



Australian Government

Army and Air Force Canteen Service

ABN 69 289 134 420

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

Army and Air Force Canteen Service
trading as AAFCANS

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ISSN 1329 797X

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20 September 2012

The Hon Warren Snowdon MP
Minister for Defence Science and Personnel
Suite M1.49
Parliament House
CANBERRA ACT 2600

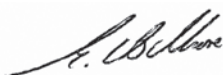
Dear Minister

On behalf of the directors of the Army and Air Force Canteen Service, I have pleasure in submitting our Annual Report for the year ending 30 June 2012.

The directors are responsible under section 9 of the *Commonwealth Authorities and Companies Act 1997* for the preparation and content of the report of operations in accordance with the Finance Minister's Orders made under that Act.

The report of operations was made in accordance with a resolution of the directors on 20 September 2012.

Yours sincerely

A handwritten signature in black ink, appearing to read 'T. Moore', is written over a light blue rectangular background.

Ted Moore
Chairman

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FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

It is our pleasure to report that for the fifth successive year the ongoing improvement in the trading performance of the Army and Air Force Canteen Service (AAFCANS) has resulted in a surplus attributable to the Australian Government of \$99,188. During the last two financial years under the new Defence Agreement, AAFCANS has received funding for amenity improvements which is expended on both capital and expense items within the financial year. In the last financial year the majority of the projects were completed on time and the net contribution to the surplus was much lower than the prior year. Excluding this net contribution, AAFCANS operational profit for the financial year 2011/12 was \$37,895 making this the third successive year that AAFCANS has made a positive return from its trading.

During the year AAFCANS resumed direct trading in all of canteens across the 14 bases in New South Wales, Victoria and South Australia. Taking into account the additional one off costs of \$448,544 incurred in this transaction the underlying operating profit was a record for AAFCANS. Whilst the northern outlets continued to improve on the productivity and profitability benchmarks they have consistently achieved over recent years, we are pleased to report that the southern outlets, by exceeding the benchmarks set for their first six months of trading, covered the one off transactional costs and also made a contribution to overhead costs.

With this early success we are confident of further improvement over the next year after completion of the implementation of an integrated electronic point of sale in the southern outlets linked to our accounting package. This will deliver faster customer service with new selling options and also provide these outlets with the product management information and electronic data processes to make them more efficient.

This year also marked the final year of our Strategic Plan 2008-12 that was implemented to direct the recovery of the business and to move it towards a sustainable future. All financial key performance indicators in the plan have been achieved, and with exception of those strategies under Theme 6 Capital Works and Infrastructure, all the strategies and priority initiatives have been largely accomplished. As foreshadowed in last year's review a new plan is being developed to take us out to 2017. This will be available later this year.

Although there is a lot of store improvement work still to be done AAFCANS internally funded \$944,767 for plant and equipment purchases on top of the Defence amenity improvement payment. The reacquisition cost of equipment and other improvements for the southern outlets was \$615,246 with a further \$329,521 spent on a major internal refurbishment undertaken at Gallipoli Barracks, the opening of a second canteen 'Harry's Café' at Lavarack Barracks and other minor works.

Whilst there will always be a challenge to match the resources with the facility improvement needs, there is no such inhibitor to product range and customer service improvements. Over the past 12 months considerable improvement has been made to improve the consistency and quality of the products offered across all outlets, with our new Managing Director introducing the disciplines of approved product and approved supplier lists. This reduced complexity enables our teams to focus on the products that really matter to our customers resulting in a more consistent and more competitively priced offer across all the bases. Additionally, these tools have also reduced the amount of inventory held on each base with year-end inventory lower than the prior year.

The delivery of products and services to our customers is paramount in the development and growth of our business. As we improve our business processes with centralisation and electronic data interfaces, the management processes for outlet managers will reduce. This will enable managers to focus on communication, employee engagement and the coaching and development of staff. This will have positive implications for the profile of our leaders and leadership and management development provision.

We recognise that change will be significantly enabled through the effective leadership and management of people. There is a need to take a strategic approach to the development of leadership capability at all levels in our business. Through aligned succession planning and career planning policies, AAFCANS can identify leadership potential and put in place the appropriate development.

To facilitate this Certificate IV training is underway and our training modules are being developed. We plan to invest over \$150,000 in training our people this year.

We look forward to another challenging year with our focus being on improving the product quality and revitalising in-store ambience. The implementation of electronic point of sale in the southern bases and upgrades to existing point of sale will enable us to tailor our product offer to our varying customer demographic and improve our service. This year will see the Frontline Defence Services brand diminish as we roll out the revitalised AAFCANS branding.

Led by customer insight feedback and the desire to return to our roots, the Army and Air Force Canteen Service have decided to revert to the earlier trading name of AAFCANS, symbolised by the use of the Army and Air Force logos. Our name and our new logo reflects our ownership and place within Defence.

In concluding we must again thank the Chiefs of Army and Air Force and the members of the Frontline Advisory Committee for their ongoing support and in particular for their guidance as we resumed direct trading in the southern outlets.

We also thank our managers and staff who have responded to the challenges we have faced in FY 2012 as we consolidated the business under the positive leadership and direction from our new leadership team. We have also set a challenging budget for FY 2013 and feel confident based on the performance achieved in the first six months of this calendar year that our teams will meet the goals.

OVERVIEW

AAFCANS's Mission

AAFCANS's mission is to:

- Provide convenience food and everyday essentials through a variety of retail options
- Deliver value for money across a broad product range
- Support local base communities
- Investigate new business opportunities which will ultimately benefit members and their families

AAFCANS's Purpose

AAFCANS is a 'not for profit' statutory organisation administered under the *Army and Air Force Canteen Regulations 1959* and the *Commonwealth Authorities and Corporation Act 1997*.

AAFCANS's role is to:

- Provide convenient, inviting and competitive on-base canteen services that contribute to a pleasant, satisfying and safe work environment and which supports the retention of ADF personnel
- Operate on a commercial and self-supporting basis and generate surplus funds sufficient for business improvements and disbursement to welfare and trust funds for the benefit of ADF members and their families

Services provided by AAFCANS are designed to enhance the living conditions and social environment of Australian Defence Force members, their dependants and other persons employed in or in connection with Army and Air Force installations and include the following business lines:

- Canteen services comprising food, beverage and convenience items
- Wholesale supply of alcohol and other requirements to messes and clubs
- Vending
- Dry cleaning services
- Postal services
- Fuel and mechanical workshops
- Military and adventure wear stores

Stakeholders

The Army and Air Force Canteen Service (AAFCANS), is a Commonwealth statutory authority formed to provide goods, facilities and services to or for the entertainment and recreation of designated members of the 'Defence family'.

The Commonwealth Government owns AAFCANS through the responsible Minister. Our key stakeholders include:

- The Chief of the Defence Force, the Chief of Army and the Chief of Air Force
- Customers (ADF members and their families, reservists, Defence civilians and contractors, former Defence members and their families)
- Amenity and welfare funds
- AAFCANS's employees
- Suppliers and others

REPORT OF OPERATIONS

Year in Review

The 2011-12 financial year was a challenging yet exciting year for AAFCANS. For the year ended 30 June 2012, AAFCANS recorded revenues of \$22.8 million and a net operating profit of \$99,000. After removing the net contribution of Defence facility funding of \$61,000, the operational result is \$38,000. This lower net result also includes the additional one-off transactional costs of \$449,000 to support the re-acquisition of canteens across the 14 bases in NSW, Victoria and South Australia.

The business faced some challenges during the year, including:

- The deployment of troops overseas, the extended stand-down period and the training calendar to areas not serviced by AAFCANS resulting in lower than anticipated levels of personnel on base as a result of a higher tempo in Defence operations and deployments.
- The successful re-acquisition and integration of the southern canteens.
- The redevelopment and opening of the RAAF Darwin café and Tom's café on Lavarack Barracks, Townsville.
- The refurbishment of the Gallipoli Barracks canteen, Brisbane and mobile food van upgrades to 50% of the fleet.
- The relocation of the head office to accommodate the larger resource required with the addition of the southern businesses.

Financial Overview

The financial statements for the financial year 2012 clearly demonstrate AAFCANS to be a profitable organisation in its own right, with a net operating profit of \$38,000 before the Defence Amenities Payment. Despite the acquisition of assets of \$559,000 and stock of \$272,000 for the southern sites, and the significant café facility improvements undertaken on numerous bases, AAFCANS's cash at bank decreased by only \$373,000.

The key factors influencing the financial results are:

- a net increase in sales revenue of \$4.4 million due to the re-acquisition of the southern outlets during December 2011 and January 2012.
- gross profit percentage was significantly better than the previous year. The improvement reflected a continued focus on controlling, purchasing, wastage and stock losses and an improved product mix.
- Labour costs increased 3% compared to 2011, from 28% to 31%, however this takes into account the higher labour model in the southern stores due to the different business mix.
- \$1.3 million was invested in assets including refurbishments, food van upgrades, office move, southern canteen assets and equipment and facilities upgrades, increasing our total assets from \$6.8 million in 2011 to \$7.4 million in 2012.
- Other income dropped to \$1.4 million from \$1.7 million year on year, mainly due to the loss of profit share income connected to the southern outlets re-acquisition.
- AAFCANS controlled its expenses at 9% of sales in line with the previous year.

Full details of AAFCANS financial results are included in the Financial Statements section of this report.

Operational Developments

2011-12 was a year of consolidation with the primary focus to integrate the southern stores and being able to return a profit without any Commonwealth funding assistance.

This was achieved despite the large numbers of troops deployed on exercise or overseas on operations thus continuing to have a significant effect on sales at two major Army bases and one major RAAF base, being Robertson, Gallipoli and RAAF Tindal.

Under the Regulations, AAFCANS is to conduct its operations on a commercial and self-supporting basis, with the aim of providing profits sufficient to permit distribution of surplus funds for the benefit of the members of the Army, the Air Force and their families. A Ministerial directive dating from 2006 relieved AAFCANS of this obligation. Instead of making cash donations directly to unit trusts or welfare funds, AAFCANS was instructed to re-invest cash surpluses into remodelling and refurbishing its canteen facilities. The reasons for this were twofold. Firstly it recognizes that due to funding constraints, Defence has not been able to fund the maintenance and upgrade of AAFCANS facilities to the extent that has been required. A number of our canteens remain out-dated, unattractive and lacking in atmosphere. A significant level of capital investment is still required to bring them up to standard. Secondly, expenditure on facilities refurbishment provides a greater and more tangible benefit to the entire base community than do cash payments to individual units and trust funds. The Frontline Advisory Committee reviews this decision annually.

However AAFCANS still provides significant levels of financial support to unit trust funds and base welfare through the disbursement of vending machine commissions and product donations.

- \$248,000 in vending commission disbursements are payable or were paid to unit regimental trusts and base welfare funds;
- \$2,000 in product donations.

Furthermore the development of the 5 year strategy will clarify the disbursement policy.

The re-acquisition of the southern outlets

In December 2011, the NSW, Victoria and SA outlets were transitioned back to the management control of AAFCANS. All businesses transferred smoothly without loss of trade, personnel or adverse customer reaction. This ensures that all profits generated are retained within Defence.

The amalgamation of all business units paves the way for a more comprehensive 5 year strategy plan. Already elements of the plan have been implemented including centralised planning over all local policies, the development and implementation of human resource and marketing strategies and the move away from the Frontline Defence Services trading name to the parent name of Army and Air Force Canteen Services, AAFCANS.



Image 1: AAFCAN's new café fit out, Gallipoli Barracks, Brisbane

As at June 2012, AAFCANs or its agents operated food services on 33 Army and Air Forces bases and joint ADF facilities throughout Australia. The service was provided from direct operations at 24 locations and the remaining nine bases under subcontract agreements with independent operators:

The AAFCANs network as a 30 June 2012 included:

- 24 main canteens/café's including convenience items and dry cleaning at most locations
- 6 satellite kiosks
- 1 supermarket/grocery store
- 1 post office
- 2 taverns
- 2 petrol outlets
- 19 mobile food vans
- total service vending on 45 Defence establishments

In addition to the nine subcontracted canteens and café's at Victoria Barracks - Sydney, RMC Duntroon, ADFA, LWC Canungra, Puckapunyal, RAAF East Sale, RAAF Pearce, RAAF Amberley and Woodside Army Barracks, additional services are provided at the major bases through Licenced to Trade agreements or concessions. These are:

- 16 financial services (Defcredit and ADCU branches)
- 27 barber shops or hair and beauty salons
- 6 service stations & mechanical workshops
- 1 dry cleaning agent
- 1 newsagent

REPORT OF OPERATIONS

- 2 post offices
- 1 photographer
- 1 magazine publisher
- 4 military and adventure wear stores

Customer Service Improvements

During March and April 2012, AAFCANS undertook customer insights and commenced empirical research. These findings are aimed at users and non-users of AAFCANS businesses with the intention of understanding where we are now and what products and services will be required in future business models.

The survey focused on obtaining vital information within eight key areas:

- History of AAFCANS
- Trading Hours
- Pricing
- Recreational Activities
- Food and Products
- Brand and Loyalty
- Service
- Décor and Atmosphere

In addition AAFCANS undertook market research across all key food and beverage markets within Australia and Europe to establish trends and innovation.

