



**Australian Government**

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**Army and Air Force Canteen Service**

*ABN 69 289 134 420*

Report for the Year  
Ended  
30 June 2016

Army and Air Force Canteen Service  
trading as AAFCANS

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ISSN 1329 797X

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AIFC...1915  
AGL...1920-1939  
AACS...1940-1951  
ADCS...1951-1959  
ASCO...1959-1979  
AAFCANS...1979-1998  
FDS...1998-2011  
AAFCANS...2012-NOW

Part of Defence  
since 1915  
and proudly  
serving  
our people!

13 September 2016

The Hon Dan Tehan  
Minister for Defence Personnel  
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 2016.

The directors are responsible under section 46 of the *Public Governance, Performance and Accountability Act 2013* for the preparation and content of the report of operations in accordance with the Finance Minister's rule made under that Act.

The report of operations was made in accordance with a resolution of the directors on 30 August 2016.

Yours sincerely

Andrew Tregaskis  
Chairman



Australian Government  
Army and Air Force Canteen Service



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## FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

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We are pleased to report another successful year. The Army and Air Force Canteen Service (AAFCANS) has essentially completed its reconsolidation of licenses which commenced in 2011 and is now operating on 27 bases across Australia.

The financial year 2016 has resulted in again delivering a strong surplus attributed to the Australian Government of \$625,730. We have had nine consecutive years of ongoing improvement in our underlying trading performance.

The underlying strength of the financial performance is again demonstrated by the earnings before interest and depreciation achieving \$1,281,598.

AAFCANS invested approximately \$540,000 in capital projects in the 2016 financial year. Our financial performance allowed the ongoing investment in outlet upgrades and the new retail services. The quality of our facilities remains challenging and we will continue to reinvest surplus profits in upgrading facilities to improve our customers' environment.

Over the last two years AAFCANS has captured consumer transactional data through investment in new electronic point of sale systems (EPOS). This information will support decisions to tailor our operations, delivering not only better outcomes for the Army and Air Force personnel but also improved business efficiencies.

We plan to be more flexible and mobile. With the use of technology and innovative approaches to service, we aim to reach the wider base populations and continue to support Army and Air Force on deployment and exercises bringing welcome products to isolated locations.

AAFCANS continues to provide quality and competitively priced products with consistency across all outlets and with the aim of excellence in service standards.

We are appreciative of the commitment and enthusiasm of our employees across the five states and sincerely thank them for their continued engagement, often going above and beyond to deliver our services to the men and women of the Army and Air Force.

We also thank fellow directors for their continual insight and guidance.

Finally, we thank the Chiefs of Army and Air Force and the members of the AAFCANS Advisory Committee for their support and advice throughout the year.



Andrew Tregaskis  
Chairman



Stewart McGrow  
Managing Director

### Our Mission & Vision



#### Our Mission

To provide quality and accessible amenity services in support of the needs of our soldiers and airmen and airwomen.

#### Our Vision

To be the first choice of our customers and Defence as their trusted provider of canteen operations.



SERVING OUR OWN

#### Our Values

- Best quality food
- Efficient and effective service
- Innovation and improvement
- Value for money
- Appealing environment

### Our Purpose



AAFCANS is a self-sustaining 'not for profit' statutory organisation administered under the *Army and Air Force Canteen Regulations 1959* as amended and the *Public Governance, Performance and Accountability Act 2013*.

AAFCANS' purpose is to:

- Provide convenient, inviting and competitive on-base canteen services that contribute to a pleasant, satisfying and safe work environment and which support the retention of Army and Air Force personnel
- Operate on a commercial and self-supporting basis with surplus funds either reinvested into the business by way of improvements to facilities or disbursed to welfare and trust funds for the benefit of Army and Air Force members and their families.

Services provided by AAFCANS are designed to enhance the living conditions and social environment of Army and Air Force members, their dependants and other persons employed in or in connection with Army and Air Force installations.

### Our 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 community.

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

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



Image 1: RAAF Edinburgh  
RAAF Edinburgh, South Australia

### Year in Review



For the year ended 30 June 2016, AAFCANS recorded revenues of \$31 million and a net operating profit of \$625,730.

Key developments during the year in review:

- The refurbishment and opening of the Puckapunyal canteen
- The refurbishment and extension of Tom's Café at Lavarack
- The refurbishment and opening of RAAF Amberley pool canteen
- The expansion of our merchandising range
- The opening of Victoria Barracks Sydney canteen

### Financial Overview



The financial statements for the financial year 2016 recorded a net profit of \$625,730. AAFCANS' cash at bank increased by \$290,894.

Key factors included in the financial results are:

- A net increase in sales of goods of approximately \$33,000 (excluding prior year adjustments of \$22,535) with the 2016 results reflecting a sales growth of 0.1% for the year. Excluding the sale of alcohol and cigarettes, this revenue grew 2.1% on the prior year.
- Gross profit percentage increased 1.7% on the previous year. The improvement reflected a continued focus on controlling purchasing and stock losses.
- Labour costs as a percentage of sales increased 0.9% compared to 2015, from 31.2% to 32.1%.
- Approximately \$540,000 was invested in assets including outlet refurbishments and food van upgrades. Our total assets increased from \$9.7 million in 2015 to \$10.2 million in 2016.
- AAFCANS other expenses were 6.9% of sales, an increase of 0.7% on the previous year.
- Earnings before interest and depreciation was \$1,281,598; \$239,354 higher compared to prior year.

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



### Annual Performance Statements



AAFCANS operations for 2016 were delivered in line with:

- Our legislative purpose
- The 2013-17 Strategic Plan
- The 2015-16 Corporate Plan

#### Introductory statement

On behalf of the directors of the Army and Air Force Canteen Service I, Andrew Tregaskis, Chairman, present the 2015-16 annual performance statements of the Army and Air Force Canteen Service, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In our opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of AAFCANS, and comply with subsection 39(2) of the PGPA Act.

#### PURPOSE 1

Provide convenient, inviting and competitive on-base canteen services

#### RESULTS

##### Performance criterion 1

Results from qualitative and quantitative customer insights

##### Source

2015-16 Corporate Plan

##### Result

##### Result 1(a) – National Customer Survey

AAFCANS commenced a national customer survey in 2015-16, which is scheduled to be completed across all AAFCANS outlets by the end of 2016-17. Nineteen bases have been surveyed in 2015-16 with a further 10 bases to be completed in 2016-17.

Questions focus on three main areas; innovation, service and value, and purchase activities. The survey data is analysed periodically with insights, feedback and information formally reported.

An analysis of the online customer surveys received to date revealed AAFCANS value for money and service levels scored well. There is openness to innovation. Further, the survey re-enforced that our customers are time-poor, emphasising the need for quick service and 'grab & go' products.

Other information gathered included product purchase habits and marketing communications information regarding what products and services customers would like included on their base.

## REPORT OF OPERATIONS

### Result 1(b) – Focus Groups

Qualitative survey activities were conducted across two Defence bases (RAAF East Sale and RAAF Edinburgh) with a series of nine focus group sessions. The participants reflected a sample of the base population, covering a range of social groups, gender, age, ranked, non-ranked and student population groups.

An analysis of the focus group meetings held showed improvements could be made to the sales mix, outlet opening hours, services provided and training opportunities. Convenience services such as dry cleaning, Wi-Fi and catering products were highlighted as an important inclusion. Also suggested were seasonal menu changes, online menus, AAFCANS branded directional street signage, App technologies and online ordering.

The majority of respondents indicated that would be prepared to use:

- a self-checkout facility in-store to increase service efficiencies; and
- consider using an online ordering facility to pre-order their meal.

These activities are used as a responsive measure and also form part of AAFCANS preparations for refurbishment planning or innovation investment.

### PURPOSE 2

Operate on a commercially self-supporting basis with surplus funds either reinvested into services and facility improvements or disbursed for the benefit of Army and Air Force members

### RESULTS

#### Performance criterion 2.1

Benchmark operational and service standards to allow comparisons in future years' results

#### Source

2015-16 Corporate Plan

#### Result

The following operational/service standards were selected as being reliable and free from bias for the ongoing analysis of performance in future years:

- An average spend per customer of \$4.35, not dropping more than 5% below of this measure, excluding the impact of petrol, cigarettes and alcohol.

