the heading revaluation surplus except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through profit and loss. Revaluation decrements for a class of assets are recognised directly through profit and loss except to the extent that they reverse a previous revaluation increment for that class.

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

### *Depreciation*

Depreciable property plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to RANCCB using, where appropriate, the straight-line method or the written down value method of depreciation.

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

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2011	2010
Building on freehold land	From 5 to 50 Years	From 5 to 50 Years
Plant and equipment	From 2 to 5 Years	From 2 to 5 Years

#### *Asset recognition threshold*

Assets costing less than \$500 (individually, and not where they form a part of a group of similar items) are expensed to the Statement of Comprehensive Income in the year of acquisition.

#### *Impairment*

Land, Buildings and PP&E assets were assessed for impairment at 30 June 2011. 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 the 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 RANCCB were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

#### *De-recognition*

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

## 1.12 GST

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

## 1.13 Inventories

Inventories held for sale are valued at the lower of cost and net realisable value. Inventories comprise finished product held for resale.

Costs incurred in bringing inventories held for sale to its present location and condition are assigned as follows:

- Finished goods – Direct cost plus attributable costs that can be allocated on a reasonable basis.

## 1.14 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.