The results from this survey and research have formed part of the AAFCANS Strategy for 2013-17.



Image 2: The new RAAF Darwin cafe

Facilities Improvement Program

In recognition of the unique environment in which AAFCANS operates, the Commonwealth has provided a \$400,000 per annum Special Amenity Payment which has been used exclusively to improve the general appearance and atmosphere of AAFCANS canteens for its Service patrons.

During 2011-12, \$566,000 of outlet improvements (assets and expenditure) were completed. These improvements focussed on the replacement of key equipment items, canteens' shop fitting work and customer comfort improvements. The most significant projects were completed on the following bases:

- \$178,000 Gallipoli Barracks
- \$100,000 Lavarack Barracks
- \$ 55,000 Robertson Barracks
- \$ 44,000 Mobile Food Van upgrades
- \$ 39,000 ALTC Latchford Barracks
- \$ 32,000 RAAF Darwin
- \$ 31,000 RAAF Tindal
- \$ 27,000 RAAF Amberley
- \$ 11,000 ARTC Kapooka
- \$ 10,000 Victoria Barracks, Melbourne

Planned upgrades to facilities in 2012-13 include (subject to cash flow and board approval):

- Upgrade facilities RAAF Wagga Wagga Canteen and Annex
- Upgrade the store facilities at Cafe Central and Shout VC, Robertson Barracks
- Introduction of a kiosk at Gallipoli Barracks, Brisbane
- Redesign and improve canteen facility at Simpson Barracks, Watsonia, Melbourne
- Introduce a coffee pod at Victoria Barracks, Melbourne
- Upgrade Singleton canteen facilities
- Complete refurbishment of the remaining mobile food vans
- Introduce rebranding across the entire estate

Wi-Fi & Pay TV

In addition to refurbishment and upgrades, AAFCANS is expanding its Wi-Fi network, currently installed at RAAF Amberley, RAAF Townsville and Gallipoli Barracks, to include all directly operated locations that have broadband access.

As reported last year, AAFCANS will continue to roll out Pay TV to all bases.

Electronic Point of Sale (ePOS)

AAFCANS will invest more than \$700,000 on the introduction of ePOS and associated software across all businesses. This significant investment will bring our business in line with contemporary systems allowing effective use of management information whilst introducing e-pay products including iTunes, phone credit and Xbox LIVE.

To ensure capacity for the expansion of our ePOS and Wi-Fi network, we have also committed to upgrade our servers to blade technology at a cost of \$200,000. This includes an upgrade of all software to the current versions.

Governance and Compliance

With the harmonisation of the WHS across most states being based on Queensland legislation, our existing processes continue to be compliant with Work Health and Safety (WHS) and food safety program requirements. This legislative change prompted a full review of WHS and food safety procedures across the business, resulting in opportunities to enhance current practices.

REPORT OF OPERATIONS

Independent internal audit checks on our WHS and food safety compliance and financial controls continue to be conducted in AAFCANS directly operated stores. In addition, AAFCANS will seek further independent audit of its head office functions including a selection of payroll, licensees, vending, purchasing contracts and accounts payable.

Human Resource and Training

In September 2011 a specialist HR role was incorporated into the senior head office team. Since then our focus has been to develop our people, policies and procedures and our leadership capability. Our goal is to cultivate a team that is proud to be “AAFCANS”. To build the foundation for this, we have invested in training at base management level, aimed at improving our service standards. In 2012/13 training will be expanded to offer a suite of training modules for employees at all levels, ensuring operational standards are met and providing career paths that have not previously been attainable.



Image 3: Harry's Café re-opened

Likely Developments and Expected Results

Financial year 2012-13 should see stabilisation of the business under clear direction and strong leadership according to the strategic intent with consistency in our product and pricing offer across all bases.

Our key focus is to be the service member's provider of choice, to improve sales and margins by improving our operational delivery and to seek innovative ways to take our products and services to our customers. However there are a number of targets set that will ensure a challenging year. These include:

- Implement the new ePOS system in all outlets and upgrade the central server environment
- Introduce convenience products across all canteens
- Rebrand all stores to AAFCANS
- Effect food product mix to 80% healthy options utilising quality ingredients
- Tailor Base trading hours to suit occupancy
- Up-skill all staff
- Improve effective communication with key stakeholders including base commanders and Defence support managers

The forecast for 2012-13 shows that AAFCANS is expected to achieve a net profit of \$352,000. Total capital expenditure on facilities, plant, equipment, information and technology is forecast to be \$942,000. Note that this amount does not include expenditure on canteen refurbishments funded by the Special Amenity Payment.

Corporate Governance

The overriding objective of the directors is to increase stakeholder value within an appropriate framework, protect the rights and interests of stakeholders while ensuring that the Army and Air Force Canteen Service is properly managed.

The directors are committed to the principles underpinning better practice in corporate governance, applied in a manner that is best suited to the business and to best address the directors’ accountability to stakeholders. This is supported by an organisation-wide commitment to high standards of legislative compliance, and financial and ethical behaviour.

Organisational Structure

This chart is a diagrammatic presentation of ‘lines of authority’ that operated throughout the year. This is not an indication of ‘seniority’ within the corporation.

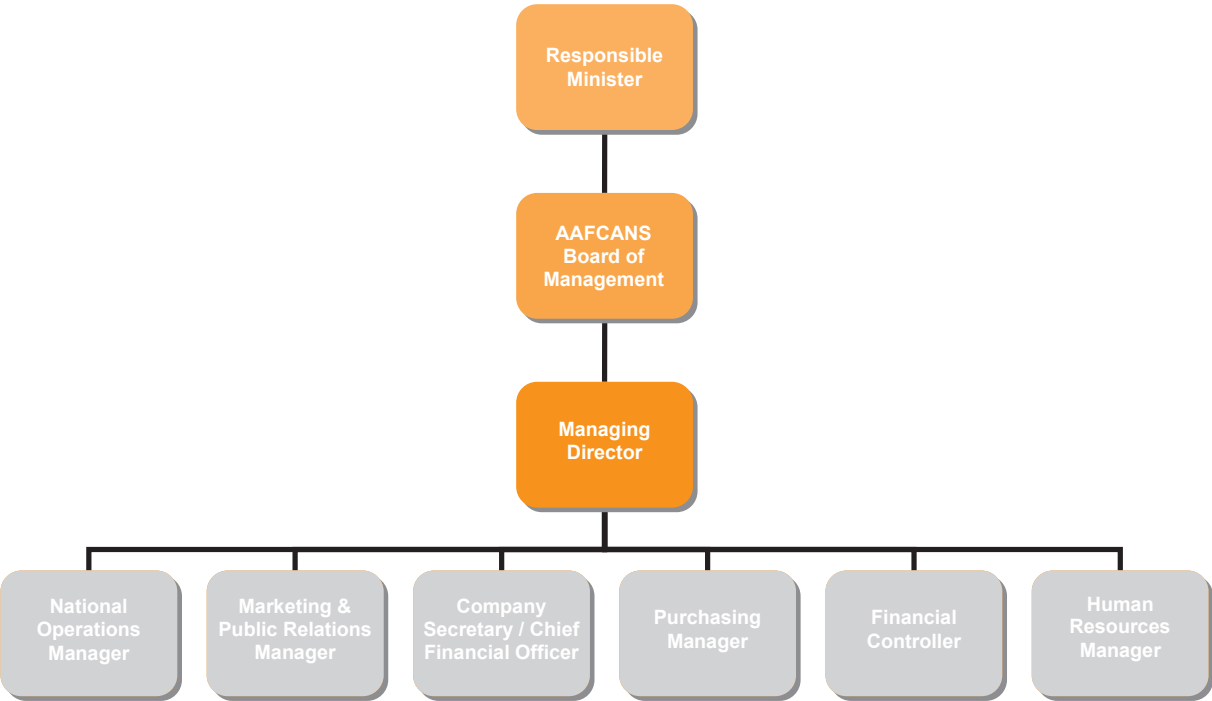


Chart 1: Organisational Structure

The Board of Management



Mr Edward (Ted) Moore GAICD

Chairman and non-executive director

Ministerial re-appointment
- 1 October 2010

Experience:

Ted has more than 40 years experience in management and governance in the retail industry. Ted worked for Coles Myer Ltd for most of this time in store operations, state management, and national and state office executive leadership teams. Prior to retirement Ted set up the regulatory affairs centre of excellence for Coles Myer.

Since retirement Ted has undertaken retail consultancy work and for six years was a director of Outback Stores Pty Ltd - an Australian Government initiative to introduce modern retail management practices and technology into indigenous community stores.

Other current appointments:

- Director/Secretary, Ligon 250 Pty Ltd

Special duties (AAFCANS):

- Chairman of the corporate governance committee
- Member of the remuneration committee
- Member of the audit committee



Air Commodore Ian Pearson (RAAFAR) MAICD

Non-executive director

Chief of Air Force appointment
- 1 July 2010

Experience:

Ian, as a military representative, advises AAFCANS and represents the interests of Air Force personnel.

Ian had an extensive Air Force career in flying, training and staff duties before transferring to the RAAF Active Reserve in March 2010. In addition to his AAFCANS responsibilities, his Reserve duties have included conducting a number of reviews for Air Force.

Other current appointments:

- President, Australian Defence Colleges Association
- Director, Williams Foundation
- Finance Committee member, John XXIII College, Australian National University



Brigadier Andrew Bottrell CSC & Bar MAICD

Non-executive director

Chief of Army appointment
- 16 March 2011

Experience:

Andrew, as a military representative, advises AAFCANS and represents the interests of the Army.

Andrew is appointed currently as Chief of Staff Army Headquarters. In this position he is responsible to Chief of Army for the effective operation of Army Headquarters, ministerial and parliamentary liaison, and the strategic management of Army's reputation and corporate governance. He has extensive experience in command and logistics appointments.

Other current appointments:

Nil



Mr Stewart McGrow MAICD

Ms Catherine J Sinclair BSc MA FAICD FAIM

Mr Andrew Tregaskis GAICD

Managing Director (executive director)

Non-executive director

Non-executive director

Board appointment
- 1 July 2011

Ministerial appointment
- 1 October 2009

Ministerial appointment
- 1 October 2011

Experience:

Stewart's management practice encompasses a wealth of commercial experience in sectors including retail, quick service restaurants/bars, restaurants and leisure clubs in both Australia and the UK. Within Australia, Stewart has held positions as General Manager, Corporate Business with the Compass Group, and National General Manager & General Manager Sydney Opera House.

Having previously worked with Defence in the UK, Stewart has a clear understanding of the nature of the AAFCONS business and the operational requirements that must be achieved to satisfy not only customers, but also key defence and government stakeholders.

Stewart brings to AAFCONS a renewed energy for the business and strong customer orientated focus. Stewart's experience provides him with an understanding of the way an organisation should look after its customers

Special duties (AAFCONS):

- Member of the corporate governance committee

Experience:

Catherine has served as a Board director since 1999. She completed her appointment to the Brisbane Airport Corporation in 2007. She was a Director of the Port of Brisbane in 2001 and became the Deputy Chair in 2005 completing her appointment in 2011. She also served as a member of the Audit Committee and Chair of the Environment Committee.

Catherine, an organization consultant, brings with her extensive professional experience in corporate strategic planning, organization development, systems development and human resource management.

Other current appointments:

- Director, Linkwater
- Councillor, RNA (The Royal National Agricultural and Industrial Association of Queensland)
- State President, CEDA
- Director, The Consultancy Bureau Pty Ltd

Special duties (AAFCONS):

- Chairman of the audit committee
- Member of the corporate governance committee
- Member of the remuneration committee

Experience:

Andrew has more than 35 years experience in management and governance in the retail industry. Andrew worked for Coles Myer Ltd for most of this time in store operations, state management, and state office merchandise management. Andrew's last role was State Manager for Coles Supermarkets NSW.

Since retirement Andrew worked on another Not-for-Profit Board prior to this appointment.

Other current appointments:

Nil

Special duties (AAFCONS):

- Chairman of the remuneration committee
- Member of the audit committee
- Member of the corporate governance committee

New and Former Directors

Other directors of the corporation during and after the period covered by this report were:

Mr Alan Williams

Non-executive director

Ministerial re-appointment

- 1 October 2010

Resigned by rotation

- 30 September 2011

Experience:

Alan has more than 40 years experience in the management and governance of the retail industry. Alan worked for Coles Myer Ltd for all of this time. During his career, he worked in store operations, merchandising, buying, marketing, State management and strategic planning, finishing his career as Chief Operating Officer of the Food Liquor and Fuel Group (Supermarkets Liquor Stores and Fuel Stations).

Alan now consults to several commercial and not-for-profit organisations.

The Board's charter is set forth in the Regulations and includes that the:

- Minister appoints three members, at least two of whom have had extensive business or commercial experience, one of whom is appointed non-executive Chairman
- Board includes two nominee directors, one each from Army and Air Force
- Managing Director is appointed by the Board as the sole executive director

Civilian directors are appointed by the Minister, based on industry expertise, business acumen and other characteristics that are considered to be valuable skills for the management of the business. Military Board members are selected from senior officers who have experience in management, personnel and other military aspects.