*With a hold placed on our retail selling prices, our aim is to maintain or increase our average spend per customer. Petrol, cigarettes and alcohol sales are excluded from this measure due to their distortion in value, their reducing market, and the legislated annual excise tax increases on cigarettes.*

## REPORT OF OPERATIONS

- The retail selling price compared to external competition for an AAFCANS regular barista coffee (12 ounce) to register in the bottom quartile of price, as measured in our annual retail price survey.

*A comparison of external competitors has been undertaken over the past two years and is an ongoing feature of our performance management. Our findings indicate that AAFCANS key product, barista coffee, is priced lower than most local and national retailers. AAFCANS intends to maintain this retail standard.*

- 1.25 inventory turnover rate per month, averaged over the full financial year.

*The maintenance of our inventory levels at 1.25 times per month allows AAFCANS to realise both freshness of product and ensure that our cash flow is not extended or over-utilised.*

- Total labour costs contained at no more than 35% of sales whilst maintaining service levels.

*A labour target of 35% total cost against sales allows for fluctuations in base populations and a well-controlled labour ratio, ensuring a balance of service standards and our ongoing financial viability.*

### Performance criterion 2.2

#### Increased total sales

#### Source

2015-16 Corporate Plan

#### Result

Total sales increased approximately \$33,000 (excluding prior year adjustments of \$22,535) or 0.11% over prior year.

Whilst sales increased over the prior year, the increase was not as high as expected due to:

- A decrease in sales volume of cigarettes and alcohol.
- The deployment of troops on exercise and to the Middle East for both Army and Air Force.
- Defence refurbishment works to Air Force personnel accommodation at RAAF Tindal which removed customers from the precinct.
- An extended holiday period over stand-down due to the timing of public holidays, with many personnel delaying their return to work until after Australia Day.

An increase in sales was achieved despite a hold being placed on retail price increases since 2014, excluding statutory excise tax increases.

### Activities in 2015-16



#### People

AAFCANS has continued to develop leadership capacity with management development training delivered to all base managers, line managers and senior leaders in 2015. This training was delivered through a combination of self-paced online modules and in workshop format at the managers' conference.

Our retail knowledge has been enhanced through the introduction of a merchandise training program rolled out in 2016 to all front-line staff. In addition, all induction and customer service training programs were refreshed in early 2016 ensuring materials are current and reflect our increasing service standards.

In May 2016 AAFCANS facilitated training for Army Reserve personnel from 2FSB, providing the skills needed to operate the newly commissioned amenities facility. This training saw AAFCANS staff deliver food safety, customer service, merchandising and barista training to Army personnel. The amenities facility was successfully rolled out at Exercise Hamel in 2016.

#### Work Health and Safety

AAFCANS has continued to conduct regular work health and safety (WHS) and food safety audits of all operations throughout the reporting period. The audit focus has moved beyond compliance checks to that of best practice and a more consultative approach to managing safety.

In May 2016 Comcare conducted an inaugural audit of AAFCANS' WHS management system. AAFCANS has formulated plans to improve the WHS management system over the next three years, ensuring worker safety remains at the forefront of our business.

#### Communications and Marketing

In celebration of our centenary in 2015, Her Majesty the Queen, the Governor General, Federal and State Ministers and political leaders from around the country sent letters of recognition to AAFCANS.

AAFCANS conducted a national 'scratch & win' promotion to help celebrate our centenary. Fifty thousand tickets were distributed to customers with a prize pool of \$38,000 worth of free products. A major prize draw concluded the celebrations and the prize winner was presented at RAAF Amberley with the \$5,000 holiday voucher sponsored by Defence Health. The activities attracted seven media editorials from the RSL magazines, Army and Air Force News and RAAF publications.

Third party support from AAFCANS suppliers and sponsors supported the 'scratch & win' promotion.

Other marketing activities included:

- two seasonal ranging and production menu changes to the national canteen menu and bistro menu
- the development of a retail offer to support Army exercises at Talisman Sabre and Hamel.

## REPORT OF OPERATIONS

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### Merchandising

The range of merchandising products were reviewed and upgraded during the financial year at the following locations:

- Amberley canteen, C17 kiosk and pool kiosk
- Singleton canteen
- Kapooka canteen
- Holsworthy canteen
- Edinburgh canteen
- Tom's Café - Lavarack Barracks

In addition to the merchandising review, AAFCANS rolled out 20 under counter display units on select bases across the five states.

Military merchandise including torches, active-wear, and backpacks were introduced to outlets across New South Wales, Queensland and South Australia.

### Exercises

This year AAFCANS supported the Army on the following exercises:

- Talisman Sabre, Rockhampton QLD
- Exercise Hamel, Cultana SA and 7 Brigade Preparation, Rockhampton, QLD

### Army Amenities Facility (Kevin)

In addition, supporting 17 CSS BDE, AAFCANS designed, trialled and launched the first Army amenities facility at exercise Hamel, SA in June 2016.

This amenities facility is owned by Army, and managed and operated jointly by AAFCANS and 2FSB.

## Morale boost for troops out bush

NEWS 8



BARISTA-made coffee was available to soldiers on the recent Exercise Diamond Sprint thanks to AAFCANS field kiosk sent to Shoalwater Bay.

Commander 7 Bde Brig Tony Rawlins invited AAFCANS to deploy with the troops and provide amenities for the duration of the exercise.

Stationed at Camp Growl, the AAFCANS crew worked hard to make sure a warm coffee was available...

Image 2: Camp Growl

Army Newspaper editorial featuring AAFCANS Camp Growl field kiosk

## REPORT OF OPERATIONS

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### Facilities

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. The funding was delayed and not received in FY2016.

In FY2016, AAFCANS undertook six notable outlet/facility upgrade projects on the following bases:

- \$145,000 Puckapunyal canteen refurbishment
- \$25,000 RAAF Amberley pool canteen refurbishment
- \$40,000 Installation of new merchandising equipment
- \$50,000 Mobile food van (MFV) refurbishments
- \$98,000 IT systems upgrades
- \$57,000 Tom's Café expansion, Lavarack Barracks.

In the FY2017 the following projects have been marked for capital spend:

- RAAF Amberley – canteen refurbishment
- New concept mobile food van
- Kapooka – canteen refurbishment
- IT systems upgrades including online ordering, coffee loyalty program and self-service checkouts
- Expanding the retail category ranging and associated equipment.

These projects are subject to cash flow and Defence determinations.

### Funding & Disbursements

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.

In accordance with a Ministerial directive AAFCANS now reinvests cash surpluses into remodelling and refurbishing canteen facilities and improving products and services.

During the year nearly \$326,000 was paid to SADFOs or base welfare funds under contracts negotiated by AAFCANS for vending on base.

Coffee loyalty returned approximately 59,000 free coffees at a retail value of almost \$217,000 to our customers.



Image 3: AAFCANS menu products

## REPORT OF OPERATIONS

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### Where We Operate

As at June 2016, AAFCANS or its agents operated food services on 31 Army and Air Forces bases and joint ADF facilities throughout Australia. The service was provided from direct operations on 27 bases and the remaining four locations under subcontract agreements with independent operators. The AAFCANS network as at 30 June 2016 included:

- 27 main canteens/cafes with convenience stores and dry cleaning services in most locations
- 12 satellite kiosks
- 1 bistro
- 2 convenience stores
- 1 supermarket/grocery store
- 1 post office
- 1 tavern
- 2 petrol outlets
- 20 mobile food vans
- total service vending on 47 Defence establishments.

Additional services are provided at bases through Licenced to Trade agreements or concessions. These are:

- 16 financial services (Defence Bank and ADCU branches)
- 26 barber shops or hair and beauty salons
- 6 cafes/food outlets
- 3 service stations & mechanical workshops
- 1 dry cleaning agent
- 2 post offices
- 1 photographer
- 1 publisher
- 5 military and adventure wear stores.



Image 4: AAFCANS, CANTEEN MENU VIC, 2016

## CORPORATE GOVERNANCE

The overriding objective of the directors is to increase stakeholder value within an appropriate framework and to protect the rights and interests of stakeholders whilst 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 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 during the year. This is not an indication of 'seniority' within the corporation.

