



16 May 2019

John Dixon
Branch Secretary
Australian Education Union-New South Wales Teachers Federation (NSWTF) Branch

Sent via email: dixon@nswtf.org.au
CC: Michael Mundt, mm@daley.com.au

Dear John Dixon,

**Australian Education Union-New South Wales Teachers Federation (NSWTF) Branch
Financial Report for the year ended 31 December 2018 – (FR2018/316)**

I acknowledge receipt of the financial report of the Australian Education Union-New South Wales Teachers Federation (NSWTF) Branch (**the reporting unit**). The documents were lodged with the Registered Organisations Commission (**the ROC**) on 3 May 2019.

The financial report has now been filed.

The financial report was filed based on a primary review. This involved confirming that the financial reporting timelines required under s.253, s.265, s.266 and s.268 of the *Fair Work (Registered Organisations) Act 2009 (RO Act)* have been satisfied, all documents required under s.268 of the RO Act were lodged and that various disclosure requirements under the Australian Accounting Standards, RO Act and reporting guidelines have been complied with. A primary review does not examine all disclosure requirements.

Please note that the financial report for the year ending 31 December 2019 may be subject to an advanced compliance review.

You are not required to take any further action in respect of the report lodged. I make the following comments to assist you when you next prepare a financial report. The ROC will confirm these concerns have been addressed prior to filing next year's report.

Inconsistency in disclosure of financial information

Page 30 of the financial report discloses information for Note 10(a) *Movements in carrying amounts of property, plant and equipment*. The heading for this page is 'Consolidated Statement of Changes in Equity'. However, the heading should read 'Notes to the financial statements'.

Reporting Requirements

The ROC website provides a number of factsheets in relation to the financial reporting process and associated timelines. The website also contains the s.253 reporting guidelines and a model set of financial statements.

The ROC recommends that reporting units use these model financial statements to assist in complying with the RO Act, the s.253 reporting guidelines and Australian Accounting Standards. Access to this information is available via [this link](#).

If you have any queries regarding this letter, please contact me on 1300 341 665 or via email at regorgs@roc.gov.au.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Kylie', written over a horizontal line.

Kylie Ngo
Registered Organisations Commission



New South Wales Teachers Federation
a branch of the Australian Education Union
AEU NSW Teachers Federation Branch ABN 86 600 150 697



3 May 2019

In reply please quote: 308/2019/JD:bdcb

Mr Mark Bielecki
Commissioner
Registered Organisations Commission
GPO Box 2983
Melbourne VIC 3001

Via email: regorgs@roc.gov.au

Re: Financial Statements for the Australian Education Union New South Wales Teachers Federation Branch for financial period ended 31 December 2018

Dear Commissioner Bielecki

In accordance with s268 of the *Fair Work (Registered Organisations) Act 2009*, I hereby lodge:

- (a) A copy of the AEU NSWTF Branch Financial Report for the financial period ending 31 December 2018 (*Attachment A*)
- (b) Branch Secretary's Certificate that the document lodged is a copy of the document provided to members and presented to the meeting of the Branch Executive of the AEU NSWTF Branch on 30 April 2019 (*Attachment B*)

Yours sincerely

John Dixon
Branch Secretary

ATTACHMENT B

**Australian Education Union New South Wales Teachers Federation Branch
S268 Fair Work (Registered Organisations) Act 2009**

CERTIFICATE BY PRESCRIBED DESIGNATED OFFICER

Certificate for the period ended 31 December 2018

I, John Dixon, being the Branch Secretary of the Australian Education Union New South Wales Teachers Federation Branch certify:

- that the document lodged herewith is a copy of the full report for the Australian Education Union New South Wales Teachers Federation Branch for the period ended 31 December 2018 referred to in s268 of the *Fair Work (Registered Organisations) Act 2009*; and
- that the full report was provided to members of the reporting unit on 3 May 2019; and
- that the full report was presented to a meeting of the Branch Executive on 30 April 2019 in accordance with s266 of the *Fair Work (Registered Organisations) Act 2009*.

Signature of prescribed designated officer
Name of prescribed designated officer
Title of prescribed designated officer
Dated


John Dixon
Branch Secretary
3 May 2019

Australian Education Union

New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Consolidated Financial Statements

For the Year Ended 31 December 2018

Australian Education Union New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Financial Statements

For the Year Ended 31 December 2018

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Australian Education Union New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Operating Report

31 December 2018

The Committee of Management ("the Executive") presents its report on the Australian Education Union New South Wales Teachers Federation Branch ("the Federation") for the financial year ended 31 December 2018.

Review of principal activities, the results of those activities and any significant changes in the nature of those activities during the year

The AEU New South Wales Teachers Federation Branch is a professional and industrial organisation, registered under the Fair Work (Registered Organisations Act) 2009, representing teachers and other education workers in public schools and TAFE colleges across New South Wales. The AEU New South Wales Teachers Federation Branch is a democratic organisation, federated structure of Teacher's Associations across New South Wales, with a Head Office, based in Sydney, and nine regionally based offices.

The primary object of the AEU New South Wales Teachers Federation Branch is to represent the professional and industrial interests of its members and to promote and defend Australia's high quality public education system. We do this by enacting strategies and campaigns which enhance the working conditions, living standards and professional rights of members and the learning environment of students attending public schools and TAFE institutes.

The AEU New South Wales Teachers Federation Branch is a democratic, membership-focused organisation, always aiming to act in the best interests of members and the public education system. The union at all levels operates on principles of effective transparent governance and strong leadership, providing an effective voice for the education profession in New South Wales.

The AEU New South Wales Teachers Federation Branch Executive set the following strategic objectives:

- To achieve equitable, sustainable, recurrent Government funding of public education across schools and TAFE;
- To protect and promote quality teaching and learning;
- To protect and promote quality teaching and learning environments;
- To ensure that the AEU New South Wales Teachers Federation Branch is a growing, active campaigning, democratic union; and
- To promote, defend and advocate for human rights and social justice.

The principal activities of the AEU New South Wales Teachers Federation Branch during the financial year have focused on the achievement of these strategic objectives.

The major activities of the AEU New South Wales Teachers Federation Branch during the period were the continuation of the national public education campaigns in schools and TAFE.

Throughout 2018 the AEU New South Wales Teachers Federation Branch has continued to advocate for a fair needs based funding model and the full six years of Gonski funding necessary to ensure all schools are resourced to the standard required for every student to be given the opportunity to succeed regardless of their family background or circumstances. The year began with no clear picture of the Federal Government's intentions in relation to schools funding. The campaign in the first quarter of the year aimed to pressure the Government to commit to full needs based funding. This would ensure that all schools can reach the minimum Schooling Resource Standard, as recommended by the Gonski review. The campaign focused on profiling the positive results achieved in schools from Gonski funding so far and the importance of honouring the agreements with states and territories to deliver the full implementation of needs based funding.