The Managing Director is appointed by the Board. The performance and remuneration of the sole executive director is reviewed on an annual basis by the Chairman acting in accordance with the determination of the Remuneration Tribunal. The Chairman then makes a recommendation to the Human Resources and Remuneration Committee.

Board Committees and Attendance

Meetings of directors

The number of meetings of the directors held during the reporting period and the number of meetings attended by each director:

The Board of Management	Period (if not a member for the full year)	Meetings eligible to attend (No.)	Meetings attended (No.)
E Moore (Chairman)		9	9
S McGrow (Managing Director)	Appointed 1 July 2011	9	9
I Pearson		9	8
A Bottrell	Appointed 16 March 2011	9	7
C Sinclair		9	9
A Tregaskis	Appointed 1 October 2011	6	6
A Williams	Resigned 30 September 2011	3	3

Table 1: Director Meeting Attendance

Audit and Risk Management Committee

The members of the Audit and Risk Management Committee, all being non-executive directors, at balance date were C Sinclair (Chair of the committee), E Moore and A Tregaskis. The committee has issued a standing invitation to the military directors to attend the committee meetings.

The number of meetings of the Audit and Risk Management Committee held during the reporting period and the number of meetings attended by each member:

Audit and Risk Management Committee	Period (if not a member for the full year)	Meetings eligible to attend (No.)	Meetings attended (No.)
C Sinclair (Chair)		4	4
E Moore		4	4
A Tregaskis	Appointed 1 October 2011	3	3
A Williams	Resigned 30 September 2011	1	1

Table 2: Audit and Risk Management Meeting Attendance

The Audit and Risk Management Committee is a standing committee. The members are appointed to the Committee for the term of their Ministerial Board appointment.

The Committee operates under the charter approved by the Board, with reports of business given and minutes of meetings provided to the subsequent meeting of the Board. The charter was reviewed and updated during the financial year and is in the process of being re-issued.

REPORT OF OPERATIONS

The Committee assists the Board in determining and ensuring:

- compliance with the *Commonwealth Authorities and Companies Act 1997* and other relevant Acts
- accounting records are appropriately maintained
- adequate internal controls to safeguard assets
- the correct identification and control of risk factors
- the internal audit function operates according to the Board's internal audit charter including ensuring appropriate action is taken on audit recommendations
- financial statements and management reports give a true and fair view
- a standard of corporate conduct and actively consider any ethical issues regarding policies and procedures

In fulfilling its responsibilities the Committee receives regular reports from internal and external auditors and management and maintains open lines of communication between committee members and internal and external auditors.

The external auditor is the Auditor General as prescribed by the *Commonwealth Authorities and Companies Act 1997*.

Risk Management

As a standing agenda item at each Audit and Risk Management Committee meeting, the members review operational risk, financial risk and other strategic risk factors as applicable. The Board discusses new strategic and operational risk factors at each meeting. During the past financial year, the Board and the Audit and Risk Management Committee undertook a complete review of the risk management framework, adopting a revised policy and associated documents in June 2012.

Food safety (HACCP) and occupational health and safety (WHS) are integral parts of the AAFCANS service. The internal auditor conducts random audits for compliance under these two programs. The outlets are also audited for WHS and food safety by the respective Army and Air Force accredited officials.

The Board insures for a wide range of commercial risks including general liability, business interruption, directors' and officers' liability, travel and property loss, destruction or damage.

Corporate Governance Committee

The members of the Corporate Governance Committee, all being directors, at balance date were E Moore (Chair of the committee), C Sinclair, A Tregaskis and S McGrow. The number of meetings of the Corporate Governance Committee held during the reporting period and the number of meetings attended by each member:

Corporate Governance Committee	Period (if not a member for the full year)	Meetings eligible to attend (No.)	Meetings attended (No.)
E Moore (Chair)		4	4
C Sinclair		4	4
A Tregaskis	Appointed 1 October 2011	3	3
A Williams	Resigned 30 September 2011	1	1
S McGrow	Appointed 1 July 2011	4	4

Table 3: Corporate Governance Meeting Attendance

REPORT OF OPERATIONS

The Committee has issued a standing invitation to the military directors to attend the Committee meetings.

The Committee operates under a charter approved by the Board, with reports of business given and minutes of meetings provided to each subsequent meeting of the Board. The charter was reviewed and updated during the financial year and is in the process of being re-issued.

The main responsibility of the Committee is to assist the Board in fulfilling its responsibilities for maintaining sound corporate governance over all activities within the organisation.

The charter and the employee code of conduct require all directors and employees to act with the utmost integrity and objectivity at all times in their dealings with each other, competitors, customers, suppliers, the organisation and the community. Expectations on issues such as avoiding any conflict of interest, compliance with all laws, compliance with all policies and procedures, stewardship of assets and confidentiality of information are detailed therein.

Human Resources and Remuneration Committee

The members of the Human Resources and Remuneration Committee, all being non-executive directors, at balance date were A Tregaskis (Chair of the committee), E Moore and C Sinclair.

The number of meetings of the Human Resources and Remuneration Committee held during the reporting period and the number of meetings attended by each member:

Human Resources and Remuneration Committee	Period (if not a member for the full year)	Meetings eligible to attend (No.)	Meetings attended (No.)
A Tregaskis (Chair)	Appointed 1 October 2011	3	3
A Williams (Chair)	Resigned 30 September 2011	1	1
E Moore		4	4
C Sinclair		4	4

Table 4: Human Resources and Remuneration Meeting Attendance

The Committee has issued a standing invitation to the military directors to attend the Committee meetings.

The Committee operates under a charter approved by the Board, with reports of business given and minutes of meetings provided to each subsequent meeting of the Board. The charter was reviewed and updated during the financial year and is in the process of being re-issued.

The main responsibility of the Committee is to assist the Board in fulfilling its responsibilities for maintaining sound managerial control over all human resource, industrial and superannuation activities within the organisation, reviewing all significant human resource practices and reporting of the organisation.

The Committee, after consultation with the Chairman, also reviews and makes recommendations on the performance and remuneration of the Managing Director.

Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Board's expense. Prior written approval of the Chairman is required but will not be unreasonably withheld. This right was not exercised during the year ended 30 June 2012 (2011: not exercised).

Insurance of Officers

AAFCANS paid premiums of \$3,100 for the year ended 30 June 2012 (2011: \$2,534) in respect of directors' and officers' liability and company reimbursement policies.

The liabilities insured include 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 AAFCANS.

ASX Corporate Governance Principles

Whilst AAFCANS is not obliged to comply with these guidelines, the Board believes that voluntary compliance ensures that AAFCANS is pursuing appropriate best practice corporate governance policies. These eight core principles have been incorporated into our Corporate Governance charter and are set out below, along with a brief on AAFCANS's level of compliance. A number of matters incorporated into these principles are addressed elsewhere in this report and are not repeated below.

1. Lay solid foundations for management and oversight

The roles and responsibilities of directors are documented in a Board charter. This charter is reviewed by members of the Corporate Governance Committee on an ongoing basis.

The delegation of powers and functions to the Managing Director is documented in the Board delegation policy. Certain matters are reserved for the full Board. The Managing Director is responsible for ensuring the responsibilities as delegated are properly discharged by management and for keeping the Board informed on these matters.

The Board has in place proper procedures to assess the performance of senior executives, including the Managing Director.

2. Structure the board to add value

The size and composition of the Board are set by the AAFCANS Regulations, comprising three independent civilian directors appointed by the responsible Minister, two military appointed directors and a Managing Director. Background information on all directors is available at the beginning of this section.

The Chair is an independent director.

The Board has established committees to assist it in carrying out its responsibilities and to consider certain issues and functions in detail. Each committee has its own written charter setting out its role, responsibilities and composition. Each committee undertakes a performance review annually. Each charter is reviewed annually.

3. Promote ethical and responsible decision-making

The directors comply with a code of conduct documented in the Board charter.

An employee code of conduct is signed by each employee as a condition of employment.

The fraud control policy and whistleblowers policy give guidance on the reporting and investigation of unethical practices.

The corporation reports annually on the performance of the Equal Employment Opportunity management policy and plan, including gender diversity and women in senior executive and board positions, as an attachment to the Annual Report - refer Appendix 1.

4. Safeguard integrity in financial reporting

The Board has established the Audit and Risk Management Committee to oversee the integrity of the financial processes and reporting. The Committee consists only of independent directors. The Chair of the Committee is an independent director who is not the Chair of the Board.

The Internal Auditor regularly performs financial audits to ensure that the financial safeguards are operating effectively.

The organisation is audited annually by an independent firm of auditors appointed by ANAO. The firm appointed to perform the audit is not engaged by AAFCANS to provide any other advice or services.

5. Make timely and balanced disclosure

AAFCANS reports on a quarterly basis to the responsible Minister, the Minister for Defence and other key stakeholders. Material matters that arise between reporting dates are advised to the responsible Minister and key stakeholders.

The AAFCANS annual report is given to the responsible Minister and tabled in Parliament in accordance with the provisions of the CAC Act 1997.

6. Respect the rights of shareholders

The Board of AAFCANS is committed to the rights of its stakeholders, particularly as the organisation's regulatory framework does not provide some stakeholders (e.g. service members) direct access to decision makers. Management employs various tools to keep stakeholders informed of changes and to allow opportunities to provide feedback (e.g. on-base meetings with key personnel, customer surveys, military news and correspondence with Chief of Army and Chief of Air Force).

7. Recognise and manage risk

The Board has assigned the detailed review of the risk function to the Audit and Risk Management Committee. AAFCANS has documented a risk management policy and plan. Identified risks are set in a risk matrix which is regularly reviewed. Policies and procedures have been established to mitigate and manage the identified risks. Management reports to the Audit and Risk Management Committee on the effectiveness of the risk plans and strategies at each meeting. Management assurances regarding risk management are provided to the board at least annually.

The Board, Managing Director and Commercial Manager sign off an annual written certification to the external auditor that the financial reports are founded on a sound system of risk management and internal compliance and that the system is operating effectively in all material aspects.

8. Remunerate fairly and responsibly

The Remuneration Tribunal sets the remuneration for all non-military non-executive directors and the Managing Director. The Board has established a Human Resource and Remuneration Committee to oversee the salaries of senior executives.

Remuneration packages for employees are reviewed annually and are determined having regard to appropriate packages in the public and private sectors, and to attract and retain high quality staff.

Reporting Requirements

Legislation

The Army and Air Force Canteen Service was established by Regulations under the *Defence Act, 1903*, by Statutory Rules as amended No. 40 of 1959.

The purpose of the canteen service is to supply goods, facilities and services to, or for the entertainment and recreation of

- members of the Army or the Air Force
- persons employed in, or in connection with, Army or the Air Force installations
- dependents of those members or persons
- visitors to Army and Air Force installations
- members of the Australian Army Cadets or the Australian Air Force Cadets

The Board shall conduct the canteen service in accordance with the following policy guidelines

- to enhance the living conditions and social environment of the intended recipients
- the operations shall be conducted on a commercial and self-sustaining basis with the aim of providing profits sufficient to permit distribution of surplus funds for the benefit of members of the Army or Air Force

Responsible Minister

The Army and Air Force Canteen Service is accountable to the Minister for Defence Science and Personnel, and through the Minister to Parliament. The Minister at reporting date is the Hon Warren Snowdon MP.

Ministerial Directions

Dividend & Royalty Distributions

The responsible Minister directed on 19 June 2006 that distributions to stakeholders be discontinued until further notice. Accordingly no distributions were paid during the 2012 financial year.

Borrowings

The Minister on 31 August 1995 approved borrowings by way of overdraft for working capital purposes. This option is not currently utilised.

Reporting

The Minister for Defence issued a Statement of Expectations to the Army and Air Force Canteen Service on 26 September 2008. AAFCANS responded with a Statement of Intent on 21 October 2008. These statements are detailed in Appendix 3.

As part of the Statement of Expectations, AAFCANS is required to submit quarterly financial reports to various key stakeholders (refer Appendix 3).

REPORT OF OPERATIONS

In December 2006, the Minister for Finance and Administration issued a directive in accordance with section 16(1)(c) of the CAC Act requiring the corporation to provide annual compliance reports on legislative compliance and financial sustainability.

The agreement for services between Defence and AAFCANS that was applicable during the 2012 financial year required that the corporation submit to the Frontline Advisory Committee the following reports:

- an annual operating plan
- an annual performance report
- a quarterly operational and financial report

All ministerial and legislative reporting requirements for the past financial year have been met.

Other

The Commonwealth has notified AAFCANS under section 28 of the CAC Act that the following policies apply to the corporation:

- *Australian Government Property Ownership Framework*
- *Protective Security Manual 2005 (PSM)*

Monitoring of the Equal Employment Opportunity Management Plan

The report made in accordance with s9 (1) *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* appears as Appendix 1.

Freedom of Information

There were no applications for information received in the reporting period and consequently nil handling costs for freedom of information (FOI) requests were incurred.