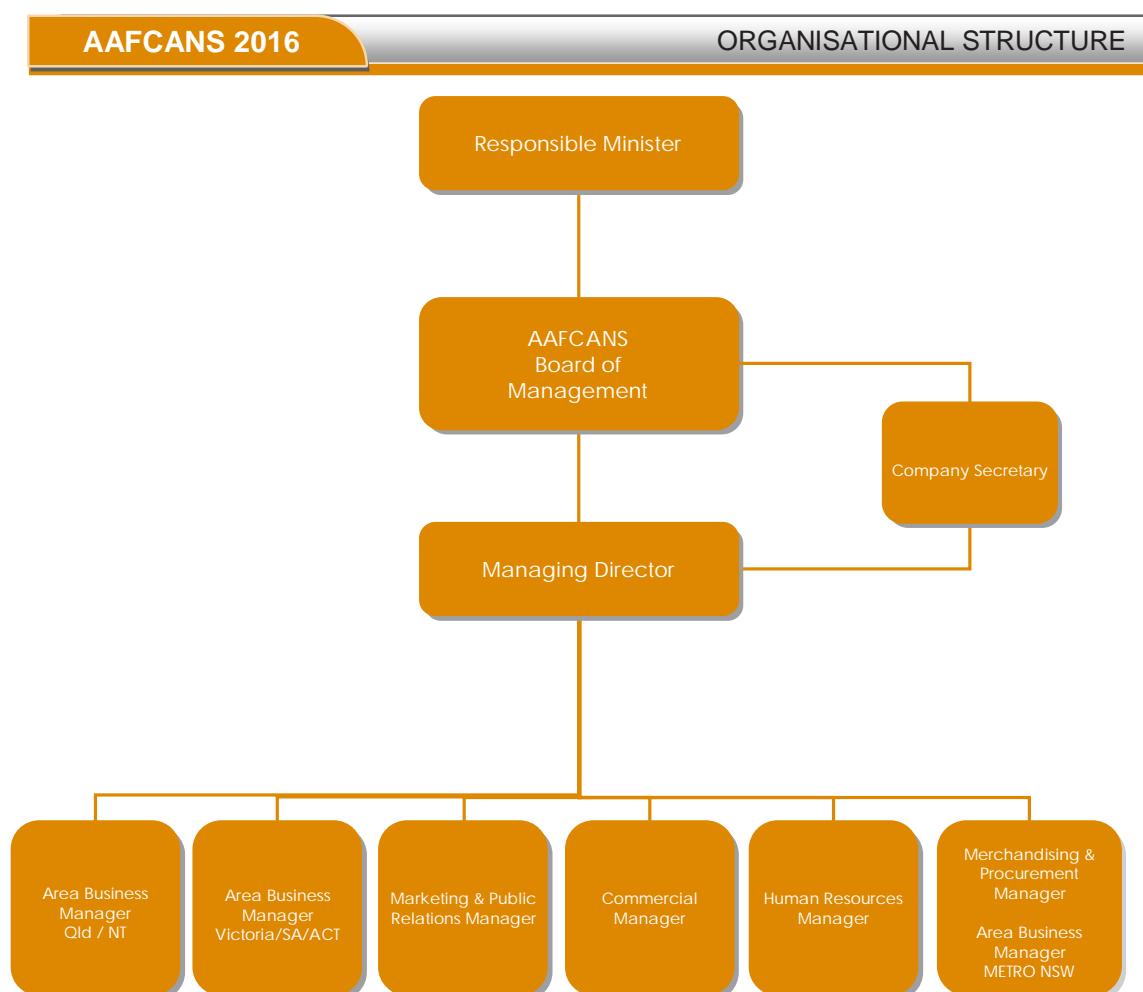


Chart 1: Organisational Structure



## The Board of Management



Mr Andrew Tregaskis GAICD



Air Commodore Ian Pearson  
(RAAFAR) MAICD



Brigadier Cameron Purdey CSC  
MAICD

Chairman and Non-executive director  
Ministerial re-appointment  
- 1 October 2013

Non-executive director

Chief of Air Force appointment  
- 1 July 2010

Non-executive director

Chief of Army appointment  
- 28 October 2015

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 (AAFCANS):

- Chairman of the corporate governance committee
- Member of the human resources and remuneration committee

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 and co-presenting an Air Power module to Air Force students at the Australian Command and Staff College.

Other current appointments:

- President, RAAF Staff College Association
- Director, John XXIII College, Australian National University

Special duties (AAFCANS):

- Member of the audit and risk management committee

Experience:

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

Cameron is currently appointed as Director General of Logistics - Army. In this position he is responsible to the Chief of Army for managing the day-to-day operational and logistic requirements of Army. Cameron also has responsibility for developing and implementing Army's strategic policies related to safety, security, internal reform and enterprise risk management. Cameron has extensive experience in command, training and operational appointments.

Other current appointments:  
Nil

## CORPORATE GOVERNANCE



Mr Stewart McGrow GAICD



Ms Leonie Taylor FCA FAICD



Mr Peter Fairlie GAICD

Managing Director (Executive director)  
Board appointment  
- 1 July 2011

Non-executive director  
Ministerial appointment  
- 1 October 2015

Non-executive director  
Ministerial appointment  
- 1 October 2014

### 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 AAFCANS business and the operational requirements that must be achieved to satisfy not only customers, but also key defence and government stakeholders.

Other current appointments:  
Nil

### Special duties (AAFCANS):

- Member of the corporate governance committee

### Experience:

Leonie has served on various Boards since 1993. She is currently a Director of Tennis Queensland and undertakes the role of the Independent Finance Professional on the Audit and Risk Committees of two Industry Superannuation Funds and a Private Capital group. Leonie was a Director and subsequently the Chair of North Qld Bulk Ports (formerly Qld Ports Corporation) from 1993 to 2012.

Leonie is a Chartered Accountant and brings with her extensive professional experience in corporate strategic planning, business advising and governance.

### Other current appointments:

- Partner, Bentleys (Qld)
- Director, Tennis Queensland
- Member Audit Committee, BUSS (Qld); Club Super; Gardior Pty Ltd

### Special duties (AAFCANS):

- Chairman of the audit and risk management committee
- Member of the corporate governance committee
- Member of the human resources and remuneration committee

### Experience:

Peter has over 30 years retailing experience, primarily with Coles Myer Ltd. Peter held key executive roles in both Merchandise and Operations for Coles Supermarkets including heading the key store renewal project.

Since leaving Coles, Peter has provided retail consulting services focussing on merchandising, range development and efficiency systems.

### Other current appointments:

- Sole trader, Peter Fairlie Retail Consulting
- Director, Izzvorn Enterprises Pty Ltd

### Special duties (AAFCANS):

- Chairman of the human resources and remuneration committee
- Member of the corporate governance committee
- Member of the audit and risk management committee

## CORPORATE GOVERNANCE

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### Former Directors

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

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Ms Catherine Sinclair  
Non-executive director  
Ministerial re-appointment  
- 1 October 2012  
Retired by rotation  
- 30 September 2015

Brigadier Graeme Finney  
Non-executive director  
Chief of Army appointment  
- 1 December 2013  
Retired  
- 27 October 2015

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#### 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. Ms Sinclair was awarded an Honorary Degree of Doctor of the University by Griffith University in 2014 and a Centenary Medal in 2001.

Catherine, an organisation consultant, brought to the board extensive professional experience in corporate strategic planning, organisation development, systems development and human resource management.

#### Experience:

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

Graeme served on the board whilst holding the position of Director General Army Operations. In this position he was responsible to the Chief of Army for managing the day-to-day operational and logistic requirements of Army. Graeme also has responsibility for developing and implementing Army's strategic policies related to safety, security, internal reform and enterprise risk management.

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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 requirements.

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 Board through the Human Resources and Remuneration Committee.

## CORPORATE GOVERNANCE

### 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.)
A Tregaskis (Chair)		9	9
S McGrow (MD*)		9	9
I Pearson		9	8
P Fairlie		9	9
G Finney	Retired 27 October 2015	3	3
C Purdey	Appointed 28 October 2015	6	5
C Sinclair	Retired 30 September 2015	2	2
L Taylor	Appointed 1 October 2015	7	7

Table 1: Director meeting attendance

\*MD: Managing Director



Image 5: Scratch & Win 100 Year Prize Winner, AMBERLEY QLD, 2016

Left to right: Stewart McGrow Managing Director of AAFCANS, Prize Winner WGCMD Peter Wheeler of RAAF Base Amberley and Mr Dennis Scanlan Regional Representative SE Qld, Defence Health

## Committees



### Audit & Risk Management Committee

The members of the Audit and Risk Management Committee, all being non-executive directors, at balance date were Leonie Taylor (Chair of the committee), Peter Fairlie and Ian Pearson. The committee has issued a standing invitation to the remaining military director to attend 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)	Retired 30 September 2015	1	1
L Taylor (Chair)	Chair from 1 October 2015	4	4
P Fairlie		4	4
I Pearson	Appointed 1 October 2015	3	3

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. From 1 July 2015 our Chairman of the Board, Andrew Tregaskis, was replaced by an independent member, Leonie Taylor. Upon Leonie's appointment to the board, Ian Pearson was appointed to the committee in recognition of the military members' extensive risk management experience. Depending on availability, the military representation will rotate between the two services.