Australian Education Union New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Operating Report

31 December 2018

Review of principal activities, the results of those activities and any significant changes in the nature of those activities during the year (Continued)

The AEU New South Wales Teachers Federation Branch contributed to and assisted in the production of a second *Getting Results: Gonski Funding in Australian Schools Report* distributed to politicians both federal and state, Education Ministers and Opposition Spokespersons and heads of federal and state education departments. Gonski bus tours commenced in early March, one from Brisbane through northern NSW and a second from SA through Victoria and southern NSW. There was a lobby even in Canberra launching the next phase of the campaign on 27 March 2018. As part of the campaign, school community events involving school communities were held and targeted TV, radio and digital advertising was undertaken in key electorates.

Significant changes in financial affairs

There have been no significant changes in state of affairs of the Federation during the year.

Right of members to resign

All members of the Federation have the right to resign, in accordance with Rule 17 of the Federation Rules and section 174 of the *Fair Work (Registered Organisations) Act 2009*.

Officers or members who are superannuation fund trustees(s) or director(s) of a company that is a superannuation fund trustee

No officer or member of the Federation holds a position as a trustee or director of a superannuation entity or exempt public sector superannuation scheme where the criterion for holding such position is that they are an officer or member of the Federation.

Review of operations

A review of the operations and results of the Federation is performed in the meetings of the Office Holders and by the Committee of Management. Additionally, such matters are considered periodically at a regular meeting of the Office Holders of the Federation. The Committee of Management believe that they have furthered the interests of their members throughout the financial year through the conducting of the Federation's principal activities.

Number of members

The number of financial members at 31 December 2018 was 59,326 (2017: 59,876).

Number of employees

The number of full time equivalent employees at 31 December 2018 was 159 (2017: 159).

Australian Education Union New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Operating Report

31 December 2018

Right of members to resign (Continued)

Names of Committee of Management members and period positions held during the financial year

Office Holders

Office Holders held their positions throughout the 2018 financial year, unless otherwise stated.

The names of the people who held positions as Officers during the year are:

Name	Position	Date of Election/Resignation
John Dixon	Branch Secretary	
David Ferguson	Deputy Branch Secretary	Elected August 2018
Maxine Sharkey	Deputy Branch Secretary	
Nicole Calnan	Deputy Branch Secretary	Elected August 2018
Sam Clay	Deputy Branch Secretary	Elected August 2018
David Wynne	Deputy Branch Secretary	Resigned January 2018
Gary Zadkovich	Branch Deputy President	Resigned January 2018
Rod Brown	Deputy Branch Secretary	Resigned October 2018
Michelle Rosicky	Deputy Branch Secretary	End of term - January 2019
Maurie Mulheron	Branch President	
Joan Lemaire	Branch Deputy President	
Henry Rajendra	Branch Senior Vice-President	

Australian Education Union New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Operating Report

31 December 2018

Right of members to resign (Continued)

Names of Committee of Management members and period positions held during the financial year (Continued)

Executives

Executives held their positions throughout the 2018 financial year, unless otherwise stated.

The names of the people who held positions on the Committee of Management are:

Name	Position	Commencement/end of term date
Maurie Mulheron	Branch President	
Joan Lemaire	Branch Deputy President	
Henry Rajendra	Branch Senior Vice-President	January 2018 *
Natasha Watt	Branch Vice President	
Tim Mulroy	Branch Vice President	
Julie Ross	Branch Vice President	
Gemma Ackroyd	Branch Vice President	
Dianne Byers	Branch Custodian	
Margaret Vos	Branch Custodian	
Russell Honnery	ATSI Member's Roll	
Kylie Dawson	Association Representative	
Denis Fitzgerald	Association Representative	
Jennifer Mace	Association Representative	
Mike Morgan	Association Representative	
Philip von Schoenberg	Association Representative	February 2018
Brian Webb	Association Representative	February 2018
John Morris	Association Representative	February 2018
Annette Bennett	Association Representative	End of term - January 2018
Philip Cooke	Association Representative	End of term - January 2018
Kathryn Bellach	Association Representative	End of term - January 2018
Robert Bartulovich	Association Representative	End of term - January 2018

* Elected in November 2017 and term of office commencement January 2018.


Margaret Vos
Custodian


John Dixon
Branch Secretary

Dated: 30th April 2019

Australian Education Union New South Wales Teachers Federation Branch

ABN: 86 600 150 697


Committee of Management Statement

On 30 April 2019, the Committee of Management ("the Executive") of the Australian Education Union New South Wales Teachers Federation Branch ("the Group"), passed the following resolution in relation to the general purpose financial report (GPFR) for the financial year ended 31 December 2018:

The Executive declares that in its opinion:

- (a) the financial statements and notes comply with the Australian Accounting Standards;
- (b) the financial statements and notes comply with any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009* ("the RO Act");
- (c) the financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the reporting unit for the financial year to which they relate;
- (d) there are reasonable grounds to believe that the reporting unit will be able to pay its debts as and when they become due and payable; and
- (e) during the financial year to which the GPFR relates and since the end of that year:-
 - i) meetings of the Executive were held in accordance with the rules of the organisation including the rules of a branch concerned; and
 - ii) the financial affairs of the reporting unit have been managed in accordance with the rules of the organisation including the rules of a branch concerned; and
 - iii) the financial records of the reporting unit have been kept and maintained in accordance with the RO Act; and
 - iv) where the organisation consists of two or more reporting units, the financial records of the reporting unit have been kept, as far as practicable, in a consistent manner with each or the other reporting units of the organisation; and
 - v) where information has been sought in any request by a member of the reporting unit or Commissioner duly made under section 272 of the RO Act, it has been provided to the member or Commissioner; and
 - vi) where any order for inspection of financial records has been made by the Fair Work Commission under section 273 of the RO Act, there has been compliance.

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


.....
Margaret Vos
Custodian
Dated 30 April 2019


.....
John Dixon
Branch Secretary

Australian Education Union New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2018

		2018	2017
		\$	\$
	Note		
Revenue	4	35,564,602	34,814,982
Other income	4	3,923,078	3,531,885
Total Revenue		39,487,680	38,346,867
Employee benefits expense	27(a)	(21,126,458)	(20,609,874)
Capitation fees and levies	27(a)	(2,988,413)	(2,780,883)
Affiliation and association fees		(541,378)	(525,516)
Depreciation and amortisation		(1,764,731)	(1,640,726)
Grants paid	27(a)	(410,466)	(307,389)
Meetings, conferences and related expenses		(4,032,462)	(3,652,777)
Professional expenses		(1,439,452)	(840,486)
Finance charges		(137,618)	(137,808)
Property costs		(1,353,516)	(841,454)
Publication expenses		(1,618,172)	(1,868,684)
Office administration		(1,167,620)	(880,639)
Other operating expenses		(755,695)	(936,919)
Total Expenses		(37,335,981)	(35,023,155)
Profit from continuing operations		2,151,699	3,323,712
Profit/(loss) from discontinued operations	20	50,000	(159,958)
Result for the year		2,201,699	3,163,754
Other comprehensive income:			
Actuarial (losses)/gains on defined benefit plans	14(a)	(2,135,497)	881,812
Other comprehensive income for the year		(2,135,497)	881,812
Total comprehensive income for the year		66,202	4,045,566

The accompanying notes form part of these financial statements.