The following information on AAFCANS is provided as required by the FOI Act:

- the corporation's organisational structure and functions are detailed elsewhere in this report
- the organisation consults directly and widely to help meet the needs of key stakeholders
- a list of documents available for inspection has been lodged with the FOI unit of the Department of Defence; these documents include employment and retail related policies, establishment documents, the EEO plan and annual reports. The annual reports are also available on the corporation's website.

Access to Documents

Access to documents under Freedom of Information legislation can be obtained by making a request in writing to the Managing Director, PO Box 1461, Milton, Queensland, 4064.

Judicial Decisions and Reviews by Outside Bodies

The Army and Air Force Canteen Service was not subject to any judicial or administrative tribunal decisions or to reports on the operations of the authority by the Auditor-General (other than the report on the financial statements), a Parliamentary committee or the Commonwealth Ombudsman.

Legal Services Expenditure

The Army and Air Force Canteen Service is required to report legal services expenditure as contained in the *Legal Services Direction 2005* issued by the Attorney-General. Accordingly, during the financial year, the Army and Air Force Canteen Service paid professional fees and related reimbursements of \$74,504 excluding GST to legal entities (2011: \$5,882). The additional expenditure was due to the diligence requirements surrounding our decision to exercise our discretion to not renew the licence to trade agreement with Australian Commercial Catering.

The Army and Air Force Canteen Service is required to purchase all legal services from approved suppliers contained with the Legal Services Multi-Use List from 1 June 2012, with a transition period of 12 months for matters already under contract. AAFCANS conforms with this requirement.

Workplace Health and Safety (WHS)

The Army and Air Force Canteen Service is subject to the requirements of the *Workplace Health and Safety Act 2011*. The report made in accordance with Schedule 2, part 4 of the Act appears at Appendix 2.

Fraud Control Plan

Although AAFCANS is not technically required to comply with the Commonwealth Fraud Control Guidelines, the corporation has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures that meet the required standard.

Ecological Sustainable Development

The report is made in accordance with s516A(6)(a) of the *Environment Protection and Biodiversity Conservation Act 1999*. The activities of the Army and Air Force Canteen Service are not relevant to ecological sustainable development in terms of the principles identified in the *Environment Protection and Biodiversity Conservation Act*.

Disability Discrimination Strategy

The corporation's policies, programs and services are accessible to people with disabilities and meet its obligations under the *Disability Discrimination Act 1992*. The corporation is not aware of any instance where a person with a disability has experienced difficulty in accessing any policy, program or service it offered.

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Independent Audit Report



STATEMENT BY THE DIRECTORS, MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

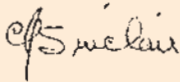
In our opinion, the attached financial statements for the year ended 30 June 2012 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, as amended.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Army and Air Force Canteen Service 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.



E A Moore
Chairperson



C J Sinclair
Director



S I McGrow
Managing Director



K J Onley
Chief Financial Officer

4 September 2012

4 September 2012

4 September 2012

4 September 2012

Statement of Comprehensive Income

for the period ended 30 June 2012

	Notes	2012 \$	2011 \$
EXPENSES			
Employee benefits	3A	6,229,362	4,437,104
Suppliers	3B	14,280,010	12,272,006
Depreciation and amortisation	3C	380,679	236,574
Losses from asset sales	3D	2,224	6,437
Other expenses	3E	2,172,433	1,622,942
Total expenses		23,064,708	18,575,063
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	21,979,896	17,978,444
Interest	4B	194,409	205,318
Other revenue	4C	589,591	492,525
Total own-source revenue		22,763,896	18,676,287
Net (cost of) contribution by services		(300,812)	101,224
Revenue from Government	4D	400,000	400,000
Surplus attributable to the Australian Government		99,188	501,224
Total comprehensive income attributable to the Australian Government		99,188	501,224

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

Balance Sheet

as at 30 June 2012

	Notes	2012 \$	2011 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	3,725,244	4,098,704
Trade and other receivables	5B	507,009	538,326
Total financial assets		4,232,253	4,637,030
Non-Financial Assets			
Leasehold improvements	6A, D	110,961	120,956
Plant and equipment	6B, D	1,687,342	763,284
Computer software	6C, E	31,406	15,020
Inventories	6F	1,085,745	1,182,283
Other non-financial assets	6G	237,616	103,167
Total non-financial assets		3,153,070	2,184,710
Total assets		7,385,323	6,821,740
LIABILITIES			
Payables			
Suppliers	7A	1,062,553	1,051,202
Other payables	7B	836,156	441,504
Total payables		1,898,709	1,492,706
Provisions			
Employee provisions	8	571,474	513,082
Total provisions		571,474	513,082
Total liabilities		2,470,183	2,005,788
Net assets		4,915,140	4,815,952
EQUITY			
Contributed equity		1,328,804	1,328,804
Reserves		405,407	405,407
Retained surplus		3,180,929	3,081,741
Total equity		4,915,140	4,815,952

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

Statement of Changes in Equity

for the period ended 30 June 2012

	Retained earnings		Asset revaluation surplus		Contributed equity		Total equity	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance								
Balance carried forward from previous period	3,081,741	2,580,517	405,407	405,407	1,328,804	1,328,804	4,815,952	4,314,728
Adjusted opening balance	3,081,741	2,580,517	405,407	405,407	1,328,804	1,328,804	4,815,952	4,314,728
Comprehensive income								
Surplus for the period	99,188	501,224	-	-	-	-	99,188	501,224
Total comprehensive income	99,188	501,224	-	-	-	-	99,188	501,224
Closing balance as at 30 June	3,180,929	3,081,741	405,407	405,407	1,328,804	1,328,804	4,915,140	4,815,952

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

Cash Flow Statement

for the period ended 30 June 2012

	Notes	2012 \$	2011 \$
OPERATING ACTIVITIES			
Cash received			
Receipts from Government		400,000	400,000
Sales of goods and rendering of services		23,157,125	18,857,068
Interest		194,409	205,318
Total cash received		23,751,534	19,462,386
Cash used			
Employees		(5,908,991)	(4,477,891)
Suppliers		(16,045,389)	(13,390,058)
Net GST paid		(829,472)	(712,636)
Total cash used		(22,783,852)	(18,580,585)
Net cash from operating activities	9	967,682	881,801
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of plant and equipment		3,624	-
Total cash received		3,624	-
Cash used			
Purchase of plant and equipment		(1,344,766)	(184,642)
Total cash used		(1,344,766)	(184,642)
Net cash used by investing activities		(1,341,142)	(184,642)
Net increase in cash held		(373,460)	697,159
Cash and cash equivalents at the beginning of the reporting period		4,098,704	3,401,545
Cash and cash equivalents at the end of the reporting period	5A	3,725,244	4,098,704

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

Schedule of Commitments

as at 30 June 2012

	2012 \$	2011 \$
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments ¹	(71,002)	(71,670)
Total commitments receivable	(71,002)	(71,670)
Commitments payable		
Other commitments		
Operating leases ²	781,021	788,376
Total other commitments	781,021	788,376
Total commitments payable	781,021	788,376
Net commitments by type	710,019	716,706
BY MATURITY		
Commitments receivable		
Net GST recoverable on commitments		
One year or less	(32,797)	(26,222)
From one to five years	(38,205)	(45,448)
Total net GST recoverable on commitments	(71,002)	(71,670)
Total commitments receivable	(71,002)	(71,670)
Commitments payable		
Operating lease commitments		
One year or less	360,766	288,445
From one to five years	420,255	499,931
Total operating lease commitments	781,021	788,376
Total commitments payable	781,021	788,376
Net commitments by maturity	710,019	716,706

Note:

1. Commitments were GST inclusive where relevant
2. Operating leases included were effectively non-cancellable

General description of all leasing arrangements

Lease for office accommodation: lease payments were subject to annual increase in accordance with upwards movements in the Consumer Price Index, with the minimum increase being 4% p.a. The lease is in the first year of an initial three year period terminating on 31 October 2014. The lease may be extended with three one-year options renewable at the discretion of the Army and Air Force Canteen Service.

Agreements for the provision of motor vehicles: no contingent rentals exist. There were no renewal or purchase options available to the Army and Air Force Canteen Service. All leases were classified as operating leases. At the end of each lease term the Army and Air Force Canteen Service has the option to renew the lease.

This schedule should be read in conjunction with the accompanying notes.

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Note 1 Summary of Significant Accounting Policies

1.1 Objectives of the Army and Air Force Canteen Service

The Army and Air Force Canteen Service is an Australian Government controlled entity. It is a not-for-profit entity. The objective of the Army and Air Force Canteen Service is to provide goods and services to or for the entertainment and recreation of designated members of the 'Defence family'.

The Army and Air Force Canteen Service is structured to meet the following outcome:
To provide of goods and services to or for the entertainment and recreation of designated members of the 'Defence family'.

The continued existence of the Army and Air Force Canteen Service in its present form and with its present programs is dependent upon the Chiefs of Army and Air Force requiring the provision of canteen services on specified bases.

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:

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

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

The financial statements are presented in Australian dollars.

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 Army and Air Force Canteen Service or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under 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 Army and Air Force Canteen Service has made a judgement that has the most significant impact on the amounts recorded in the financial statements:

- a) the fair value of the plant and equipment has been taken at the depreciated replacement cost or market value as determined by the Army and Air Force Canteen Service with procedural oversight 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 reporting period.

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

The following new standards, revised standards, interpretations and amending standards issued prior to the sign-off date were applicable to the current reporting period and had a financial impact on the Army and Air Force Canteen Service:

AASB 124: Related Party Disclosures and AASB 2009-12: Amendments to Australian Accounting Standards (applicable for annual reporting periods commencing on or after 1 January 2011)

This amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

These changes did not materially affect the disclosure requirements of the Army and Air Force Canteen Service.

AASB 1054: Australian Additional Disclosures

AASB 1054 has simplified the disclosure requirements on audit fees, permitting a single total for non-audit services provided by the auditor. This simplification has not impacted the disclosure requirements of the Army and Air Force Canteen Service.

Other new standards, revised standards, interpretations and amending standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a financial impact, and are not expected to have a future financial impact on the Army and Air Force Canteen Service.

Future Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations and amending standards were issued by the Australian Accounting Standards Board prior to the sign-off date, which are expected to have a financial impact on the Army and Air Force Canteen Service for future financial periods:

AASB 13: Fair Value Measurement

As a result of the IASB's project to ensure consistency on fair value measurement and disclosure within financial statement, AASB13 provides key details on how to measure fair value and additional disclosures of all fair value measurements based on fair value hierarchy. This standard will impact on Financial Statement disclosures of the Army and Air Force Canteen Service. This standard will apply in the year ended 30 June 2013.

AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13

This standard amends existing fair value definitions, measurement requirements, disclosures and guidance located in other standards to ensure consistency with *AASB 13 Fair Value Measurement*. The Army and Air Force Canteen Service will need to assess and adopt the new definitions and measurement requirements. This standard will apply in the year ended 30 June 2013.

AASB 119: Employee Benefits

This standard aims to increase the useability and comparability of post employment benefit liabilities, including some revision to the rules and definitions of termination benefits and short-term employee benefits. The Army and Air Force Canteen Service does not have any defined benefit plans. The revisions to termination and short-term employee benefits are not expected to materially affect the Army and Air Force Canteen Service. This standard will apply in the year ended 30 June 2013.

Other new standards, revised standards, interpretations and amending standards that were issued prior to the sign-off date and are applicable to the future financial reporting period are not expected to have a future financial impact on the Army and Air Force Canteen Service.

1.5 Revenue

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) the Army and Air Force Canteen Service retains no managerial involvement or effective control over the goods;
- c) the revenue and transaction costs incurred can be reliably measured; and
- d) it is probable that the economic benefits associated with the transaction will flow to the Army and Air Force Canteen Service.

Revenue from rendering of services is recognised by reference to licence agreements held with third party service contractors at the reporting date. The revenue is recognised when:

- a) the amount of revenue and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction will flow to the Army and Air Force Canteen Service.

Receivables for goods, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of reporting period. Allowances are made when collectability of the debt is no longer probable.

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

Revenues from Government

Funding received or receivable from the Department of Defence is recognised as Revenue from Government.

1.6 Gains

Sale of Assets

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

1.7 Transactions with the Government as Owner

Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in contributed equity in that year.

Other Distributions to Owners

The FMOs require that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

1.8 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 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.

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.

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 Army and Air Force Canteen Service is estimated to be less than the annual entitlement for sick leave.

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

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2012. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

Staff of the Army and Air Force Canteen Service are members of self-selected superannuation funds.

The Army and Air Force Canteen Service makes employer contributions to the employees' superannuation schemes at rates determined by legislation. The Army and Air Force Canteen Service accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final month of the year.

1.9 Leases

A distinction is made between finance leases 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.

The Army and Air Force Canteen Service only had operating leases in the 2012 financial year and its comparative year.

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

1.10 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.

1.11 Financial Assets

The Army and Air Force Canteen Service classifies its financial assets in the following categories:

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

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

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

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in surplus and deficit for the period.