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 re-issued during the financial year.

## Nothin' like a good brew

NEWS 13

Soldiers from 2FSB join with AAFCANS to run first bush café on Exercise Hamel



Photos By Cpl Nunu Campos

Image 6: KEVIN THE CAFÉ, EXERCISE HAMEL, CULTANA, 2016  
Army Newspaper editorial featuring Army Amenities Container

## CORPORATE GOVERNANCE

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The committee assists the board in determining and ensuring:

- compliance with the *Public Governance, Performance and Accountability Act 2013* and other relevant Acts
- accounting records are appropriately maintained
- adequate internal controls to safeguard assets
- the correct identification, management and control of risks
- 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 considering 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 *Public Governance, Performance and Accountability Act 2013*.

### 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 and reviews AAFCANS top risks. The risk register is amended as appropriate. AAFCANS' full risk management framework was reviewed for completeness during the year.

Food safety and work health and safety (WHS) are integral parts of the AAFCANS service. The internal auditor, an externally appointed contractor, conducts random audits for compliance under these two programs as well as for compliance with key financial procedures and directives. 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 Andrew Tregaskis (Chair of the committee), Leonie Taylor, Peter Fairlie and Stewart 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

Corporate Governance Committee	Period (if not a member for the full year)	Meetings eligible to attend (No.)	Meetings attended (No.)
A Tregaskis (Chair)		4	4
C Sinclair	Retired 30 September 2015	1	1
L Taylor	Appointed 1 October 2015	3	3
P Fairlie		4	4
S McGrow		4	4

Table 3: Corporate Governance meeting attendance

The Committee has issued a standing invitation to the military directors to attend 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 Corporate Governance charter was reviewed and re-issued during the financial year.

The Committee reviewed and re-issued the Board charter during financial year.

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 Peter Fairlie (Chair of the committee), Andrew Tregaskis and Leonie Taylor.

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.)
P Fairlie (Chair)		4	4
A Tregaskis		4	4
C Sinclair	Retired 30 September 2015	1	1
L Taylor	Appointed 1 October 2015	3	3

Table 4: Human Resources and Remuneration meeting attendance



## CORPORATE GOVERNANCE

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The Committee has issued a standing invitation to the military directors to attend 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 re-issued during the financial year.

Under direction from the Committee, AAFCANS conducts a baseline survey of employee satisfaction biennially, with actions resulting from that survey being allocated to the human resource function for implementation.

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 2016 (2015: not exercised).

### Insurance of Officers

AAFCANS paid premiums of \$3,002 for the year ended 30 June 2016 (2015: \$3,105) 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. No indemnities have been provided to any current or former officers.

### 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. 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 during the year. 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 annually by members of the Corporate Governance Committee.



The delegation of powers and functions to the Managing Director are 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, through the Human Resources and Remuneration Committee.

### 2. *Structure the Board to add value*

The size and composition of the Board are set by the AAFCANS Regulations as amended, 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 reviews their performance annually. Each charter is reviewed annually.

### 3. *Act ethically and responsibly*

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, whistle-blowers policy and public interest disclosure policy give guidance on the reporting and investigation of unethical practices.

AAFCANS reports annually on the performance of the equal employment opportunity management policy and plan, including gender and indigenous 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 non-executive directors. The Chair of the Committee is an independent director who is not the Chair of the Board.

The internal audit function regularly performs 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.

## CORPORATE GOVERNANCE

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### 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 PGPA Act.

### 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 personnel) 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, website feedback forms 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, plan and framework. Identified risks are set in a risk matrix which is regularly reviewed. Current risks from that register are tabled at each board meeting. Policies and procedures have been established to mitigate and manage the identified risks. Management reports to the Audit and Risk Management Committee on the risks and the effectiveness of the plans and strategies at each meeting. Management assurances regarding risk management are provided to the Board at least annually.

The 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.



Image 7: TOM'S CAFE, LAVARACK QLD, 2016

### Accountability



#### 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 or 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-supporting basis with the aim of providing profits sufficient to permit distribution of surplus funds for the benefit of members of the Army or the Air Force
- Ministerial directives as advised from time to time.

#### Responsible Minister

During the financial year, the Army and Air Force Canteen Service was accountable to the Assistant Minister for Defence and through our Minister to Parliament. The Minister at reporting date is The Hon Michael McCormack MP. Prior to the current Minister's appointment, AAFCANS also reported to The Hon Darren Chester MP and The Hon Stuart Robert MP. From 19 July 2016, The Hon Dan Tehan is our responsible Minister.

#### 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 from canteens during the 2016 financial year however payments were made to Army and Air Force welfare programs under vending machine contracts.

##### Borrowings

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

## CORPORATE GOVERNANCE

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### 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).

In December 2006, the Minister for Finance and Administration issued a directive in accordance with section 19 of the PGPA Act requiring AAFCANS to provide annual reports on legislative compliance.

AAFCANS prepares budget estimates for inclusion in the Department of Finance's whole of Government reporting.

The agreement for services between Defence and AAFCANS that was applicable during the 2016 financial year required that the corporation submit to the AAFCANS Advisory Committee the following reports:

- an annual operating plan
- an annual performance report
- quarterly operational and financial reports.

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 (superseded by section 22 of the PGPA 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 section 9(1) *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* appears at Appendix 1.

### Work Health and Safety (WHS)

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

### 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, a Parliamentary committee or the Commonwealth Ombudsman.

## CORPORATE GOVERNANCE

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A complaint to the Defence Ombudsman in April 2015 relating to the end of licence arrangements was carried over into this financial year. This matter has been investigated and closed, with no further action required.

In May 2015, the ACCC received a complaint from a licensee relating to end of licence arrangements. This matter has been investigated and closed, with no further action required.

### Freedom of Information

No applications for information were received under the *Freedom of Information Act 1982* (FOI Act) in the reporting period (2015: 1). The estimated handling costs for freedom of information (FOI) requests was nil (2015: nil).

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 Equal Employment Opportunity plan and annual reports. The annual reports are also available on AAFCANS 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, AAFCANS, Building E11, Lavarack Pde, Enoggera, Queensland, 4051.

### 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 to legal entities of \$145,116 excluding GST and including our in-house legal counsel hours (2015: \$42,539). The majority of the 2016 expenditure relates to legal and external counsel fees incurred in our pursuit of a payroll tax exemption in the State of Queensland.

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

### Fraud Control

Although AAFCANS is not technically required to comply with the Commonwealth Fraud Control Guidelines, AAFCANS 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 section 516A(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

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



Image 8: AAFCANS CANTEEN PUCKAPUNYAL, 2016

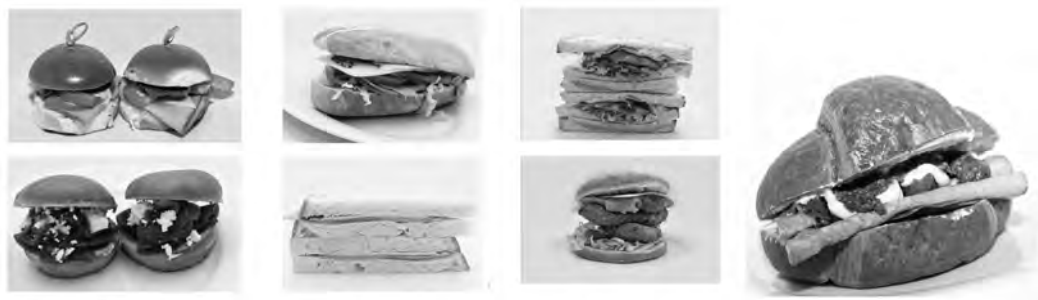


Image 9: AAFCANS CANTEEN MENU. 2016

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### Independent Audit Report



#### INDEPENDENT AUDITOR'S REPORT

##### To the Minister for Defence Personnel

I have audited the accompanying annual financial statements of the Army and Air Force Canteen Service for the year ended 30 June 2016, which comprise:

- Statement by the Directors, Managing Director and Commercial Manager;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements.

##### *Opinion*

In my opinion, the financial statements of the Army and Air Force Canteen Service:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Army and Air Force Canteen Service as at 30 June 2016 and its financial performance and cash flows for the year then ended.