Australian Education Union New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	3,070,427	3,785,673
Trade and other receivables	7	941,359	984,478
Financial assets	8	34,786,724	32,613,402
Other assets	9	393,367	424,213
TOTAL CURRENT ASSETS		39,191,877	37,807,766
NON-CURRENT ASSETS			
Financial assets	8	142,153	118,512
Property, plant and equipment	10	27,884,605	26,047,666
Intangible assets	11	81,760	107,691
TOTAL NON-CURRENT ASSETS		28,108,518	26,273,869
TOTAL ASSETS		67,300,395	64,081,635
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	3,022,146	2,510,261
Employee benefits	13	8,060,095	8,117,090
TOTAL CURRENT LIABILITIES		11,082,241	10,627,351
NON-CURRENT LIABILITIES			
Employee benefits	13	21,585,540	18,887,872
TOTAL NON-CURRENT LIABILITIES		21,585,540	18,887,872
TOTAL LIABILITIES		32,667,781	29,515,223
NET ASSETS		34,632,614	34,566,412
EQUITY			
Funds	15	16,303,614	16,689,412
Reserves	15	18,329,000	17,877,000
TOTAL EQUITY		34,632,614	34,566,412

The accompanying notes form part of these financial statements.

**Australian Education Union
New South Wales Teachers Federation Branch**

ABN: 86 600 150 697

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2018

	General Fund \$	Special Reserve 1984 Conference \$	Public Education Fund \$	Total \$
1 January 2018	11,641,635	17,877,000	5,047,777	34,566,412
Comprehensive income for the year	2,201,699	-	-	2,201,699
Total other comprehensive income for the period	(2,135,497)	-	-	(2,135,497)
Transfers to and from reserves				
- Special Reserve: 1984 Annual Conference	(452,000)	452,000	-	-
- Public Education Fund	12,656	-	(12,656)	-
Balance at 31 December 2018	11,268,493	18,329,000	5,035,121	34,632,614
1 January 2017	8,241,100	17,573,000	4,706,746	30,520,846
Comprehensive income for the year	3,163,754	-	-	3,163,754
Total other comprehensive income for the period	881,812	-	-	881,812
Transfers to and from reserves				
- Special Reserve: 1984 Annual Conference	(304,000)	304,000	-	-
- Public Education Fund	(341,031)	-	341,031	-
Balance at 31 December 2017	11,641,635	17,877,000	5,047,777	34,566,412

The accompanying notes form part of these financial statements.

Australian Education Union New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2018

	2018	2017
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from members	38,750,496	38,349,135
Receipts from other	3,455,090	3,031,470
Payments to suppliers and employees	(38,074,045)	(36,867,608)
Interest received	953,465	989,485
Net cash provided by operating activities	23 <u>5,085,006</u>	<u>5,502,482</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(3,731,329)	(3,633,523)
Proceeds from sale of plant and equipment	176,023	218,971
Purchase of intangible assets	(79,624)	-
Net purchase of investments	(2,165,322)	(2,478,902)
Net cash used by investing activities	<u>(5,800,252)</u>	<u>(5,893,454)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net cash used by financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents held	(715,246)	(390,972)
Cash and cash equivalents at beginning of year	3,785,673	4,176,645
Cash and cash equivalents at end of financial year	6 <u>3,070,427</u>	<u>3,785,673</u>

The accompanying notes form part of these financial statements.

Australian Education Union

New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Notes to the Financial Statements

For the Year Ended 31 December 2018

The financial report covers Australian Education Union New South Wales Teachers Federation Branch and its controlled entities ('the Group').

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period and under the *Fair Work (Registered Organisations) Act 2009*. For the purpose of preparing the general purpose financial statements the Group is a not-for-profit entity.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods, unless otherwise stated.

2 Summary of Significant Accounting Policies

(a) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a December financial year end.

Controlled entity information is contained in Note 20 to the financial statements.

Australian Education Union

New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Notes to the Financial Statements

For the Year Ended 31 December 2018

2 Summary of Significant Accounting Policies (Continued)

(b) Income tax

The Federation (being a registered employee association under the *Fair Work (Registered Organisation) Act 2009*) is exempt from income tax under s.50-15 of the *Income Tax Assessment Act 1997*.

In relation to Federation Law Pty Ltd - deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(c) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Australian Education Union

New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Notes to the Financial Statements

For the Year Ended 31 December 2018

2 Summary of Significant Accounting Policies (Continued)

(c) Revenue and other income (Continued)

Membership revenue

Revenue from the provision of membership subscriptions is accounted for on an accruals basis and is recorded as revenue in the year to which it relates.

Rendering of services

The Group generates revenues from course fees, events and advertising. Consideration received for those services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

The Group also earns rental income from operating leases of its properties. Rental income is recognised on a straight-line basis over the term of the lease.

Interest revenue

Interest revenue is recognised using the effective interest rate method.

Donations

Donations and bequests are recognised as revenue when received.

(d) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Australian Education Union

New South Wales Teachers Federation Branch

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Notes to the Financial Statements

For the Year Ended 31 December 2018

2 Summary of Significant Accounting Policies (Continued)

(e) Property, plant and equipment

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

Assets are carried at cost less, any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life, commencing when the asset is ready for use.

Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

Items of property, plant and equipment acquired for nil or nominal consideration have been recorded at the acquisition date fair value.

Land is not depreciated and is held at cost.

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

Fixed asset class	Depreciation rate
Buildings	2.5%
Computer equipment	40%
Leasehold improvements	20%
Motor vehicles	25%
Office equipment	10-25%
Plant and equipment	10%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Australian Education Union

New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Notes to the Financial Statements

For the Year Ended 31 December 2018

2 Summary of Significant Accounting Policies (Continued)

(f) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

(i) Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and financial assets in the consolidated statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Australian Education Union

New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Notes to the Financial Statements

For the Year Ended 31 December 2018

2 Summary of Significant Accounting Policies (Continued)

(f) Financial instruments (Continued)

(i) Financial assets (Continued)

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost are measured at fair value through profit or loss.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instrument at fair value through other comprehensive income.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

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Notes to the Financial Statements

For the Year Ended 31 December 2018

2 Summary of Significant Accounting Policies (Continued)

(f) Financial instruments (Continued)

(i) Financial assets (Continued)

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

(ii) Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and finance lease liabilities.

(iii) Accounting policies applied prior to 1 January 2018

The Federation has applied AASB 9 prospectively. As a result, the comparative information provided continues to be accounted for in accordance with the Federation's previous accounting policy below.

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

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Notes to the Financial Statements

For the Year Ended 31 December 2018

2 Summary of Significant Accounting Policies (Continued)

(f) Financial instruments (Continued)

(iii) Accounting policies applied prior to 1 January 2018 (Continued)

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income in the 'interest income' or 'other income and other expenses' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest rate method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Group's trade and most other receivables fall into this category of financial instruments.

Discounting is omitted where the effect of discounting is considered immaterial. Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

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For the Year Ended 31 December 2018

2 Summary of Significant Accounting Policies (Continued)

(f) Financial Instruments (Continued)

(iii) Accounting policies applied prior to 1 January 2018 (Continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Group's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows.