Where a reliable fair value cannot be established for unlisted investments in equity instruments, these instruments are valued at cost.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

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

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows

discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Available for sale financial assets - if there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.

Financial assets held at cost - if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

1.12 Financial Liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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

1.13 Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities 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 in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

1.14 Acquisition of Assets

Assets are recorded at cost on acquisition. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

1.15 Plant and Equipment

Asset Recognition Threshold

Purchases of plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$1,000 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:

Asset Class	Fair value measured at
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Motor vehicles - Market selling price Other plant and equipment - depreciated replacement cost

Following initial recognition at cost, leasehold improvements and plant and equipment are 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 do not differ materially from the assets' fair value as at the reporting date. The regularity of valuations depended upon the volatility of movements in market values for the relevant assets.

Valuations were managed internally with external expertise approving the methodology undertaken. FMO 33.73G allows this form of valuation where controls are in place to ensure integrity and correctness of the valuations and the probability of over or under valuation is low. The Army and Air Force Canteen Service utilised the option to value in-house with external expertise due to the simplistic assets held in each class and the high cost of a revaluation relative to the asset base.

Revaluation adjustments were made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised 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 restated to the revalued amount.

Depreciation

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

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

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

	2012	2011
Leasehold improvements	10 years	10 years
Plant and equipment	5 to 10 years	5 to 10 years
Computer software	2 to 3 years	2 to 3 years

Impairment

All assets were assessed 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 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 the Army and Air Force Canteen Service were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

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

1.16 Intangibles

The Army and Air Force Canteen Service's intangibles comprise software purchased for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Army and Air Force Canteen Service's software are 2 to 3 years (2011: 2 to 3 years).

All software assets were assessed for indications of impairment as at 30 June 2012.

1.17 Inventories

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

Costs of inventories (finished goods held for sale) have been assigned an average purchase cost on a first-in-first-out basis.

1.18 Taxation

The Army and Air Force Canteen Service is exempt from all forms of taxation except Fringe Benefits Tax (FBT), state based payroll tax, Wine Equalisation Tax (WET) and the Goods and Services Tax (GST).

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

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

1.19 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required by the Finance Ministers Orders and Australian Accounting Standards. In particular, the Directors Remuneration and Senior Executive Remuneration notes have been adjusted.

Note 2 Events After the Reporting Period

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the Army and Air Force Canteen Service.

Note 3 Expenses

Note 3A: Employee Benefits	2012	2011
	\$	\$
Wages and salaries	5,228,597	3,746,415
Superannuation - defined contribution plans	487,380	362,079
Leave and other entitlements	448,264	326,810
Separation and redundancies	64,804	-
Other employee benefits	317	1,800
Total employee benefits	6,229,362	4,437,104

Note 3B: Supplier		
Provision of goods - external parties	13,909,591	11,992,694
Operating lease rentals - external parties		
Minimum lease payments	202,383	171,148
Workers compensation expenses	168,036	108,164
Total supplier expenses	14,280,010	12,272,006

Note 3C: Depreciation and Amortisation

Depreciation:		
Leasehold improvements	9,995	17,667
Plant and equipment	344,496	194,277
Total depreciation	354,491	211,944
Amortisation:		
Intangibles	26,188	24,630
Total amortisation	26,188	24,630
Total depreciation and amortisation	380,679	236,574

Note 3D: Sale of Assets

Plant and equipment:		
Proceeds from sale	(31,414)	-
Carrying value of assets sold	33,638	6,437
Net loss from sale of assets	2,224	6,437

Note 3E: Other Expenses	2012	2011
	\$	\$
Audit	57,000	49,700
Fringe benefits tax	36,600	40,430
Payroll tax	283,739	205,713
Selling, stationery, postage and courier	191,179	160,450
Travel	171,832	154,805
Insurance	33,798	45,632
Vehicle running costs	126,077	119,244
Bank fees	117,688	66,917
Marketing expense (including advertising and sponsorship)	6,420	56,819
Telephone and internet communications	171,587	138,198
Professional services	327,707	96,892
Defence amenities expenses	216,430	120,644
Recruitment fees and agency staff	142,141	130,956
Computer support and expenses	89,421	62,793
Sundry expense	200,814	157,562
Total other expenses	2,172,433	1,622,942

Note 4 Income

	2012	2011
	\$	\$

OWN-SOURCE REVENUE

Note 4A: Sale of Goods and Rendering of Services

Provision of goods - external parties	21,358,083	16,910,143
Rendering of services - external parties	621,813	1,068,301
Total sale of goods and rendering of services	21,979,896	17,978,444

Note 4B: Interest

Deposits	194,409	205,318
Total interest	194,409	205,318

Note 4C: Other Revenue

Marketing revenue and commissions	569,336	481,414
Sundry income	20,255	11,111
Total other revenue	589,591	492,525

REVENUE FROM GOVERNMENT

Note 4D: Revenue from Government

Department of Defence:		
CAC Act body payment item	400,000	400,000
Total revenue from Government	400,000	400,000

Note 5 Financial Assets

Note 5A: Cash and Cash Equivalents	2012 \$	2011 \$
Cash on hand and on deposit	3,725,244	4,098,704
Total cash and cash equivalents	3,725,244	4,098,704

Note 5B: Trade and Other Receivables

Goods and services:

Goods and services - external parties	358,525	428,785
Total receivables for goods and services	358,525	428,785

Other receivables:

GST receivable from the Australian Taxation Office	153,484	114,541
Total other receivables	153,484	114,541

Total trade and other receivables (gross)	512,009	543,326
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Less impairment allowance account:

Goods and services	(5,000)	(5,000)
Total impairment allowance account	(5,000)	(5,000)
Total trade and other receivables (net)	507,009	538,326

Receivables are expected to be recovered in:

No more than 12 months	507,009	538,326
Total trade and other receivables (net)	507,009	538,326

Receivables are aged as follows:

Not overdue	328,056	404,651
Overdue by:		
0 to 30 days	75,939	114,255
31 to 60 days	56,151	17,619
61 to 90 days	24,264	1,452
More than 90 days	27,599	5,349
Total receivables (gross)	512,009	543,326

The impairment allowance account is aged as follows:

Overdue by:		
More than 90 days	(5,000)	(5,000)
Total impairment allowance account	(5,000)	(5,000)

Credit terms for goods and services were within 30 days (2011: 30 days).

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2012	Goods and Services 2012 \$	Goods and Services 2011 \$
Opening balance	(5,000)	(5,000)
Amounts written off	772	455
Decrease recognised in net surplus	(772)	(455)
Closing balance	(5,000)	(5,000)

Note 6 Non-Financial Assets

	2012	2011
	\$	\$
Note 6A: Leasehold Improvements		
Leasehold improvements:		
At cost	198,575	198,575
Accumulated depreciation	(87,614)	(77,619)
Total leasehold improvements	110,961	120,956

No indicators of impairment were found for leasehold improvements.

No leasehold improvements are expected to be disposed of within the next 12 months.

Note 6B: Plant and Equipment

Plant and equipment:		
At cost	2,604,735	1,351,752
Accumulated depreciation	(917,393)	(588,468)
Total plant and equipment	1,687,342	763,284

No indicators of impairment were found for plant and equipment.

No items of plant and equipment are expected to be sold or disposed of within the next 12 months.

Revaluations of non-financial assets

All revaluations are conducted in accordance with the revaluation policy stated at Note 1.

On 30 June 2012, the potential fair value movement on all asset classes of the Army and Air Force Canteen Service was reviewed in-house. No adjustment was required (2011: nil).

Note 6C: Intangibles

Computer software purchased:		
At cost	349,422	314,228
Accumulated amortisation	(318,016)	(299,208)
Total computer software	31,406	15,020
Total intangibles	31,406	15,020

No indicators of impairment were found for intangible assets.

No intangibles are expected to be sold or disposed of within the next 12 months.

Note 6D: Reconciliation of the Opening and Closing Balances of Leasehold Improvements and Plant and Equipment 2012

	Leasehold improvements \$	Plant & equipment \$	Total \$
As at 1 July 2011			
Gross book value	198,575	1,351,752	1,550,327
Accumulated depreciation and impairment	(77,619)	(588,468)	(666,087)
Net book value 1 July 2011	120,956	763,284	884,240
Additions:			
By purchase	-	1,274,402	1,274,402
Depreciation expense	(9,995)	(344,496)	(354,491)
Disposals:			
Net book value	-	(5,848)	(5,848)
Net book value 30 June 2012	110,961	1,687,342	1,798,303
Net book value as of 30 June 2012 represented by:			
Gross book value	198,575	2,620,306	2,818,881
Accumulated depreciation and impairment	(87,614)	(932,964)	(1,020,578)
Net book value 30 June 2012	110,961	1,687,342	1,798,303

Reconciliation of the Opening and Closing Balances of Leasehold Improvements and Plant and Equipment 2011

	Leasehold improvements \$	Plant & equipment \$	Total \$
As at 1 July 2010			
Gross book value	189,917	1,216,095	1,406,012
Accumulated depreciation and impairment	(59,952)	(411,683)	(471,635)
Net book value 1 July 2010	129,965	804,412	934,377
Additions:			
By purchase	10,272	157,972	168,244
Depreciation expense	(17,667)	(194,277)	(211,944)
Disposals:			
Net book value	(1,614)	(4,823)	(6,437)
Net book value 30 June 2011	120,956	763,284	884,240
Net book value as of 30 June 2011 represented by:			
Gross book value	198,575	1,351,752	1,550,327
Accumulated depreciation and impairment	(77,619)	(588,468)	(666,087)
Net book value 30 June 2011	120,956	763,284	884,240

Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles 2012

	Computer software \$	Total \$
As at 1 July 2011		
Gross book value	314,228	314,228
Accumulated amortisation and impairment	(299,208)	(299,208)
Net book value 1 July 2011	15,020	15,020
Additions:		
By purchase	70,364	70,364
Amortisation expense	(26,188)	(26,188)
Disposals:		
Net book value	(27,790)	(27,790)
Net book value 30 June 2012	31,406	31,406
Net book value as of 30 June 2012 represented by:		
Gross book value	356,802	356,802
Accumulated amortisation and impairment	(325,396)	(325,396)
Net book value 30 June 2012	31,406	31,406

Reconciliation of the Opening and Closing Balances of Intangibles 2011

	Computer software \$	Total \$
As at 1 July 2010		
Gross book value	297,830	297,830
Accumulated amortisation and impairment	(274,578)	(274,578)
Net book value 1 July 2010	23,252	23,252
Additions:		
By purchase	16,398	16,398
Amortisation expense	(24,630)	(24,630)
Net book value 30 June 2011	15,020	15,020
Net book value as of 30 June 2011 represented by:		
Gross book value	314,228	314,228
Accumulated amortisation and impairment	(299,208)	(299,208)
Net book value 30 June 2011	15,020	15,020

	2012	2011
	\$	\$
Note 6F: Inventories		
Inventories held for sale:		
Finished goods	1,106,055	1,212,283
Total inventories held for sale	1,106,055	1,212,283
Less impairment allowance account:		
Obsolete stock	(20,310)	(30,000)
Total inventories (net)	1,085,745	1,182,283

During 2011-12, none of the inventory held for sale was recognised as an expense (2011: nil).

No items of inventory are recognised at fair value less cost to sell.

All inventories are expected to be sold in the next 12 months.

Note 6G: Other Non-Financial Assets

Prepayments	126,049	13,369
Accrued income	111,567	89,798
Total other non-financial assets	237,616	103,167
Total other non-financial assets are expected to be recovered in:		
No more than 12 months	237,616	103,167
Total other non-financial assets	237,616	103,167

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

Note 7 Payables

	2012	2011
	\$	\$
Note 7A: Suppliers		
Trade creditors	1,062,553	1,051,202
Total supplier payables	1,062,553	1,051,202

All suppliers are non-related entities and are expected to be settled within 12 months.

Settlement was usually made net 30 days.

Note 7B: Other Payables

Wages and salaries	329,512	78,098
Superannuation	10,565	-
GST payable	263,319	173,729
Vending commissions	134,369	-
Other	98,391	189,677
Total other payables	836,156	441,504

All other payables are expected to be settled within 12 months.

Note 8 Employee Provisions

	2012 \$	2011 \$
Annual leave	222,916	200,618
Long service leave	348,558	312,464
Total employee provisions	571,474	513,082
Employee provisions are expected to be settled in:		
No more than 12 months	445,369	337,287
More than 12 months	126,105	175,795
Total employee provisions	571,474	513,082

Note 9 Cash Flow Reconciliation

	2012 \$	2011 \$
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	3,725,244	4,098,704
Balance sheet	3,725,244	4,098,704
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(300,812)	101,224
Add revenue from Government	400,000	400,000
Adjustments for non-cash items		
Depreciation/amortisation	380,679	236,574
Proceeds on sale of non-financial asset not yet received	27,790	-
Loss on disposal of assets	2,224	6,437
Changes in assets / liabilities		
Decrease (increase) in net receivables	31,317	(1,862)
Decrease in inventories	96,538	74,591
(Increase) decrease in prepayments (other financial assets)	(134,449)	32,085
Increase in employee provisions	58,392	38,135
Increase (decrease) in supplier payables	11,351	(67,729)
Increase in other payables	394,652	62,346
Net cash from operating activities	967,682	881,801

Note 10 Contingent Assets and Liabilities

There are no quantifiable contingent assets or liabilities as at 30 June 2012 (2011: Nil).