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

The Directors of the Army and Air Force Canteen Service are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and is also responsible for such internal control as the director's determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

##### *Auditor's Responsibility*

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

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



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

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

### *Independence*

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

Australian National Audit Office



Lorena Skipper  
Senior Director

Delegate of the Auditor-General

Canberra  
1 September 2016

### Statement by the Directors, Managing Director and Commercial Manager

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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 fall due.

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



A Tregaskis  
Chairperson  
30 August 2016



L L Taylor Director  
30 August 2016



S I McGrow  
Managing Director  
30 August 2016



K A Pemberton  
Commercial  
Manager  
30 August 2016

# Statement of Comprehensive Income

for the period ended 30 June 2016

for the period ended 30 June 2016

	Notes	2016 \$	2015 \$
NET COST OF SERVICES			
Expenses			
Employee benefits	3A	9,438,270	9,180,534
Suppliers	3B	17,968,110	18,461,221
Depreciation and amortisation		750,104	694,684
Asset Write off		11,909	2,402
Licenced facilities on base	3C	530,055	559,869
Other expenses	3D	2,032,979	1,824,278
Total expenses		30,731,427	30,722,988
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	4A	29,383,646	29,421,585
Interest		94,233	118,979
Other revenue	4B	1,479,278	1,248,963
Total own-source revenue		30,957,157	30,789,527
Net (cost of) contribution by services		225,730	66,539
Revenue from Government		400,000	400,000
Surplus attributable to the Australian Government		625,730	466,539
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		-	-
Total other comprehensive income		-	-
Total comprehensive income attributable to the Australian Government		625,730	466,539

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

## Statement of Financial Position

as at 30 June 2016

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
Financial assets			
Cash and cash equivalents		4,062,994	3,772,099
Trade and other receivables		640,468	438,028
Total financial assets		4,703,462	4,210,127
Non-financial assets			
Leasehold improvements	5A	1,627,580	1,473,728
Plant and equipment	5A	2,153,427	2,363,482
Intangibles	5A	82,603	121,986
Inventories	5B	1,567,522	1,444,905
Other non-financial assets		87,930	146,401
Total non-financial assets		5,519,062	5,550,502
Total assets		10,222,524	9,760,629
<b>LIABILITIES</b>			
Payables			
Suppliers	7A	1,132,695	1,404,265
Other payables	7B	1,144,264	1,080,468
Total payables		2,276,959	2,484,733
Provisions			
Employee provisions	8A	824,375	780,434
Total provisions		824,375	780,434
Total liabilities		3,101,334	3,265,167
Net assets		7,121,190	6,495,462
<b>EQUITY</b>			
Contributed equity		1,328,804	1,328,804
Asset revaluation surplus		334,393	334,393
Retained earnings		5,457,994	4,832,264
Total equity		7,121,190	6,495,462

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

## Statement of Changes in Equity

for the period ended 30 June 2016

	Retained earnings		Asset revaluation surplus		Contributed equity		Total equity	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance								
Balance carried forward from previous period	4,832,264	4,365,725	334,393	334,393	1,328,804	1,328,804	6,495,462	6,028,923
Comprehensive income								
Surplus for the period	625,730	466,539	-	-	-	-	625,730	466,539
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	625,730	466,539	-	-	-	-	625,730	466,539
Closing balance as at 30 June	5,457,994	4,832,264	334,393	334,393	1,328,804	1,328,804	7,121,191	6,495,462

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

## Cash Flow Statement

for the period ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>OPERATING ACTIVITIES</b>			
Cash received			
Receipts from Government		-	400,000
Sale of goods and rendering of services		33,485,824	33,190,991
Interest		94,233	118,979
Total cash received		<u>33,580,057</u>	<u>33,709,970</u>
Cash used			
Employees		(9,438,270)	(9,195,688)
Suppliers		(21,771,503)	(21,732,009)
Net GST paid		(1,449,464)	(1,433,122)
Total cash used		<u>(32,659,237)</u>	<u>(32,360,819)</u>
Net cash from operating activities	9	<u>920,820</u>	<u>1,349,151</u>
Cash used			
Purchase of plant and equipment		(629,926)	(1,117,232)
Total cash used		<u>(629,926)</u>	<u>(1,117,232)</u>
Net cash used by investing activities		<u>(629,926)</u>	<u>(1,117,232)</u>
Net increase (decrease) in cash held		<u>290,894</u>	<u>231,919</u>
Cash and cash equivalents at the beginning of the reporting period		<u>3,772,099</u>	<u>3,540,181</u>
Cash and cash equivalents at the end of the reporting period		<u>4,062,994</u>	<u>3,772,099</u>
The above statement should be read in conjunction with the accompanying notes.			

### Note 1 Overview

#### 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 and structure 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 continued existence of the Army and Air Force Canteen Service in its present form and with its present program is dependent upon the Chiefs of Army and Air Force requiring the provision of canteen services on specified bases and providing space to operate the canteens free of charge.

#### 1.2 Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

- a) Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR) for reporting periods ending on or after 1 July 2015; 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 the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

#### 1.3 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies the entity has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The fair value of leasehold improvements and plant and equipment has been taken to be depreciated replacement cost or market value as determined by an independent valuer.

#### 1.4 Taxation

The Army and Air Force Canteen Service is exempt from all forms of taxation except Fringe Benefits Tax (FBT), Payroll Tax (Queensland), 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.

## AAFCANS - FINANCIAL STATEMENTS

### 1.5 New Australian Accounting Standards

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

There were no new standards, revised standards, interpretations and amending standards deemed to be applicable to the current reporting period for the Army and Air Force Canteen Service's financial statements:

### 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 Financial Performance

Note 3A: Employee Benefits	2016	2015
	\$	\$
Wages and salaries	7,982,391	7,907,662
Superannuation - defined contribution plans	790,012	776,134
Leave and other entitlements	633,596	461,486
Separation and redundancies	32,271	1,408
Other employee benefits	-	33,844
Total employee benefits	9,438,270	9,180,534

#### Accounting Policy

##### Superannuation

The 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. Refer to Note 7B



## AAFCANS - FINANCIAL STATEMENTS

### Note 3B: Suppliers

Goods and services supplied or rendered		
Cost of goods sold	17,386,178	17,875,232
Total goods and services supplied or rendered	17,386,178	17,875,232
Other suppliers		
Operating lease rentals in connection with		
Minimum lease payments	90,482	119,874
Workers compensation expenses	491,450	466,115
Total other suppliers	581,932	585,989
Total suppliers	17,968,110	18,461,221

### Accounting Policy

#### Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risk 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 2016 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.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	113,550	97,354
Between 1 to 5 years	130,254	103,149
More than 5 years	-	0
Total operating lease commitments	243,804	200,502

### Note 3C: Licenced Facilities on Base

Licenced facilities on base	530,055	559,869
Total licenced facilities on base	530,055	559,869

Licensed facilities on base was the cost of the rent and utilities that were used by licenced traders on base. The AAFCANS headquarters on base was estimated on the cost of renting a similar space in the area. These facilities were provided free of charge by the Department of Defence. The revenue in relation to the provision of these facilities is disclosed in Note 4B.

### Note 3D: Other Expenses

Computer support and expenses	232,015	133,750
Bank fees	218,552	236,848
Professional services	211,221	145,116
Payroll tax	182,465	157,510
Sundry expense	168,263	151,176
Vehicle running costs	159,739	174,786
Travel	152,006	138,759
Selling, stationery, postage and courier	136,598	124,223
Legal Fees	129,250	13,014
Support office facilities	123,969	150,017
External Audit fees	55,000	55,000
Recruitment fees and agency staff	73,233	40,640
Telephone and internet communications	71,795	174,426
Insurance	60,476	41,665
Fringe benefits tax	38,173	24,511
Internal Audit Fees	20,000	18,289
Defence amenities expenses	224	44,549
Total other expenses	2,032,979	1,824,278

## 4 Own-Source Revenue and Gains

### Note 4A: Sale of Goods and Rendering of Services

Sale of goods	28,984,840	28,974,216
Rendering of services	398,806	447,369
Total sale of goods and rendering of services	29,383,646	29,421,585

### Note 4B: Other Revenue

Marketing revenue and commissions	910,667	680,856
Resources received free of charge - Defence facilities	530,055	559,869
Sundry income	38,556	8,238
Total other revenue	1,479,278	1,248,963

#### Accounting Policy

##### Resources Received Free of Charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Revenue from the sale of goods is recognised when:

- a) the risk 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 license 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 the 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.