Any changes to the carrying amount of the investment are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category. The Group's available-for-sale financial assets includes shares in unlisted securities.

The investment in Trade Union Centre Wollongong Pty Limited is reported at cost less any impairment charges.

All other available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

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Notes to the Financial Statements

For the Year Ended 31 December 2018

2 Summary of Significant Accounting Policies (Continued)

(f) Financial Instruments (Continued)

(iii) Accounting policies applied prior to 1 January 2018 (Continued)

Impairment of financial assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Available-for-sale financial assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

Financial liabilities

The Group's financial liabilities include trade and other payables which are measured at amortised cost using the effective interest rate method.

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2 Summary of Significant Accounting Policies (Continued)

(g) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists, the recoverable amount of the asset is estimated.

The recoverable amount of an asset is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(h) Intangibles

Software

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses.

The carrying amount of software is reviewed annually by the Executive to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected new cash flows that will be received from the assets employment and subsequent disposal. The expected new cash flows are discounted to their present values in determining recoverable amounts.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

All software is amortised at a rate of 40% per annum.

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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Notes to the Financial Statements

For the Year Ended 31 December 2018

2 Summary of Significant Accounting Policies (Continued)

(j) Employee benefits

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

(i) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) *Other long-term employee benefit obligations*

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(k) Legal assistance to members: disbursements and recoveries

As a benefit of membership, the Federation provides financial assistance to eligible members via the provision of free or subsidised legal services, in matters including (but not limited to) workplace health and safety. Once the matter has been approved for assistance, the Federation may fund the costs and disbursements, which are returned to the Federation in the event that the matter is resolved in the members' favour. Given the variability of outcomes and the length of time typically taken to finalise such matters, these outstanding costs and recoveries cannot be measured reliably. Accordingly, they are expensed in the year of being made. Any disbursements recovered are recorded as income in the year in which receipt is confirmed and reliably quantified.

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Notes to the Financial Statements

For the Year Ended 31 December 2018

2 Summary of Significant Accounting Policies (Continued)

(l) Change in accounting policy

During the current year, AASB 9 - Financial Instruments has become mandatory, which has not had a material impact (in the current year or retrospectively) upon the measurement of assets, liabilities, equity, income or expenses, not upon the disclosures required in this financial report.

The aggregate effect of the change in accounting policy on the annual financial statements for the year ended 31 December 2018 is reflected in note 26.

(m) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards. The following summarises those future requirements, and their impact on the Group where the standard is relevant:

AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

The standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

AASB 16 Leases

The standard will affect primarily the accounting for the Group's operating leases. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. It is not expected to have a material impact.

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For the Year Ended 31 December 2018

2 Summary of Significant Accounting Policies (Continued)

(m) New Accounting Standards and Interpretations (Continued)

AASB 16 Leases (Continued)

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

3 Critical Accounting Estimates and Judgments

Those charged with governance make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - impairment of property, plant and equipment

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key estimates - employee entitlements

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. Any impairment provision is based on the best information at the reporting date.

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Notes to the Financial Statements

For the Year Ended 31 December 2018

3 Critical Accounting Estimates and Judgments (Continued)

Key estimates - useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain property, plant and equipment.

Key estimates - defined benefit liability

Management's estimate of the defined benefit liability is based on a number of critical underlying assumptions such as the rate of inflation, medical cost trends, mortality, discount rates and anticipation of future salary increases. Given their nature, estimation uncertainties associated with these assumptions exist. Variations in these assumptions may significantly impact the defined benefit liability, the annual defined benefit expenses as well as the impact on other comprehensive income. Further information on the key assumptions related to the defined benefit liability are documented at note 14.

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Notes to the Financial Statements

For the Year Ended 31 December 2018

4 Revenue and Other Income

Revenue from continuing operations

	Note	2018 \$	2017 \$
Membership subscriptions		34,328,806	33,601,475
Public Education Fund levy	15(c)	1,235,796	1,213,507
		<u>35,564,602</u>	<u>34,814,982</u>
Rental income		1,455,242	1,387,982
Donations and grants		52,500	62,963
Interest income		965,669	900,680
Other income		664,576	487,995
Course fees		785,091	692,265
		<u>3,923,078</u>	<u>3,531,885</u>
Total Revenue and Other Income		<u>39,487,680</u>	<u>38,346,867</u>

5 Result for the Year

The result for the year includes the following specific expenses:

Superannuation contributions	1,431,770	1,384,126
Defined benefit costs	917,533	1,076,507
Rental expense on operating leases:		
- Minimum lease payments	273,814	209,155
(Profit)/loss on disposal of assets	(46,059)	104,501

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Notes to the Financial Statements

For the Year Ended 31 December 2018

6 Cash and Cash Equivalents

	Note	2018 \$	2017 \$
Cash at bank		3,068,077	3,783,523
Cash on hand		2,350	2,150
		<u>3,070,427</u>	<u>3,785,673</u>

7 Trade and Other Receivables

Trade receivables	7(a)	590,285	373,738
Provision for impairment	7(b)	(25,841)	(65,119)
		<u>564,444</u>	308,619
Other receivables		376,915	675,859
		<u>941,359</u>	<u>984,478</u>

(a) Aged analysis

The ageing analysis of trade receivables is as follows:

< 30 days	430,678	262,568
30-60 days	78,838	47,228
61-90 days (past due not impaired)	35,922	54,662
91+ days (past due not impaired)	44,847	9,280
Total	<u>590,285</u>	<u>373,738</u>

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Notes to the Financial Statements

For the Year Ended 31 December 2018

7 Trade and Other Receivables (Continued)

(b) Impairment of receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses incorporate forward looking information.

31 December 2018	< 30 days	31 - 60 days	61 - 90 days	+90 days	Total
Expected loss rate (%)	5.00	5.00	-	-	
Gross carrying amount (\$)	430,678	78,838	35,922	44,847	590,285
ECL provision	21,961	3,880	-	-	25,841

(c) Receivables from other reporting units

	2018	2017
	\$	\$
Australian Education Union	31,920	-

The above receivables from other reporting units are non-interest bearing and not deemed impaired (2017: No impairment).

8 Financial Assets

CURRENT

Financial assets at amortised cost

Term Deposits 34,786,724 -

Financial assets held to maturity

Term Deposits - 32,613,402

34,786,724 32,613,402

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Notes to the Financial Statements

For the Year Ended 31 December 2018

8 Financial Assets (Continued)

	2018	2017
	\$	\$
NON-CURRENT		
<i>Financial assets - FVTPL</i>		
Shares in unlisted entity - Trade Union Centre Wollongong	142,153	-
<i>Financial assets - held to maturity</i>		
Term deposit	-	8,000
<i>Financial assets - available for sale</i>		
Shares in unlisted entity - Trade Union Centre Wollongong	-	110,512
Total	142,153	118,512

Refer to note 26 regarding the change in accounting policy.