There are no unquantifiable or remote contingent assets or liabilities (2011: Nil).

Note 11 Directors Remuneration

	2012 No.	2011 No.
The number of non-executive directors of the Army and Air Force Canteen Service included in these figures are shown below in the relevant remuneration bands:		
\$0 to \$29,999	4	3
\$30,000 - \$59,999	2	2
Total	6	5
	\$	\$
Total remuneration received or due and receivable by directors of the Army and Air Force Canteen Service	\$113,328	\$118,283

Remuneration of executive directors is included in Note 13: Senior Executive Remuneration.

Note 12 Related Party Disclosures

	2012 \$	2011 \$
Loans to Directors		
A \$25,000 loan at 5% interest was made to the Managing Director, Mr Stewart McGrow. It was approved by the board in October 2011. Mr Stewart McGrow took no part in the board decision or relevant discussions.		
Loan to director outstanding at year-end	18,657	-
Loan to director during the year	25,000	-
Loan repayments by the director during the year	6,343	-
Interest revenue included in operating result from the loan to director	1,123	-

Other transactions with Directors or Director-related entities

The Army and Air Force Canteen Service has recognised revenue from Government of \$400,000 as part of funding to upgrade Defence facilities (2011: \$400,000) under the Agreement for Provision of Canteen Services to Army and Air Force Installations. No monies were outstanding as at 30 June 2012 (2011: nil).

There were no other related party transactions during the year (2011: nil).

Note 13 Senior Executive Remuneration

Note 13A: Senior Executive Remuneration Expenses for the Reporting Period	2012 \$	2011 \$
Short-term employee benefits:		
Salary	167,932	152,901
Annual leave accrued	6,304	(1,949)
Motor vehicle and other allowances	-	32,033
Total short-term employee benefits	174,236	182,985
Post-employment benefits		
Superannuation	15,111	22,835
Total post-employment benefits	15,111	22,835
Other long-term benefits:		
Long service leave	4,561	5,097
Total other long-term benefits	4,561	5,097
Total employment benefits	193,908	210,917

Notes:

1. Note 13A was prepared on an accrual basis.
2. Note 13A excludes acting arrangements and part-year service where remuneration expensed was less than \$150,000.

There were no employees who received or were due to receive performance bonuses during the year (2011: Nil).

There were no senior executives who received or were due to receive separation and redundancy/termination benefit payments during the year (2011: nil).

Note 13B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives During the Reporting Period

	as at 30 June 2012				as at 30 June 2011			
Average annual reportable remuneration ¹	Senior Executives No.	Reportable salary ¹ \$	Contributed superannuation ² \$	Total \$	Senior Executives No.	Reportable salary ² \$	Contributed superannuation ³ \$	Total \$
Total remuneration (including part-time arrangements):								
Less than \$150,000	2	82,581	3,744	86,325	2	91,924	8,184	100,108
\$150,000 to \$179,999	1	167,932	15,111	183,043	2	173,216	12,090	185,306
Total	3				4			

Notes:

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
 - a) gross payments; and
 - b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits.)
3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals payslips.
4. Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicles and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

Note 13C: Other Highly Paid Staff

During the reporting period, there were no other highly paid staff members (2011: nil).

Note 14 Remuneration of Auditors

	2012 \$	2011 \$
Financial statement audit services were provided to the Army and Air Force Canteen Service by the Australian National Audit Office (ANAO).		
The cost of the services provided		
Financial statement audit services	57,000	49,700
Total	57,000	49,700

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

Note 15 Financial Instruments

	2012 \$	2011 \$
Note 15A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	3,725,244	4,098,704
Trade and other receivables	358,525	428,785
Total	4,083,769	4,527,489
Carrying amount of financial assets	4,083,769	4,527,489
Financial Liabilities		
At amortised cost:		
Trade creditors	1,062,553	1,051,202
Total	1,062,553	1,051,202
Carrying amount of financial liabilities	1,062,553	1,051,202

Note 15B: Net Income and Expense from Financial Assets

Loans and receivables		
Interest revenue	194,409	205,318
Net gain from loans and receivables	194,409	205,318
Net gain from financial assets	194,409	205,318

There was no interest income from financial assets not at fair value through the profit and loss in the year ending 2012 (2011: Nil).

Note 15C: Net Income and Expense from Financial Liabilities

There is no income or expense from financial liabilities in the year ending 2012 (2011: Nil).

Note 15D: Fair Value of Financial Instruments

The carrying value is a reasonable approximation of fair value of the financial assets and liabilities.

Note 15E: Credit Risk

The Army and Air Force Canteen Service was exposed to minimal credit risk as loans and receivables were cash or trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade receivables (2012: \$358,525 and 2011: \$428,785).

The Army and Air Force Canteen Service had assessed the risk of the default on payment and had allocated \$5,000 in 2012 (2011: \$5,000) to an impairment allowance account. The Army and Air Force Canteen Service managed its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, the Army and Air Force Canteen Service had policies and procedures that guided employees debt recovery techniques that were to be applied.

The Army and Air Force Canteen Service held no collateral to mitigate against credit risk.

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

	Not past due nor impaired 2012 \$	Not past due nor impaired 2011 \$	Past due or impaired 2012 \$	Past due or impaired 2011 \$
Cash and cash equivalents	3,725,244	4,098,704	-	-
Receivables for goods and services	174,572	290,111	183,953	138,674
Total	3,899,816	4,388,814	183,953	138,674

Ageing of financial assets that are past due but not impaired for 2012

	0 - 30 days \$	31 - 60 days \$	61 - 90 days \$	90+ days \$	Total \$
Receivables for goods and services	75,939	56,151	24,264	22,599	178,953
Total	75,939	56,151	24,264	22,599	178,953

Ageing of financial assets that are past due but not impaired for 2011

	0 - 30 days \$	31 - 60 days \$	61 - 90 days \$	90+ days \$	Total \$
Receivables for goods and services	114,255	17,619	1,452	349	133,675
Total	114,255	17,619	1,452	349	133,675

Note 15F: Liquidity Risk

The Army and Air Force Canteen Service's financial liabilities were payables. The exposure to liquidity risk was based on the notion that the Army and Air Force Canteen Service will encounter difficulty in meeting its obligations associated with financial liabilities. This was highly unlikely due to mechanisms available to the Army and Air Force Canteen Service (eg the Defence Agreement) and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The Army and Air Force Canteen Service has only trade creditors as a financial liability. All trade creditors mature within 1 year (2012: \$1,062,553 and 2011: \$1,051,202).

Note 15G: Market Risk

The Army and Air Force Canteen Service held basic financial instruments that did not expose the Army and Air Force Canteen Service to certain market risks, such as 'Currency risk' and 'Other price risk'.

The only interest-bearing items on the balance sheet were the 'Cash deposits'. All bear interest at a floating interest rate and will fluctuate due to changes in the market interest rate.

Note 16 Financial Asset Reconciliation

	2012 \$	2011 \$
Total financial assets as per balance sheet	4,232,253	4,637,030
Less: non-financial instrument components		
GST receivable from the Australian Tax Office	(153,484)	(114,541)
Impairment allowance - goods and services	5,000	5,000
Total non-financial instrument components	(148,484)	(109,541)
Total financial assets as per financial instruments note	4,083,769	4,527,489

Note 17 Reporting of Outcomes

The Army and Air Force Canteen Service has only one outcome being the provision of goods and services to members of the Defence family.

Note 17A: Net (Cost)/Contribution of Outcome Delivery

	Outcome 1 ¹		Total	
	2012	2011	2012	2011
	\$	\$	\$	\$
Expenses	23,064,708	18,575,063	23,064,708	18,575,063
Own-source income	22,763,896	18,676,287	22,763,896	18,676,287
Net (cost)/contribution of outcome delivery	(300,812)	101,224	(300,812)	101,224

Note 17B: Major Classes of Expenses, Income, Assets and Liabilities by Outcome

	Outcome 1 ¹		Total	
	2012	2011	2012	2011
	\$	\$	\$	\$
Expenses				
Employees	6,229,362	4,437,104	6,229,362	4,437,104
Suppliers	14,280,010	12,272,006	14,280,010	12,272,006
Depreciation and amortisation	380,679	236,574	380,679	236,574
Loss on sale of assets	2,224	6,437	2,224	6,437
Other	2,172,433	1,622,942	2,172,433	1,622,942
Total	23,064,708	18,575,063	23,064,708	18,575,063
Income				
Sale of goods and services	21,979,896	17,978,444	21,979,896	17,978,444
Interest	194,409	205,318	194,409	205,318
Revenue from Government	400,000	400,000	400,000	400,000
Other	589,591	492,525	589,591	492,525
Total	23,163,896	19,076,287	23,163,896	19,076,287
Assets				
Cash and cash equivalents	3,725,244	4,098,704	3,725,244	4,098,704
Trade and other receivables	507,009	538,326	507,009	538,326
Leasehold improvements	110,961	120,956	110,961	120,956
Plant and equipment	1,687,342	763,284	1,687,342	763,284
Intangibles	31,406	15,020	31,406	15,020
Inventories	1,085,745	1,182,283	1,085,745	1,182,283
Other	237,616	103,167	237,616	103,167
Total	7,385,323	6,821,740	7,385,323	6,821,740
Liabilities				
Suppliers	1,062,553	1,051,202	1,062,553	1,051,202
Other payables	836,156	441,504	836,156	441,504
Employee provisions	571,474	513,082	571,474	513,082
Total	2,470,183	2,005,788	2,470,183	2,005,788

1. Outcome 1 is described in Note 1.1.

APPENDIX 1: ANNUAL REPORT ON THE MONITORING OF THE EEO MANAGEMENT PLAN

Overview

AAFCANS domestic retail operations include convenience stores, cafes, petrol stations, mobile food vans and the provision of “Class 6” products to major military exercises. A number of licenced traders provide additional retail and non-core services e.g. fast food shops, hairdressers, mechanics, barbers and postal services, utilising their own employees.

With the reacquisition of sites in South Australia, New South Wales and Victoria, AAFCANS has increased in size but remains geographically dispersed with small staff numbers at each individual site. Casual and part time employees account for 56% (63% - 2011) of all staff. A profile of staff in terms of target group member classification appears as Table 1, highlighting that women constitute:

- a) 83% (2011 79%) of all staff
- b) 80% (2011 25%) of executive level staff
- c) 62.5% (2011 43%) or manager level staff

AAFCANS is reliant primarily on Defence-provided facilities and equipment and these facilities are generally aged and not always in good condition or well located (e.g. distant from customer base). In the context of EEO, Work Health & Safety (WHS) and trading some outlets have a sub-optimal employment environment.

The organisation’s employment profile consists of predominantly casual staff and is subject to significant fluctuation on a local basis. During 2011-12 spouses or dependents of Defence personnel filled 20% (26% - 2011) of all positions, in large part due to the on-base location of our stores. The number of Defence spouses or dependents employed decreased as a percentage of all positions due to the employment practices of the Victorian, New South Wales and South Australian outlets.

Table 2 provides a profile of staffing by category and classification. Total staff numbers have increased from 136 to 228 largely due to the transition of staff from outlets in New South Wales, Victoria and South Australia. The Full Time Equivalent (FTE) statistic increased to 119 compared to 89 at 30 June 2011

The general staffing profile reflects trading patterns that can significantly fluctuate in line with Australian Defence Force training, exercises and operations activity and the narrowly defined customer base to which AAFCANS has direct access. In particular, outlets at bases where troops are drawn for operational deployment overseas experience significant fluctuations in trade, profitability and casual staff numbers.

General Management of the EEO Plan

The success of continuing to achieve the objectives of the EEO management plan is dependent upon:

- a) Management commitment
- b) The allocation of responsibility and resources for implementation
- c) The awareness, participation and training of staff
- d) Effective monitoring and evaluation

APPENDIX 1: ANNUAL REPORT ON THE MONITORING OF THE EEO MANAGEMENT PLAN

AAFCANS continues to:

- a) ensure all staff are aware of senior management's commitment to the EEO program
- b) allocate adequate resources to the development and management of the EEO plan as evidenced by the appointment of an HR specialist
- e) encourage and promote non-discrimination policies e.g. reissues of the code of conduct to all employees (attached to each contract of employment)
- f) the development and implementation of a new Policy and Procedures Manual, which includes a policy addressing Human Rights and Equal Opportunity
- g) promote skill- and potential-based recruitment and selection process. This is achieved by providing specific training support to all managers, appropriate policies on recruitment, selection, termination, performance appraisal, secondment and training, and guidelines to assist development of selection and interview criteria

People engaged in providing Retail Services as at 30 June 2012

Total number of staff employed at 30 June 2012 was 228 (2011 – 136) equating to 119 (2011 – 89) full time equivalent (FTE) staff employed throughout the period.