### Revenue from Government

Funding received or receivable from the Department of Defence is recognised as Revenue from Government unless the funding is in the nature of an equity injection or a loan.

## AAFCANS - FINANCIAL STATEMENTS

### Note 5 Financial Position

Note 5A: Reconciliation of the Opening and Closing Balances of Leasehold Improvements, Plant and Equipment, Computer Hardware and Computer Software

Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment, computer hardware and computer software for 2016

	Leasehold improvements \$	Plant & equipment \$	Computer hardware \$	Computer software \$	Total \$
As at 1 July 2015					
Gross book value	1,719,728	3,397,098	1,075,558	505,783	6,698,167
Accumulated depreciation and impairment	(246,001)	(1,464,592)	(644,581)	(383,797)	(2,738,971)
Total as at 1 July 2015	1,473,727	1,932,506	430,977	121,986	3,959,196
Additions					
By purchase	341,950	160,188	105,067	59,222	666,427
Depreciation and Amortisation expense	(188,097)	(324,703)	(138,699)	(98,605)	(750,104)
Disposals					
Asset write-off	-	(11,310)	(599)		(11,909)
Total as at 30 June 2016	1,627,580	1,756,681	396,746	82,603	3,863,610
Total as at 30 June 2016 represented by:					
Gross book value	2,061,678	3,526,569	1,157,760	565,005	7,311,012
Accumulated depreciation and impairment	(434,098)	(1,769,888)	(761,014)	(482,402)	(3,447,402)
Total as at 30 June 2016	1,627,580	1,756,681	396,746	82,603	3,863,610

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

No indicators of impairment were found for plant and equipment

No Revaluation of Assets was undertaken in the 2016 Financial year (2015: nil)

No Indicators of impairment were found for leasehold improvements.

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

## AAFCANS - FINANCIAL STATEMENTS

Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment, computer hardware and computer software for 2015

As at 1 July 2014	Leasehold improvements \$	Plant & equipment \$	Computer hardware \$	Computer software \$	Total \$
Gross book value	1,061,221	3,142,084	975,771	444,852	5,623,928
Accumulated depreciation and impairment	(115,056)	(1,145,104)	(507,705)	(281,622)	(2,049,487)
Total as at 1 July 2014	946,165	1,996,980	468,066	163,230	3,574,441
Additions					
By purchase	658,507	255,014	99,787	60,931	1,074,239
Depreciation expense	(130,945)	(317,086)	(136,876)	(102,175)	(687,082)
Disposals					
Asset write-off	-	(2,402)	-		(2,402)
Total as at 30 June 2015	1,473,728	1,932,505	430,977	121,986	3,959,196
Total as at 30 June 2015 represented by:					
Gross book value	1,719,728	3,397,098	1,075,558	505,783	6,698,167
Accumulated depreciation and impairment	(246,001)	(1,464,592)	(644,581)	(383,797)	(2,738,971)
Total as at 30 June 2015	1,473,728	1,932,505	430,977	121,986	3,959,196

### Accounting Policy

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

Assets acquired at no cost, or for nominal consideration are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

### Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$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

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

Revaluation adjustments are made on a class basis. Any revaluation increment is 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 are recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

### Depreciation

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

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

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

	2016	2015
Leasehold	10 years	10 years
Improvements		
Plant and	3 to 10 years	3 to 10 years
Equipment		
Computer	3 to 5 years	3 to 5 years
Hardware		

## AAFCANS - FINANCIAL STATEMENTS

### Impairment

All assets were assessed for impairment at 30 June 2016. 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 of disposal 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 entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

### Derecognition

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

### Intangibles

The entity'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 entity's software are 2 to 3 years (2015: 2 to 3 years).

All software assets were assessed for indications of impairment as at 30 June 2016.

Note 5B: Inventories	2016 \$	2015 \$
Inventories held for sale		
Finished goods	1,567,522	1,444,905
Total inventories held for sale	1,567,522	1,444,905
Total inventories	1,567,522	1,444,905

During 2016, nil inventory held for sale was recognised as an expense (2015: 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.

### Accounting Policy

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

Costs incurred in bringing each item of inventory to its present location and condition are assigned as follows:

- a) raw materials and stores - purchase cost on a first-in-first-out basis; and
- b) finished goods - cost of direct materials and labour plus attributable costs that can be allocated on a reasonable basis.

Inventories acquired at no cost or nominal consideration are initially measured at current replacement cost at the date of acquisition.

## Note 6 Fair Value Measurements

### Note 6A Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.

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

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

Level 3: Unobservable inputs for the asset or liability.

Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2016

	Fair value measurements at the end of the reporting period using		
	Fair value	Level 3 inputs	Valuation technique(s) <sup>1</sup>
	\$'000	\$'000	
Non - financial assets			
Leashold improvements	1,628	1,628	Depreciated replacement cost
Other plant and equipment	2,153	2,153	Depreciated replacement cost
Total non-financial assets	3,781	3,781	
Total fair value measurement of assets in the statement of financial position	3,781	3,781	

1. No change in valuation technique occurred during the period

Recurring and non-recurring Level 3 fair value measurements - valuation process

AAFCANS revalued their assets through an independent valuer in the 2013-2014 Financial Year

No valuation was completed in the current year instead a desktop valuation was performed to determine fair value.



## AAFCANS - FINANCIAL STATEMENTS

### Note 7 Payables

	2016	2015
	\$	\$
Note 7A: Suppliers		
Trade creditors and accruals	1,132,695	1,404,265
Total suppliers	1,132,695	1,404,265

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

**Accounting Policy**  
 Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.  
 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).

#### Note 7B: Other Payables

Wages and salaries	362,744	381,658
Superannuation	73,650	74,614
GST payable	310,388	314,142
Vending commissions	34,098	114,143
Other	363,384	195,911
Total other payables	1,144,264	1,080,468

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

### Note 8 People and Relationships

	2016	2015
	\$	\$
Note 8A: Employee Provisions		
Annual leave	310,976	324,367
Long service leave	513,399	456,067
Total employee provisions	824,375	780,434
Employee provisions are expected to be settled		
No more than 12 months	558,216	571,933
More than 12 months	266,159	208,501
Total employee provisions	824,375	780,434

**Accounting Policy**  
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 the 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.

Liabilities are short term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits expected 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.

### Note 9 Cash Flow Reconciliation

	2016 \$	2015 \$
Reconciliation of net cost of services to net cash from operating activities:		
Net contribution by services	225,730	66,539
Revenue from Government	-	400,000
Adjustments for non-cash items		
Depreciation/amortisation	750,104	694,684
Net write down of non-financial assets	-	-
Loss on disposal of assets	11,909	2,402
Changes in assets and liabilities		
Assets		
(Increase)/Decrease in net receivables	(265,646)	77,121
(Increase)/Decrease in inventories	122,617	147,818
(Increase)/Decrease in prepayments (other financial assets)	17,230	13,833
Liabilities		
Increase/(Decrease) in employee provisions	(42,977)	(54,771)
Increase/(Decrease) in supplier payables		
Increase/(Decrease) in other payables	101,854	1,525
Net cash from operating activities	920,820	1,349,151

### Note 10 Managing Uncertainties

There are no quantifiable contingent liabilities as at 30 June 2016 (2015: Nil).

A quantifiable contingent asset relating to Payroll tax refunds of an estimated range of \$490k - \$950k has been identified as at 30 June 2016 (2015: Nil).

## AAFCANS - FINANCIAL STATEMENTS

### Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

### Note 11 Senior Management Personnel Remuneration

Note 11A: Senior Management Personnel Remuneration Expenses for the Reporting Period	2016 \$	2015 \$
Short-term employee benefits		
Salary	546,583	520,560
Annual leave	46,866	44,437
Performance bonuses	24,372	27,173
Total short-term employee benefits	617,821	592,170
Post-employment benefits		
Superannuation	61,478	56,685
Total post-employment benefits	61,478	56,685
Other long-term employee benefits		
Long service leave	18,882	16,230
Total other long-term benefits	18,882	16,230
Total senior executive remuneration expenses	698,181	665,085

The total number of senior management personnel that are included in the above table are [4] (2015: [4])

### Note 12 Financial Instruments

Note 12A: Categories of Financial Instruments	2016 \$	2015 \$
Financial Assets		
Loans and receivables		
Cash and cash equivalents	4,062,994	3,772,099
Trade and other receivables	516,046	250,563
Total loans and receivables	4,579,040	4,022,662
Total financial assets	4,579,040	4,022,662
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	1,132,695	1,404,265
Total financial liabilities measured at amortised cost	1,132,695	1,404,265
Total financial liabilities	1,132,695	1,404,265

## AAFCANS - FINANCIAL STATEMENTS

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### Note 12B: Fair Value of Financial Instruments

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

### Note 12C: 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 in 2016: \$516,046 (2015: \$250,563).

### Note 12D: 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 had only trade creditors as a financial liability. All trade creditors mature within 1 year (2016: \$1,132,695 and 2015: \$1,404,265).