9 Other Assets

Prepayments	387,438	417,682
Other	5,929	6,531
	393,367	424,213

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Notes to the Financial Statements

For the Year Ended 31 December 2018

10 Property, Plant and Equipment

	2018	2017
	\$	\$
Land and Buildings		
At Cost	36,712,308	34,154,572
Accumulated depreciation	<u>(16,643,850)</u>	<u>(15,756,198)</u>
	<u>20,068,458</u>	<u>18,398,374</u>
Plant and equipment		
At Cost	9,421,760	9,128,634
Accumulated depreciation	<u>(2,707,763)</u>	<u>(2,674,289)</u>
	<u>6,713,997</u>	<u>6,454,345</u>
Furniture, fixtures and fittings		
At cost	1,925,271	2,648,868
Accumulated depreciation	<u>(1,407,104)</u>	<u>(2,054,614)</u>
	<u>518,167</u>	<u>594,254</u>
Motor vehicles		
At cost	875,483	874,344
Accumulated depreciation	<u>(297,836)</u>	<u>(286,672)</u>
	<u>577,647</u>	<u>587,672</u>
Leasehold Improvements		
At cost	102,775	102,775
Accumulated amortisation	<u>(96,439)</u>	<u>(89,754)</u>
	<u>6,336</u>	<u>13,021</u>
Total property, plant and equipment	<u><u>27,884,605</u></u>	<u><u>26,047,666</u></u>

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Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2018

10 Property, Plant and Equipment (Continued)

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land & Buildings	Plant & Equipment	Furniture, fixtures & fittings	Motor Vehicles	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$
Year ended 31 December 2017						
Balance at beginning of year	18,983,559	4,597,939	569,186	606,074	24,004	24,780,762
Addition	286,093	2,299,990	164,686	342,621	-	3,093,390
Disposals	(217)	(153,038)	(17,282)	(147,804)	(4,206)	(322,547)
Depreciation expense	(871,061)	(290,546)	(122,336)	(213,219)	(6,777)	(1,503,939)
Balance at the end of the year	18,398,374	6,454,345	594,254	587,672	13,021	26,047,666
Year ended 31 December 2018						
Balance at beginning of year	18,398,374	6,454,345	594,254	587,672	13,021	26,047,666
Additions	2,557,736	711,790	32,232	324,321	-	3,626,079
Disposals	-	-	-	(129,964)	-	(129,964)
Depreciation expense	(887,652)	(452,138)	(108,319)	(204,382)	(6,685)	(1,659,176)
Balance at the end of the year	20,068,458	6,713,997	518,167	577,647	6,336	27,884,605

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Notes to the Financial Statements

For the Year Ended 31 December 2018

11 Intangible Assets

	2018	2017
	\$	\$
Computer Software		
Software - at cost	1,619,929	1,619,395
Accumulated amortisation	(1,538,169)	(1,511,704)
Total Intangibles	81,760	107,691

Movements in carrying amounts of intangible assets

Balance at beginning of the year	107,691	212,026
Additions	79,624	33,378
Disposals	-	(926)
Amortisation	(105,555)	(136,787)
Balance at end of year	81,760	107,691

12 Trade and Other Payables

Trade payables and accruals	1,151,428	1,097,262
Other payables	1,276,102	562,853
	2,427,530	1,660,115
Membership in advance	594,616	850,146
	3,022,146	2,510,261

(a) Payables to other reporting units:

Australian Education Union - non-interest bearing	8,063	582
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(b) Legal costs payable:

Litigation	-	100
Other legal matter	-	4,857
	-	4,957

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Notes to the Financial Statements

For the Year Ended 31 December 2018

13 Employee Benefits

	Note	2018 \$	2017 \$
CURRENT			
Annual Leave		2,579,441	2,685,550
Long service leave		4,890,654	4,841,540
Defined benefit fund liability (b)	14	590,000	590,000
		<u>8,060,095</u>	<u>8,117,090</u>
NON-CURRENT			
Long service leave		80,435	2,197
Defined benefit fund liability (b)	14	21,505,105	18,885,675
		<u>21,585,540</u>	<u>18,887,872</u>
Total		<u>29,645,635</u>	<u>27,004,962</u>
(a) Employee benefits attributable to:			
Office holders			
Annual leave		299,742	315,522
Long service leave		732,499	797,337
Separation and redundancies		-	-
Other employee provisions		-	-
		<u>1,032,241</u>	<u>1,112,859</u>
Employees other than office holders			
Annual leave		2,279,699	2,370,028
Long service leave		4,238,590	4,046,400
Separation and redundancies		-	-
Other employee provisions		-	-
		<u>6,518,289</u>	<u>6,416,428</u>
Defined Benefit Fund Liability	14(a)	22,095,105	19,475,675
		<u>29,645,635</u>	<u>27,004,962</u>

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Notes to the Financial Statements

For the Year Ended 31 December 2018

13 Employee Benefits (Continued)

(b) Defined benefit fund balances

Due to the confidentiality and privacy requirements, the Federation does not have access to the detailed records of the defined benefit fund in order to provide a split of the defined benefit expense liability between office holders and other employees.

The total defined benefit fund liability is reconciled further in note 14(a). The Group has no legal obligation to settle the deficit in the defined benefit fund liability with an immediate contribution, other than what has been specified at note 14(j) as a current liability.

14 Defined Benefits

	2018	2017
	\$	\$
(a) Reconciliation of the net defined benefits liability		
Net defined benefit liability at start of year	19,475,675	18,770,972
Current service cost	191,969	278,284
Net interest expense/(income)	725,564	824,576
Total amount recognised in profit or loss	917,533	1,102,860
	20,393,208	19,873,832
Remeasurements:		
Actual return on fund assets less interest income	1,162,366	(2,461,341)
Actuarial (gains)/losses arising from changes in financial assumptions	478,255	3,289,430
Actuarial (gains)/losses arising from liability experience	198,920	(1,709,901)
Actuarial (gains)/losses arising from changes in demographic assumptions	295,956	-
Total amount recognised in other comprehensive income	2,135,497	(881,812)
	22,528,705	18,992,020
Employer contributions	(590,004)	(648,160)
Net defined benefit liability at end of year	20,806,887	18,343,860
Provision for on costs	1,288,218	1,131,815
Total liability at end of year	22,095,105	19,475,675

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Notes to the Financial Statements

For the Year Ended 31 December 2018

14 Defined Benefits (Continued)

(b) Reconciliation of Fair Value of Fund Assets

	2018	2017
	\$	\$
Opening balance	47,052,040	43,892,209
Interest income	1,836,955	1,899,766
Actuarial return on fund assets less interest income	(1,162,366)	2,461,341
Employer contributions	590,004	648,160
Contributions by participants	164,317	210,055
Benefits paid	(2,574,849)	(2,566,824)
Taxes, premiums and expenses paid	224,067	507,333
Closing balance	46,130,168	47,052,040

(c) Present value of defined benefit obligations

Present value of defined benefit obligations at start of year	65,395,900	62,663,181
Current service costs	191,969	278,284
Interest cost	2,562,519	2,724,342
Contributions by participants	164,317	210,055
Actuarial (gains)/losses arising from changes in financial assumptions	478,255	3,289,430
Actuarial (gains)/losses arising from changes in demographic assumptions	295,956	-
Actuarial (gains)/losses arising from liability experience	198,920	(1,709,901)
Benefits paid	(2,574,849)	(2,566,824)
Taxes, premiums and expenses paid	224,068	507,333
Present value of defined benefit obligations at end of year	66,937,055	65,395,900

(d) Effect of the asset ceiling

There has been no adjustment for the effect of the of the asset ceiling at the beginning, end or during the year (or the preceding year).