Category	FTE (average)		Total		Male		Female	
Full time	57	(46)	64	(51)	13	(13)	51	(38)
Part time	17	(5)	31	(11)	1	(0)	30	(11)
Casual	45	(38)	133	(74)	19	(16)	114	(58)
Total	119	(89)	228	(136)	33	(29)	195	(107)

Table 5: Staff as at 30 June 2012 (2011)

Target Group Members (TGMs) are well represented in all employment categories, including at the executive/professional levels. There is one nominated TGM on the governing Board (33% representation).

All Staff No	Employment Classification	Salary \$	All TGM as a % of all Staff		Women as a % of all staff		All Women No	
96 (96)	Sales Assistants	10,000 to 41,500	88%	(82)	88%	(82)	162	(79)
14 (14)	Managers	32,000 to 65,000	63%	(43)	63%	(43)	15	(6)
9 (9)	Clerical	28,000 to 65,000	85%	(89)	85%	(89)	11	(8)
4 (4)	Executive	75,000 to 183,000	80%	(25)	80%	(25)	4	(1)
13 (13)	Other	30,500 to 52,000	33%	(100)	33%	(100)	3	(13)
136 (136)	TOTAL		83%	(79)	83%	(79)	195	(107)

Table 6: Target Group Members by Classification as at 30 June 2012 (2011)

Recruitment and Selection

For consistency and regard for EEO and other staff policy, all terminations are only initiated and managed by senior management. A grievance process is well established and is accessible to all staff. This process is incorporated into the AAFCANS awards.

The recruitment and selection policy has been developed within a framework of merit-based fair and equitable staff selection. This policy:

- a) Covers ethics in recruitment as they relate to internal use and ensure all external recruitment consultants also maintain our standards
- b) Continues to apply EEO principles of assisting and developing existing staff to enhance their ability to compete for available positions
- c) Details standard recruitment tools for use by managers
- d) Incorporates a formal feedback mechanism for internal applicants, and to external applicants
- e) Incorporates a detailed induction process

In evaluating prospective staff, emphasis is placed on the inherent requirements of the job skills and potential rather than detailed local knowledge and experience. If a person with a disability can perform the inherent requirements of the job with some alteration or adjustments these adjustments are made unless this imposes unjustifiable hardship.

During the reporting period we have formed relationships with employment service providers and rehabilitation providers (Mission Australia, Neato, Max Employment, Commonwealth Recruitment Services).

TGMs are made aware of their rights, entitlements and conditions of employment by our local managers and base managers as well as through the provision of policy and procedure manuals and delivery of a standard induction program. A plain English summary of the terms and conditions of employment is provided in the general induction module.

There have been no requests for EEO material to be prepared in languages other than English or requests for interpreters to be made available for any reason.

Training and Staff Development

Management delivers appropriate staff training and development opportunities via both internal and external training programmes.

AAFCANS provides formal training covering areas such as WHS and food safety. Managers at outlet level commenced training in Cert IV Training and Assessment in 2011, with the aim of developing leadership capacity and the ability to deliver quality training on-site and on-the-job.

The training and development plan is reviewed each year to ensure the matching of current staff skills against the organisational competency framework and to develop targeted training programs to meet those competency shortfalls. This system has been in place since October 2008.

Conditions of Employment

AAFCANS employs staff under appropriate terms and conditions subject to direction from Fair Work Australia and the Minister for Tertiary Education, Skills, Jobs and Workplace Relations.

AAFCANS is respondent to three awards. If an employee is not of a classification covered by these awards, or does not have a specific matter dealt with by an individual contract of employment, management applies the terms and conditions of employment as exists for other AAFCANS employees.

Details of the staff profile in classification and salary terms appear at Table 3 and 4.

The code of conduct (approved by directors) is issued to all staff. This was last revised by the Board in May 2008 and will be reviewed and updated in the first half of the new Financial Year. The code of conduct is reviewed by senior management and approved by the Board, to ensure relevance and currency.

A company policy and procedures manual is maintained that consolidates the major terms and conditions of employment. This was fully revised in January 2012 and issued to all staff in outlets and head office in April 2012. Updates are posted to the AAFCANS intranet and distributed via the weekly bulletin throughout the year as procedures are improved and new policies are implemented. Significant changes are also advised and explained during management telephone conferences.

AAFCANS ensures employees are not subjected to any form of discrimination or harassment in the workplace by:

- a) Distributing and displaying material aimed at raising awareness of the nature and incidence of discrimination or sexual and racial harassment
- b) Ensuring the working environment is free of material, which may be offensive to TGMs and other employees
- c) Continuing to maintain a register of grievances (two were reported to Fair Work Australia in the year under review, and both were dismissed)
- d) Reiterating EEO principles in management training programs and in designated work group meetings, i.e. at the local trading outlet level
- e) Incorporating EEO awareness in the formal induction program for all new staff
- f) Incorporating a detailed Harassment and Bullying policy and Whistleblowers policy in the company policy and procedures manual which operate in tandem with the EEO policy to ensure that staff have numerous reporting avenues for inappropriate conduct

Personnel policies, procedures and related correspondence have been reviewed and are free of any gender, cultural or racial bias.

As at 30 June 2012, 31 (2011 – 27) staff members were employed on individual employment contracts, including all full and part-time staff.

APPENDIX 2 - ANNUAL REPORT OF WHS ARRANGEMENTS AND STATISTICS

This report is provided pursuant to Schedule 2, Part 4 of the *Work Health and Safety Act 2011*.

Overview

The Army and Air Force Canteen Service maintains:

- a) A national WHS committee
- b) Health & safety representatives (HSR) for all designated work groups – all HSR are fully trained, qualified and have completed the Comcare accredited course
- c) Documented health and safety management arrangements
- d) An extensive range of WHS policies
- e) A WHS audit and reporting system, including both internal audits and third party external audits

Changes to work health and safety legislation in January 2012 have resulted in a full review of WHS systems, including due diligence and consultation. This has resulted in a full review of:

- a) WHS policies and procedures
- b) Food safety policies and procedures
- c) Induction processes
- d) WHS reporting and monitoring
- e) Staff consultation
- f) Hazard identification, risk assessment and risk management

This review continues into the 2012/13 financial year and will involve the implementation of an online reporting and management system.

Comcare did not conduct any new investigations under s160 of the WHS Act for the year ending June 2012.

Occupational Health and Safety

Food Safety

AAFCANS contracts a professional organisation to conduct internal food safety and premises audits on the AAFCANS controlled facilities throughout Australia. The results from these audits are addressed in conjunction with the Defence Support Group to ensure that all AAFCANS premises comply with the relevant legislation and continue to provide a safe and healthy environment for staff and customers alike.

AAFCANS's web based food safety induction training was updated to align with revised food safety policies and procedures. This web based food safety training program ensures that all employees receive the required training in food safety and ensures they attain the required skills and knowledge in order to maintain safe food practices in the work place.

The provision of good quality, safe food continues to be a priority with AAFCANS.

Work Health and Safety

Our processes to ensure compliance with WHS and food safety program requirements continue to improve. Health and Safety Management Arrangements have been reviewed and re-issued to all staff. Each outlet is audited twice yearly with those issues identified reported to either the Defence Support Group or AAFCANS management for resolution. This will be further enhanced by the implementation of an online reporting and management system in 2012/13.

The agency's policy statement was reviewed and updated in January 2012 and approved by the Managing Director.

There were no dangerous occurrences in the reporting period.

Whilst the process of outlet audits is continuous with improvements occurring in regard to local practice, the issues in relation to major facilities works remain the responsibility of Defence.

	2011/12 ⁶	2010/11	2009/10	2008/09	2007/08
Employees at period end	228	136	139	134	116
Average Number of FTE Employees throughout the period	119	89	85	79	77
Hours of Labour ('000's)	230	185	175	162	154
All injuries ¹	30	1	1	0	2
Lost time Injuries	9	1	1	0	1
Hours Lost (year of review)	500	448	268	0	182
Frequency Rate ²	39.2	0.005	0.006	0.000	0.006
Severity Rate ³	0.06	0.32	0.20	0.00	0.15
Absenteeism (% Wages) ⁴	7.72% ⁵	1.46	1.04	0.99	0.83

Table 7: Work Health & Safety Performance

Note 1 For events with a date of injury in the year ended 30 June 2011

Note 2 Frequency Rate: Number of lost time injuries per thousand hours worked

Note 3 Severity Rate: Number of lost days per thousand hours worked

Note 4 Absenteeism for sick leave, not being workers compensation

Note 5 Permanent payroll only – excludes casual wages paid. Prior years have not been restated.

Note 6 Changed reporting requirements have increased reported incidents

During the 12 months from July 2011 to June 2012 there were 29 new claims submitted to Comcare, with only 5 claims involving more than one day's incapacity and no claims exceeding 3 weeks incapacity. The cost of claims in 2011/12 totaled \$24,535, being \$9,626 of incapacity costs and \$14,909 medical costs. Time lost due to workplace injuries totaled 186 hours compared to 33 hours in 2010/11. This was due to new reporting requirements which came into effect in January 2012.

On 1 January 2012 most states and territories and the Commonwealth transitioned to new WHS laws. Under the new legislation, the requirements for notification of injuries and incidents changed, resulting in an increase in the number of incidents reported in the first half of 2012. While the number of reported incidents has increased, it should be noted that the severity rate for incidents in 2011/12 has decreased.

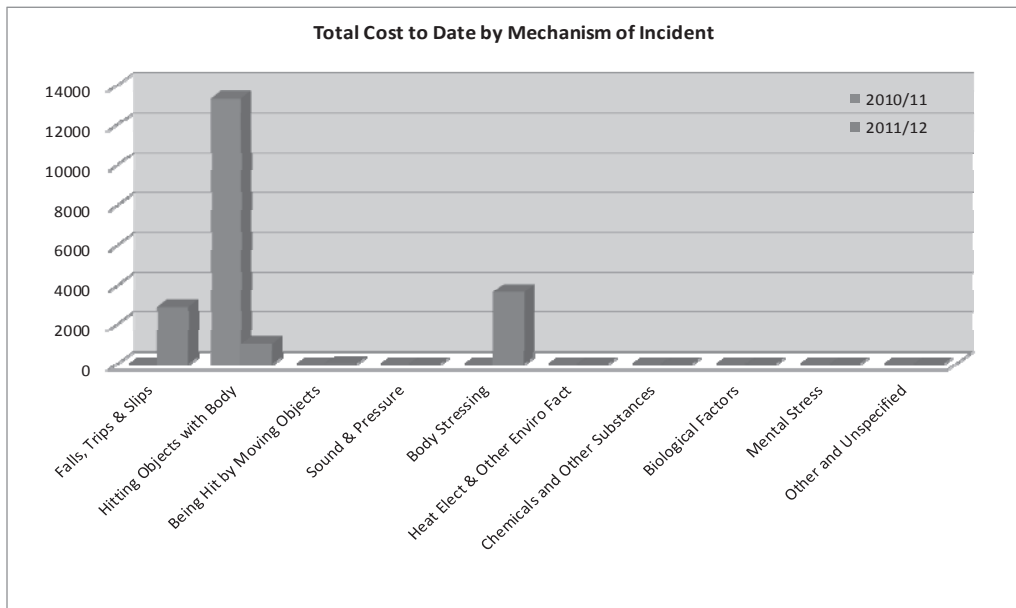


Chart 2: Claims Total Cost to Date by Mechanism of Incident

Workers Compensation

Insurance cover for workers compensation is maintained as follows:

- Claims established prior to 1 July 1989 are determined under the *Commonwealth Employees Rehabilitation and Compensation Act 1988*; however payments as directed by Comcare are the responsibility of the Army and Air Force Canteen Service.
- Claims established from 1 July 1989 are managed, by government direction, in conjunction with Comcare under the provisions of the *Commonwealth Employees Rehabilitation and Compensation Act 1988*.

Claim performance by mechanism of incident for the 12 months ending 30 June 2012 (compared to the year 2011) appears in summary in Chart 3 and Table 6. AAFCONS is maintaining a low incidence of injuries and reported claims. AAFCONS will continue to monitor the workplace through inspection reports and hazard identification forms to keep the number of incidents in the workplace to an absolute minimum, striving for zero injuries.

Absenteeism for sick leave, not being for workers compensation, was at a rate of 7.72% of non-casual wages for the period (2011 – 1.46%). This year's reporting reflects absenteeism and wages for permanent staff only rather than being based off total payroll as in previous reporting periods. This is a more accurate measure of absenteeism.

Future focus will be on the development and implementation of monitoring and reporting tools and the implementation of strategies to prevent workplace injuries. Increased communication aims to keep WHS in mind throughout the working day, creating a safety conscious culture.

The cost to date of all claims with an injury date in this period is \$7,696 compared to last year which was \$13,332.