The Army and Air Force Canteen Service had no derivative financial liabilities in 2016 (2015: Nil).

### Note 12E: 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 statement of financial position were the 'Cash deposits'. All bear interest at a floating interest rate and will fluctuate due to changes in the market interest rate.

### Note 13 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 13A: Net (Cost)/Contribution of Outcome Delivery

	Outcome 1		Total	
	2016	2015	2016	2015
	\$	\$	\$	\$
Expenses	30,731,427	30,722,988	30,731,427	30,722,988
Own-source income	30,957,157	30,789,527	30,957,157	30,789,527
Net (cost)/contribution of outcome delivery	225,730	66,539	225,730	66,539

### 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, banks and postal services, utilising their own employees.

AAFCANS remains geographically dispersed with small staff numbers at each individual site. Casual and part time employees account for 71% (68% - 2015) of all staff. A profile of staff in terms of target group member classification appears as Table 6, highlighting that women constitute:

- a) 82% (2015 81%) of all staff
- b) 87% (2015 75%) of manager level staff
- c) 44% (2015 50%) of executive level staff

The organisation’s employment profile consists of predominantly casual staff and is subject to significant fluctuation on a local basis. During 2015-16 spouses or dependants of Defence personnel filled 12% (14% - 2015) of all positions, in large part due to the on-base location of our stores.

Table 5 provides a profile of staffing by category and classification. Total staff numbers decreased to 258 as at 30 June 2016 (259 – 2015). The Full Time Equivalent (FTE) statistic increased to 178 compared to 172 at 30 June 2015.

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

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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
- c) Encourage and promote non-discrimination policies e.g. reissues of the code of conduct to all employees (attached to each contract of employment)
- d) Develop our policy and procedures manual, and train staff on those policies which includes a policy addressing human rights and equal opportunity
- e) 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 2016

Total number of staff employed at 30 June 2016 was 258 (2015 – 259) equating to 178 (2015 – 172) full time equivalent (FTE) staff employed throughout the period.

Category	FTE (average)		Total		Male		Female	
Full time	92	(82)	75	(81)	16	(21)	59	(60)
Part time	15	(15)	15	(19)	0	(0)	15	(19)
Casual	71	(75)	168	(159)	28	(27)	140	(132)
Total	178	(172)	258	(259)	44	(48)	167	(211)

Table 5: Staff as at 30 June 2016 (2015)

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).

During 2015-16 employees who identified as Indigenous personnel filled 1.2% of all positions. In response to the Forrest Review, AAFCANS aims to increase Indigenous representation to 2.5% by 2018.

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

All Staff No	Employment Classification	All TGM as a % of all Staff	Women as a % of all staff	All Women No.	Indigenous Australians as a % of all staff	All Indigenous Australian No.
184 (178)	Sales Assistants Salary: \$22,511-\$45,000	87 (90)	87 (90)	160 (161)	1.1 (1.1)	2 (2)
30 (32)	Managers Salary: \$40,100-\$70,285	87 (75)	87 (75)	26 (24)	0 (0)	0 (0)
14 (14)	Clerical Salary: \$42,574-\$77,000	71 (71)	71 (71)	10 (10)	0 (7)	0 (1)
9 (10)	Executive Salary: \$80,000-\$236,752	44 (50)	44 (50)	4 (5)	0 (0)	0 (0)
21 (25)	Other Salary: \$37,518-\$50,000	57 (48)	57 (48)	12 (11)	4.8 (0)	1 (0)
258 (259)	TOTAL	82 (81)	82 (81)	212 (211)	1.2 (1.2)	3 (3)

Table 6: Target Group Members by Classification as at 30 June 2016 (2015)



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

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### 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.

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.

TGMs are made aware of their rights, entitlements and conditions of employment by our 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 strives to deliver appropriate staff training and development opportunities through both internal and external training programs.

AAFCANS provides formal training covering areas such as WHS, food safety, customer service, merchandising, leadership and computer skills. 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.

Training programs were implemented in 2015-16 aimed at increasing in-house customer service and merchandising skills. All training modules are reviewed every two years to ensure content is current and each module has been revised to provide ease of access for employees who have literacy difficulties.

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

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A Managers Conference was held in September 2015. This saw all Base Managers and senior leaders complete two days of leadership development training with external trainers.

### Conditions of Employment

AAFCANS employs staff under appropriate terms and conditions subject to direction from the Fair Work Commission and the Minister for Employment.

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 was approved by the Board and Executive of AAFCANS in 2013 and was reviewed in 2015. The code of conduct defines and standardises expectations for all staff at AAFCANS. It guides the behaviour of all employees in terms of individual representation, relations with customers, and relations with fellow employees. This document sets the framework for AAFCANS' culture.

A company policy and procedures manual is maintained that consolidates the major terms and conditions of employment. This was last revised in January 2015 and is under review at the time of reporting. Updates are posted to the AAFCANS intranet and distributed both in hard copy and 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 and at outlet staff meetings.

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 (no issues were reported to Fair Work Australia in the year under review)
- 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 2016, 66 (2015 – 62) staff members were employed on individual employment contracts, including all full and part-time salaried staff.

## APPENDIX 2: ANNUAL REPORT OF WHS ARRANGEMENTS AND STATISTICS

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This report is provided pursuant to Schedule 2, Part 4 of the *Work Health and Safety Act 2011* and covers the period from 1 July 2015 to 30 June 2016.

### Overview



The Army and Air Force Canteen Service maintains:

- a) A national safety committee
- b) Safety representatives for all designated work groups
- 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

Comcare conducted a two day WHS assessment as part of its functions under under s160 of the WHS Act. There were no investigations conducted by Comcare for the year ending June 2016 and no notices were issued.

### 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 Estate and Infrastructure 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 were reviewed and the Work Health & Safety Management Plan (WHSMP) issued to all staff in 2016. Updates were distributed throughout the year via the AAFCANS intranet, in hard copy and through the weekly bulletin and reinforced in team and base management meetings. The WHSMP will be fully reviewed again in 2017.

## APPENDIX 2: ANNUAL REPORT OF WHS ARRANGEMENTS AND STATISTICS

Each outlet is audited at least annually with those issues identified reported to either the Estate & Infrastructure Group or AAFCANS management for resolution.

The agency's policy statement was reviewed and updated in September 2016 and approved by the Managing Director. The policy will be reviewed again in late 2016 to meet legislative requirements.

There were no dangerous occurrences in the reporting period.

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

	2016	2015	2014 <sup>6</sup>	2013 <sup>6</sup>	2012
Employees at period end	258	259	259	254	228
Average Number of FTE Employees throughout the period	178	172	170	162	119
Hours of Labour ('000's)	290	351 <sup>1</sup>	337 <sup>1</sup>	275	230
All injuries <sup>2</sup>	58	56	34	65	30
Lost time Injuries	6	17	11	29	9
Hours Lost (year of review)	331	287	243	275	500
Frequency Rate <sup>3</sup>	40.9	48.2	38.8	105.3	39.2
Severity Rate <sup>4</sup>	0.1503	0.0001	0.0001	0.001	0.06
Absenteeism (% Wages) <sup>5</sup>	1.68%	1.24%	1.76%	1.66%	7.72%

Table 7: Work Health & Safety Performance for year ended 30 June

Note 1 Inclusive of annual leave, long service leave and sick leave hours taken

Note 2 For events with a date of injury in the year ended 30 June

Note 3 Frequency Rate: Number of lost time injuries per thousand hours worked

Note 4 Severity Rate: Number of lost days per thousand hours worked

Note 5 Absenteeism for sick leave, not being workers compensation, permanent payroll only – excludes casual wages paid. Prior years have not been restated.

2012 includes one employee on long term paid sick leave

Note 6 Changed reporting requirements increased reported incidents

During the 12 months from July 2015 to June 2016 two new claims were submitted to Comcare, however both were rejected by Comcare. Time lost due to workplace injuries totaled 331 hours compared to 287 hours in 2015.