Any adjustments made are determined based upon the maximum economic benefit available to the Group in the form of reductions in future employer contributions.

Australian Education Union

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Notes to the Financial Statements

For the Year Ended 31 December 2018

14 Defined Benefits (Continued)

(e) Fair value of Fund assets

All pooled fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity audit is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund (available as at November 2017 and 2018, respectively).

Class of asset	2018			Total \$'000	% of total
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000		
Short term securities	1,626,895	2,218,643	-	3,845,538	9.8
Australian fixed interest	7,967	2,191,232	-	2,199,199	5.6
International fixed interest	32,330	1,338,810	399	1,371,539	3.5
Australian equities	7,081,918	495,266	3,055	7,580,239	19.3
International equities	7,897,078	2,376,554	212	10,273,844	26.2
Property	596,740	767,678	2,120,993	3,485,411	8.9
Alternatives	424,255	6,070,406	3,993,859	10,488,520	26.7
Total	17,667,183	15,458,589	6,118,518	39,244,290	

Class of asset	2017			Total \$'000	% of total
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000		
Short term securities	1,859,162	2,023,050	-	3,882,212	9.5
Australian fixed interest	21,937	2,802,853	-	2,824,790	6.9
International fixed interest	9,233	1,468,477	-	1,477,710	3.6
Australian equities	8,739,598	443,972	25	9,183,595	22.4
International equities	9,159,066	2,975,726	790	12,135,582	29.6
Property	867,863	606,475	2,077,161	3,551,499	8.7
Alternatives	391,892	3,611,120	3,923,769	7,926,781	19.3
Total	21,048,751	13,931,673	6,001,745	40,982,169	

Refer to note 21 for the definition of what constitutes levels 1, 2 and 3 in the fair value hierarchy.

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14 Defined Benefits (Continued)

(f) Significant actuarial assumptions at the reporting date

	2018	2017
Discount rate	3.89%	4.02%
Salary increase rate (excluding promotions)	2.70 - 3.20%	2.50 - 3.50%
Rate of CPI increase	2.00 - 2.5 %	2.25 - 2.50%
Pensioner mortality: per 2018 Actuarial Investigation		

(g) Sensitivity analysis

The Group's total defined benefit obligation as at 31 December 2018 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 31 December 2018.

The first three Scenarios relate to sensitivity of the total defined benefit obligation to economic assumptions, and the 4th scenario relates to sensitivity to demographic assumptions. A positive number represents an increase in obligation.

31 December 2018	Increase in assumption	Decrease in assumption
Actuarial assumption	\$	\$
Discount rate +/- 1.0%	(7,499,483)	9,031,599
Salary increase rate (excluding promotions) +/- 0.5%	268,882	(259,960)
Rate of CPI increase +/- 0.5%	4,307,931	(3,950,591)
Mortality improvement factors: Higher/Lower	(632,782)	872,155
31 December 2017	Increase in assumption	Decrease in assumption
Actuarial assumption	\$	\$
Discount rate +/- 1.0%	(7,415,229)	8,948,920
Salary increase rate (excluding promotions) +/- 0.5%	4,240,766	3,883,644
Rate of CPI increase +/- 0.5%	293,078	(280,664)
Mortality improvement factors: Higher/Lower	(634,670)	985,371

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

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Notes to the Financial Statements

For the Year Ended 31 December 2018

14 Defined Benefits (Continued)

(h) Asset-liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

(i) Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

(j) Expected contributions

The expected contributions for the year ending 31 December 2019 as advised by the Actuary of the respective funds is \$590,000 (December 2018: \$590,000).

(k) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12.1 years (2017: 13.1 years).

(l) Description of risks

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- **Investment risk** - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- **Longevity risk** - The risk that pensioners live longer than assumed, increasing future pensions.
- **Pension indexation risk** - The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- **Salary growth risk** - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **Legislative risk** - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

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Notes to the Financial Statements

For the Year Ended 31 December 2018

14 Defined Benefits (Continued)

(m) **Description of significant events**

There were no fund amendments, curtailments or settlements during the year.

15 Reserves

(a) **General fund**

The General Fund includes all current and prior period retained earnings.

(b) **Special Reserve: 1984 Conference**

This fund was established by the 1984 Annual Conference decision to create a reserve to withstand direct attacks/threats on the Federation, equivalent to six months of running costs. 2.5% refers to the rate at which initial membership contributions were allocated to the fund, but now only smaller top-ups are typically required. The expenditure of funds must be for the stated purpose and can only occur by a two-thirds majority vote by the Branch Council as a recommendation to the Branch Executive.

(c) **Public Education Fund**

This fund is for the specific purpose of positively promoting and advertising the professional achievements of public school and college teachers, and the public education system. The fund will be expended in a manner determined by Executive and consistent with this purpose. Central and local fund expenditure will be co-ordinated with the following focus:

- i) promoting and advertising of the current professional achievements of teachers in the public education system; and
- ii) promoting and advertising of the public education system which may include highlighting priorities that require more resources from government.

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Notes to the Financial Statements

For the Year Ended 31 December 2018

16 Capital and leasing commitments

(a) Operating leases - payable

	2018	2017
	\$	\$
Minimum lease payments under non-cancellable operating leases		
- not later than 1 year	294,305	201,944
- between 1 year and 5 years	594,635	395,864
	<u>888,940</u>	<u>597,808</u>

The above includes lease commitments for regional offices and office equipment and vary in period from less than 1 year to a maximum of 5 years.

(b) Operating leases - receivable

Operating lease rentals receivable:

- not later than 1 year	1,033,359	1,433,938
- between 1 year and 5 years	1,757,198	1,201,979
- more than 5 years	72,669	178,520
	<u>2,863,226</u>	<u>2,814,437</u>

The above includes property lease commitment receivable for property owned by the Federation varies from less than 1 year to a maximum of 7 years from the financial year end date, with leases including provisions for fixed increases in rent.

(c) Capital commitments

Capital commitments	<u>227,450</u>	<u>225,983</u>
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Capital commitments arise from a various capital projects including system upgrades, property refurbishments, capital installations and hardware purchases.

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Notes to the Financial Statements

For the Year Ended 31 December 2018

17 Financial Risk Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

The Group's financial instruments consist mainly of deposits with banks, shares in an unlisted entity, accounts receivable and payable.