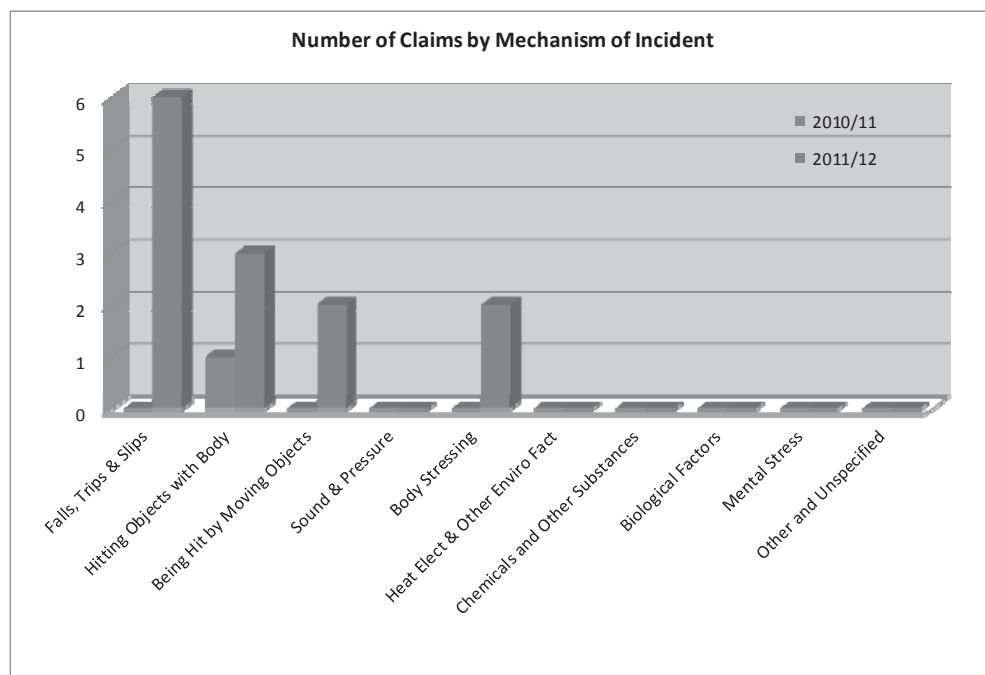


Chart 3: Claims Incidence by Injury Group

AAFCANS							
2012/(2011) INJURIES							
Injury/Disease	Claims No.		% of claims		% of cost to date		Average cost to date (\$)
Falls, Trips & Slips	6	(0)	46	(0)	38	(0)	483 (0)
Hitting Objects with Body	3	(1)	24	(100)	14	(100)	354 (13,332)
Being Hit by Moving Objects	2	(0)	15	(0)	0	(0)	27 (0)
Sound and Pressure	0	(0)	0	(0)	0	(0)	0 (0)
Body Stressing	2	(0)	15	(0)	48	(0)	1,841 (0)
Heat, Elect & Other Enviro Factors	0	(0)	0	(0)	0	(0)	0 (0)
Chemical & Other Substance	0	(0)	0	(0)	0	(0)	0 (0)
Biological Factors	0	(0)	0	(0)	0	(0)	0 (0)
Mental Stress	0	(0)	0	(0)	0	(0)	0 (0)
Other and Unspecified	0	(0)	0	(0)	0	(0)	0 (0)
Total	13	(1)	100	(100)	100	(100)	592 (13,332)

Table 8: Injury Types for year ending 30 June 2012 (2011) : details as at 19 August 2012

APPENDIX 3 - STATEMENTS OF EXPECTATIONS AND INTENT

Statement of Expectations

Chairman
Army and Air Force Canteen Service

This statement formally outlines my expectations concerning the operations and performance of the Army and Air Force Canteen Service (known as Frontline).

The government's vision for Frontline is that it will be a high-performing and self-supporting organisation which provides goods, facilities and services to, or for the entertainment and recreation of, Army and Air Force personnel, and their families, to enhance their living conditions and social environment.

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

My expectations for the Board of Directors are that it will ensure that Frontline:

1. operates in accordance with relevant legislation (including the *Army and Air Force Canteen Service Regulation 1959* made under the *Defence Act 1903* 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 which is financially independent of government;
4. delivers on the strategies identified in the 2008-12 Strategic Plan within the agreed timeframes and having regard to guidance provided by the Frontline Advisory Committee;
5. encourages continuous improvement practices to maximise opportunities that will ensure its long term viability;
6. in response to this Statement of Expectations, provides the Minister with its Statement of Intent and makes both Statements publicly available;
7. 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, the Chief of Army and the Chief of Air Force;
8. adopts best practice governance principles and implements risk management strategies as determined by the Commonwealth, as appropriate for the operation of small agencies; and
9. identifies and manages all actual and perceived conflicts of interest, promptly advising the Minister of any significant issues as they arise.

Signed Joel Fitzgibbon
(Former) Minister for Defence

Issued 26 September 2008

APPENDIX 3: STATEMENTS OF EXPECTATIONS AND INTENT

Statement of Intent

The Hon Joel Fitzgibbon
Minister for Defence

This statement outlines our intent concerning the operations and performance of the Army and Air Force Canteen Service (known as Frontline).

The Board will ensure that the Minister for Defence Science and Personnel (the Minister) is kept fully informed of any significant event or issue that may impact on the financial and business operations of Frontline. All communication provided to the Minister is to be forwarded in parallel to the Department of Defence.

The intention of the Board of Directors is that it will ensure that Frontline:

1. operates in accordance with relevant legislation (including the *Army and Air Force Canteen Service Regulation 1959* made under the *Defence Act 1903* 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 which is financially independent of government through the performance of all parties to the relevant Defence Instructions and the Frontline Agreement;
4. delivers on the strategies identified in the Strategic Plan 2008-2012 within the agreed timeframes and having regard to guidance provided by the Frontline Advisory Committee;
5. encourages continuous improvement practices to maximise opportunities that will ensure its long term viability;
6. in response to the Minister's Statement of Expectations, provides this Statement of Intent and makes both Statements publicly available;
7. provides the Minister with its quarterly and annual financial and compliance reports, with copies provided to the Secretary for Defence, the Chief of the Defence Force, the Chief of Army and the Chief of Air Force;
8. adopts best practice governance principles and implements risk management strategies as determined by the Commonwealth, as appropriate for the operation of small agencies; and
9. identifies and manages all actual and perceived conflicts of interest, promptly advising the Minister of any significant issues as they arise.

Signed Ted Moore
Chairman
Army and Air Force Canteen Service

Issued 21 October 2008

APPENDIX 4 - LOCATION OF OUTLETS

Directly Operated AAFCANS Outlet Locations

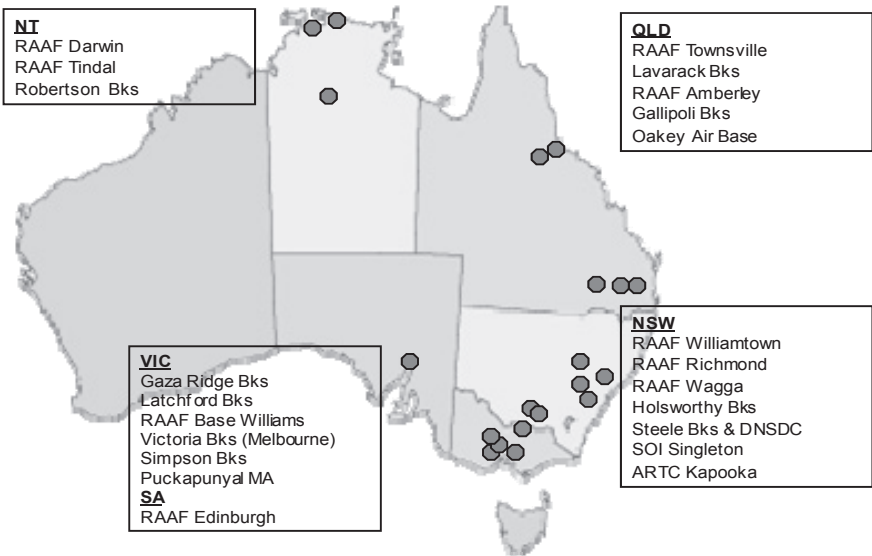


Chart 4: Visual Representation of Outlet Locations

Licenced Traded Services by Location

Outlet Name	Barracks/Base
Mechanical Workshop	Royal Military College, Legge Road, Duntroon, ACT
Café	Royal Military College, Fraser Road, Duntroon, ACT
Barber &/ Hairdresser	Royal Military College, Fraser Road, Duntroon, ACT
Banking Services	Royal Military College, Fraser Road, Duntroon, ACT
Café	ADFA, ACT
Convenience Store	Victoria Barracks, Paddington, NSW
Post Office and Newsagent	RAAF Base Richmond, NSW
Mechanical Workshop	RAAF Base Richmond, NSW
Banking Services	RAAF Base Richmond, NSW
Barber &/ Hairdresser	RAAF Base Richmond, NSW
Mechanical Workshop	RAAF Base Williamtown, NSW
Dry Cleaning	RAAF Base Williamtown, NSW

APPENDIX 4 - LOCATION OF OUTLETS

Outlet Name	Barracks/Base
Clothing (military/adventure wear)	RAAF Base Williamtown, NSW
Publisher	RAAF Base Williamtown, NSW
Banking Services	RAAF Base Williamtown, NSW
Barber &/ Hairdresser	RAAF Base Williamtown, NSW
Banking Services	Lone Pine Barracks, Singleton, NSW
Clothing (military/adventure wear)	McArthur Drive, Holsworthy, NSW
Banking Services	McArthur Drive, Holsworthy, NSW
Barber &/ Hairdresser	McArthur Drive, Holsworthy, NSW
Banking Services	RAAF Base Wagga Wagga, NSW
Barber &/ Hairdresser	RAAF Base Wagga Wagga, NSW
Photographer	ARTC, Blamey Barracks, Kapooka, NSW
Barber &/ Hairdresser	ARTC, Blamey Barracks, Kapooka, NSW
Clothing (military/adventure wear)	Robertson Barracks, Palmerston, NT
Banking Services	Robertson Barracks, Palmerston, NT
Barber &/ Hairdresser	Robertson Barracks, Palmerston, NT
Barber &/ Hairdresser	Larrakeyah Barracks, Darwin, NT
Service Station & Mechanical Workshop	RAAF Base Darwin, NT
Convenience Store	LWC, Kokoda Barracks, Canungra, QLD
Barber &/ Hairdresser	LWC, Kokoda Barracks, Canungra, QLD
Banking Services	Gallipoli Barracks, Enoggera, QLD
Barber &/ Hairdresser	Gallipoli Barracks, Enoggera, QLD
Pool Kiosk	RAAF Base Amberley, QLD
Mechanical Workshop	RAAF Base Amberley, QLD
Banking Services	RAAF Base Amberley, QLD
Barber &/ Hairdresser	RAAF Base Amberley, QLD
Barber &/ Hairdresser	Lavarack Barracks, Townsville, QLD
Barber &/ Hairdresser	RAAF Base Townsville, QLD
Convenience Store	Woodside Barracks, Woodside, SA
Barber &/ Hairdresser	Keswick Barracks, Adelaide, SA
Barber &/ Hairdresser	RAAF Base Edinburgh, SA
Banking Services	Latchford Barracks, Bonegilla, VIC
Barber &/ Hairdresser	Latchford Barracks, Bonegilla, VIC

APPENDIX 4 - LOCATION OF OUTLETS

Outlet Name	Barracks/Base
Banking Services	Simpson Barracks, Macleod, VIC
Hairdresser	Simpson Barracks, Macleod, VIC
Fish and Chip Take-away	PMA, Puckapunyal, VIC
Pizza Parlour	PMA, Puckapunyal, VIC
Chinese Food Take-away	PMA, Puckapunyal, VIC
Clothing (military/adventure wear)	PMA, Puckapunyal, VIC
Banking Services	PMA, Puckapunyal, VIC
Barber &/ Hairdresser	PMA, Puckapunyal, VIC
Barber &/ Hairdresser	RAAF Base Williams, Laverton, VIC
Barber &/ Hairdresser	Victoria Barracks, Melbourne, VIC
Café and Post Office	RAAF Base East Sale, East Sale, VIC
Barber &/ Hairdresser	RAAF Base East Sale, East Sale, VIC
Convenience Store	RAAF Base Pearce, Bullsbrook, WA
Barber &/ Hairdresser	RAAF Base Pearce, Bullsbrook, WA

APPENDIX 5 - TERMS AND ABBREVIATIONS

Term / Acronym	Description / Definition
AAFCANS	Army & Air Force Canteen Service
ADF	Australian Defence Force
ANAO	Australian National Audit Office
Board	Army and Air Force Canteen Service Board of Management
CAC Act	Commonwealth Authorities and Companies Act 1997
Direct Operations	Cafes & other retail facilities directly operated and staffed by AAFCANS
DSG	Defence Support Group
EEO	Equal Employment Opportunity
ePOS	Electronic Point of Sale
FOI	Freedom of Information
Frontline or Frontline Defence Services	Army & Air Force Canteen Service
FTE	Full Time Equivalents
FY	Financial year
HACCP	Hazard Analysis and Critical Control Points
HSR	Health and Safety Representative
MFV	Mobile Food Vans
WHS	Workplace Health and Safety
PPE	Plant and equipment
RAAF	Royal Australian Air Force
TGM	Target Group Member