The number of injuries reported in the financial year increased to 58 (56 in 2015), with the severity rate for incidents increasing to 0.1503 (0.0001 in 2015).

With no successful claims made in 2016 Comcare has decreased the annual premium for workers' compensation in the 2017 financial year. AAFCANS continues to manage existing long term claims, and resolves minor claims through early intervention outside the Comcare system. Subsequent to year end, one claim has since been approved. This will appear in the next financial year's report.

### Workers Compensation

Insurance cover for workers compensation is maintained as follows:

- a) 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.
- b) Claims established from 1 July 1989 are managed, by government direction, in conjunction with Comcare under the provisions of the *Safety, Rehabilitation and Compensation Act 1988*.

There were no new claims in 2014-15 and again in 2015-16, resulting in nil performance by mechanism of incident. AAFCANS has experienced an increase in the reporting of injuries. AAFCANS 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 a reduction of injuries.

Absenteeism for sick leave, not being for workers compensation, was at a rate of 1.68% of non-casual wages for the period (2014-15 – 1.24%).

Future focus will be on increasing the skills and abilities of staff at all levels to assist in the identification and notification of hazards in the workplace. AAFCANS will continue to communicate with staff regularly, ensuring safety remains a clear priority throughout the working day. AAFCANS also aims to build on current levels of compliance and strive toward best practice in WHS.

The cost to date of all claims with an injury date in this period remained at nil in 2015-16.

## APPENDIX 3: STATEMENTS OF EXPECTATIONS AND INTENT

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### 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

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### 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.

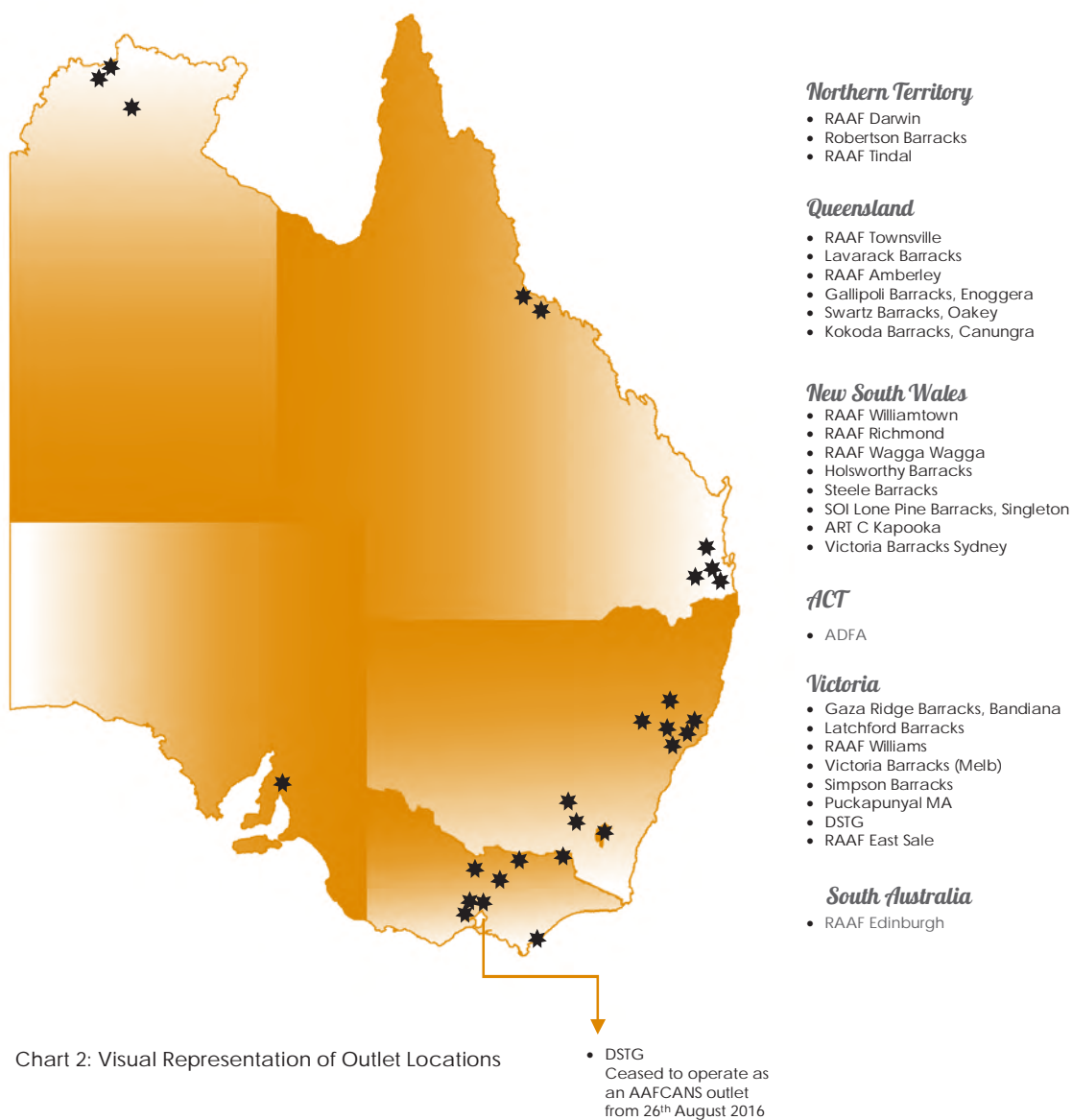
The intention of the Board of Directors is that it will ensure that Frontline:

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  
(Former) Chairman  
Army and Air Force Canteen Service

Issued 21 October 2008

### Directly Operated AAFCANS Outlet Locations





## APPENDIX 4: LOCATION OF OUTLETS AND LICENCED TRADERS

### Licensed 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
Mechanical Workshop	RAAF Base Richmond, NSW
Banking Services	RAAF Base Richmond, NSW
Barber &/ Hairdresser	RAAF Base Richmond, NSW
Banking Services	RAAF Base Williamstown, NSW
Barber &/ Hairdresser	RAAF Base Williamstown, NSW
Clothing (military/adventure wear)	RAAF Base Williamstown, NSW
Dry cleaning	RAAF Base Williamstown, NSW
Banking Services	Lone Pine Barracks, Singleton, NSW
Barber &/ Hairdresser	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	LWC, Kokoda Barracks, Canungra, QLD
Banking Services	Gallipoli Barracks, Enoggera, QLD
Barber &/ Hairdresser	Gallipoli Barracks, Enoggera, QLD
Mechanical Workshop	RAAF Base Amberley, QLD
Banking Services	RAAF Base Amberley, QLD
Barber &/ Hairdresser	RAAF Base Amberley, QLD

## APPENDIX 4: LOCATION OF OUTLETS AND LICENCED TRADERS

Outlet Name	Barracks/Base
Clothing (military/adventure wear)	Lavarack Barracks, Townsville, QLD
Publisher	Lavarack Barracks, Townsville, QLD
Barber &/ Hairdresser	Lavarack Barracks, Townsville, QLD
Café	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
Banking Services	Simpson Barracks, Macleod, VIC
Hairdresser	Simpson Barracks, Macleod, VIC
Post Office	PMA, Puckapunyal, 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
Post Office	RAAF Base East Sale, East Sale, VIC
Barber &/ Hairdresser	RAAF Base East Sale, East Sale, VIC
Café	RAAF Base Pearce, Bullsbrook, WA
Barber &/ Hairdresser	RAAF Base Pearce, Bullsbrook, WA

## APPENDIX 5: TERMS AND ABBREVIATIONS

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Term / Acronym	Description / Definition
AAFCANS	Army and 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	<i>Commonwealth Authorities and Companies Act 1997</i>
Direct Operations	Cafes & other retail facilities directly operated and staffed by AAFCANS
EEO	Equal Employment Opportunity
EPOS	Electronic Point of Sale
FOI	Freedom of Information
Frontline/Frontline Defence Services/ FDS	Previous trading name for the Army & Air Force Canteen Service
FTE	Full Time Equivalents
FY	Financial year
HACCP	Hazard Analysis and Critical Control Points
MFV	Mobile Food Vans
NSW	New South Wales
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PPE	Property, plant and equipment
RAAF	Royal Australian Air Force
TGM	Target Group Member
WHS	Work Health and Safety

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## APPENDIX 6: COMPLIANCE INDEX

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