The totals for each category of financial instruments, measured as detailed in the accounting policies to these financial statements, are as follows:

	Note	2018 \$	2017 \$
Financial Assets			
Cash and cash equivalents	6	3,070,427	3,785,673
Trade and other receivables	7	941,358	984,478
Financial assets at amortised cost	8	34,786,724	-
Financial assets held to maturity	8	-	32,621,402
Shares in unlisted entity - Trade Union Centre Wollongong			
- fair value through profit and loss	8	142,153	-
- available-for-sale	8	-	110,512
Total financial assets		38,940,662	37,502,065
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	12	2,427,530	1,660,115

(a) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

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Notes to the Financial Statements

For the Year Ended 31 December 2018

17 Financial Risk Management (Continued)

(a) Liquidity risk (Continued)

The Group's liabilities have contractual maturities which are summarised below:

	Less than 1 month		>1 month	
	2018	2017	2018	2017
	\$	\$	\$	\$
Trade and other payables	3,022,146	2,510,261	-	-

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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Notes to the Financial Statements

For the Year Ended 31 December 2018

17 Financial Risk Management (Continued)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (interest rate risk).

The Group is exposed to interest rate risk as it holds term deposit and bank account balances.

Exposure to interest rate risk arises on financial assets recognised at the end of the reporting period. Whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the end of the reporting period.

As at balance date, a 0.5% increase or decrease in interest rates would impact equity and profit or loss by the amounts shown below. This analysis assumes that other variables are held constant.

	Profit		Equity	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
2018	173,934	(173,934)	173,934	(173,934)
2017	163,107	(163,107)	163,107	(163,107)

The sensitivity analysis is performed on the same basis as in the prior year.

18 Interests of Key Management Personnel

Key management personnel remuneration included within employee expenses for the year is shown below:

	2018	2017
	\$	\$
Short-term employee benefits	1,601,553	1,494,675
Other long-term benefits	118,239	17,710
Post-employment benefits	186,862	212,003
Termination benefits	355,337	6,735
	2,261,991	1,731,123

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For the Year Ended 31 December 2018

19 Remuneration of Auditor

	2018	2017
	\$	\$
Remuneration of the auditor of the Group:		
- audit and other assurance services	58,200	54,000
- additional audit services provided - 2017 year end	30,000	-
- taxation services	-	3,500
	<u>88,200</u>	<u>57,500</u>

20 Interests in Subsidiaries

Consolidated structured entities

The Federation held a 100% ownership of Federation Law Pty Ltd.

In April 2017, the directors of Federation Law Pty Ltd resolved to appoint a liquidator to wind up the company. During 2018, the company had been reinstated due to unexpected income being recovered from debtors previously written off. An interim dividend of \$50,000 was received during 2018 and included in "Profit/(loss) from discontinued operations". No further material distributions are expected. At balance date this entity had no assets or liabilities.

21 Fair Value Measurement

The fair values of financial assets and financial liabilities are consistent with their carrying values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

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21 Fair Value Measurement (Continued)

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the 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, including unlisted shares.

The Federation does not have any assets or liabilities measured at fair value, other than the defined benefit fund as disclosed at note 14(e).

22 Related Party Information

(a) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Divisional Executive (whether Executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to Note 18 - Interests of Key Management Personnel (KMP).

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Notes to the Financial Statements

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22 Related Party Information (Continued)

(b) Other related parties

The Federation and reporting units are defined in section 242 of the Fair Work (Registered Organisations) Act 2009. Accordingly, the Federation and all of its Branches are considered to be reporting units and related parties.

Federation Law Pty Ltd is a 100% owned subsidiary. Refer note 20 for further information.

Associations

Over many years, regional Associations of the Federation have been formed under the Rules, with each Association consisting of at least 15 Federation members. The Associations are autonomous organisations with their own meeting standing orders, which are aligned with those of the Federation, and they are required to abide by decisions and policies of the Branch Conference, Branch Council and Branch Executive. On an annual basis the Branch Executive provide for the payment of funds to each Association, which may only be applied to further the objects of the Federation and the expenses of its operations and management. This is recorded as a single expense line item of the Federation. During the year, the Branch Executive resolved to centralise the administration of all bank accounts of the Associations of the Federation, as a means of providing administrative assistance. As at balance date, not all Associations have centralised their bank accounts. The control of the funds remain with the respective Associations, being held in trust and recorded as a liability of the Federation at note 12, and expenditures treated as reductions in the funds held in trust liability.

Accordingly, during the year, the following transactions and balances were relevant to the Federation's administration of the funds held in trust of the Associations, collectively:

	2018	2017
	\$	\$
Funds transferred to the Federation	591,098	-
Payments from the Federation to Associations *	128,283	-
Net income and expenditures on behalf of Associations	(88,178)	-
Balance of funds held in trust	631,203	-

* Does not include \$197,254 paid to Associations that are not centrally administered.

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For the Year Ended 31 December 2018

22 Related Party Information (Continued)

(c) Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

A close family member of one of the Group's Key Management Personnel is engaged under a contract to provide consulting services to the Federation, which is subject to the terms and conditions applicable to all contractors, and has been formally ratified by the Executive. The value of payments made during the year was \$24,376 (2017: \$14,350).

	2018	2017
	\$	\$
<i>Federation Law Pty Ltd:</i>		
Distribution received	50,000	-
Debt forgiveness	-	(833,000)

Australian Education Union:

Refer to note 27(a)(i) for further details of transactions with the Australian Education Union.

(d) Related Party Balances

Related Party balances are recorded at notes 7(c) and 12(a).

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23 Cash Flow Information

	Note	2018 \$	2017 \$
Reconciliation of result for the year to cashflows from operating activities			
Result for the year		2,201,699	3,163,754
Non-cash flows in the result:			
- depreciation and amortisation		1,764,731	1,640,726
- net (gain)/loss on disposal of fixed assets		(46,059)	104,501
- Defined Benefit Fund current service cost and interest	14(a)	917,533	1,102,860
- fair value through profit and loss financial assets		(31,641)	-
Changes in assets and liabilities:			
- (increase)/decrease in trade and other receivables		43,119	(176,759)
- (increase)/decrease in other assets		30,846	145,330
- increase/(decrease) in provision for employee benefits		(412,357)	(688,794)
- increase/(decrease) in income in advance		(255,530)	239,626
- increase/(decrease) in trade and other payables		872,665	48,472
- increase/(decrease) in tax assets and liabilities		-	(77,234)
Cashflow from operations		<u>5,085,006</u>	<u>5,502,482</u>

24 Contingent Liabilities and Contingent Assets

(a) Contingent liabilities

As noted in accounting policy note 2(k) as a benefit of membership, the Federation has undertaken to fund the future legal costs of a number of member matters. Whilst it is difficult to quantify the commitment that has been made, the Federation's exposure to costs being incurred is limited and can be controlled. Accordingly, the collective value of the potential contingent liability to the Federation is not able to be measured reliably, nor is it considered to be material, and hence no further information has been disclosed.

(b) Contingent assets

Similarly, having funded the legal costs of member matters over numerous years, the Federation considers it probable that future recoveries will be made in relation to such legal services disbursements. However, the prospects of success and quantum of recoveries are not able to be measured reliably, nor are they considered to be material, and hence no further information has been disclosed.

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Notes to the Financial Statements

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25 Events after the end of the Reporting Period

The financial report was authorised for issue on 30 April 2019 by the Executive.

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

26 Change in Accounting Policy

In the current financial year, the Union adopted the mandatory AASB9: Financial Instruments change in accounting policy.

The aggregate effect of the change in accounting policy on the annual financial statements for the year ended 31 December 2018 is as follows:

	Previously stated \$	1 January 2018 Adjustments \$	Restated \$
Consolidated Statement of Financial Position			
Financial assets - held to maturity	32,621,402	(32,621,402)	-
Financial assets - at amortised cost	-	32,621,402	32,621,402
Financial assets - available for sale	110,512	(110,512)	-
Financial assets - FVTPL	-	110,512	110,512
Current assets	37,807,766	-	37,807,766
Total assets	64,081,635	-	64,081,635
Net assets	34,566,412	-	34,566,412

The Group has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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27 Additional disclosures required under the Fair Work (Registered Organisations) Act 2009

(a) Expense disclosures

(i) Capitation fees and levies

	2018	2017
	\$	\$
Australian Education Union		
Capitation fees	1,879,961	1,801,415
ACTU Subscriptions	359,588	345,027
Compulsory levies (Australian Educator and TAFE Teacher)	213,375	206,547
Public Education Campaign	242,744	234,712
Education International	146,213	122,637
Other miscellaneous charges	146,532	70,545
Total capitation fees and levies	2,988,413	2,780,883

On the Statement of Profit or Loss and Other Comprehensive Income an amount of \$180,000 (2017: \$160,000) has been included in "Grants paid" for contributions paid to the International Trust Fund.

(ii) Affiliation fees and periodic subscriptions expense

	2018	2017
	\$	\$
NSW Labor Council	168,753	160,211
Newcastle Labor Council	4,391	8,619
South Coast Labor Council	16,642	16,275
Other Affiliates	23,652	10,752
Welfare Rights Council	20,808	20,808
Total affiliation fees and periodic subscriptions	234,246	216,665

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Notes to the Financial Statements

For the Year Ended 31 December 2018

27 Additional disclosures required under the Fair Work (Registered Organisations) Act 2009 (Continued)

(a) Expense disclosures (Continued)

(iii) Grants and donations *

Grants:

Total paid that were \$1,000 or less

13,219

7,844

Total paid exceeding \$1,000

397,247

299,545

410,466

307,389

Donations

Total paid that were \$1,000 or less

1,602

3,865

Total paid exceeding \$1,000

20,931

7,934

22,533

11,799

Total

432,999

319,188

* as per accounting policy note 2(k), the Federation provides certain member services such as legal support, which are not considered to be donations or grants requiring financial statement disclosure.

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Notes to the Financial Statements

For the Year Ended 31 December 2018

27 Additional disclosures required under the Fair Work (Registered Organisations) Act 2009 (Continued)

(a) Expense disclosures (Continued)

(iv) Employee expenses

	Note	2018 \$	2017 \$
 Holders of Office 			
Wages and salaries		1,296,173	1,239,846
Superannuation		186,863	204,583
Leave and other entitlements		237,622	287,996
Separation and redundancies		355,336	6,735
Other employee expenses		81,974	80,541
		<u>2,157,968</u>	<u>1,819,701</u>
 Subtotal employee expenses holders of office 			
 Employees other than office holders 			
Wages and salaries		13,339,031	13,759,084
Superannuation		1,244,906	1,179,543
Leave and other entitlements		2,253,453	1,792,210
Separation and redundancies		-	-
Other employee expenses		1,057,164	982,829
		<u>17,894,554</u>	<u>17,713,666</u>
 Employees other than office holders 		17,894,554	17,713,666
Defined benefit Fund	13(b)	1,073,936	1,076,507
		<u>1,073,936</u>	<u>1,076,507</u>
 Total employee expenses 		<u>21,126,458</u>	<u>20,609,874</u>

(v) Miscellaneous disclosures

	2018 \$	2017 \$
Fees/allowances in respect of attendances at conferences/meetings as representatives of the Federation [already included at 27(a)(iv)]	46,940	29,476
Meetings and conferences expenses: members, council, committees, panels or other bodies	4,032,462	3,652,777
Legal costs:		
- Litigation	353,436	439,233
- Other legal matters	336,695	148,685

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For the Year Ended 31 December 2018

27 Additional disclosures required under the Fair Work (Registered Organisations) Act 2009 (Continued)

(b) Revenue disclosure

	2018	2017
	\$	\$
Donations or grants received	<u>52,500</u>	<u>62,963</u>

(c) Cashflows with reporting units

Australian Education Union

Cash inflows	-	3,521
Cash outflows	<u>(3,125,568)</u>	<u>(2,981,370)</u>
Total	<u>(3,125,568)</u>	<u>(2,977,849)</u>

There have been no other cashflows with reporting units of the Federation.

28 Section 272 Fair Work (Registered Organisations) Act 2009

In accordance with the requirements of the *Fair Work (Registered Organisations) Act 2009*, the attention of the members is drawn to the provisions of subsections (1) and (3) of section 272, which reads as follows:-

Information to be provided to members or the Commissioner:

1. A member of a reporting unit, or the Commissioner, may apply to the reporting unit for specified prescribed information in relation to the reporting unit to be made available to the person making the application.
2. The application must be in writing and must specify the period within which, and the manner in which, the information is to be made available. The period must not be less than 14 days after the application is given to the reporting unit.
3. A reporting unit must comply with an application made under subsection (1).

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Report required under Subsection 255(2A)

For the year ended 31 December 2018

The Committee of Management presents the expenditure report as required under subsection 255(2A) on the Reporting Unit for the year ended 31 December 2018.

	2018 \$	2017 \$
Remuneration and other employment related costs and expenses - employees	21,126,458	20,609,874
Advertising	17,493	20,028
Operating costs	13,790,701	12,218,180
Donations to political parties	-	-
Legal costs	690,131	587,918



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Margaret Vos
Custodian

Dated: 30 April 2019



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John Dixon
Branch Secretary

Australian Education Union

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Officer Declaration Statement

We, Margaret Vos and John Dixon, being the Custodian and Branch Secretary of the Australian Education Union New South Wales Teachers Federation Branch, declare that the following activities did not occur during the reporting period ending 31 December 2018 or 31 December 2017.

The reporting unit did not (those crossed out have been included in the financial report):

- agree to receive financial support from another reporting unit to continue as a going concern (refers to agreement regarding financial support not dollar amount)
- agree to provide financial support to another reporting unit to ensure they continue as a going concern (refers to agreement regarding financial support not dollar amount)
- acquire an asset or liability due to an amalgamation under Part 2 of Chapter 3 of the RO Act, a restructure of the branches of an organisation, a determination or revocation by the General Manager, Fair Work Commission
- ~~receive periodic or membership subscriptions~~
- receive capitation fees from another reporting unit
- receive any other revenue from another reporting unit
- ~~receive revenue via compulsory levies~~
- ~~receive donations or grants~~
- receive revenue from undertaking recovery of wages activity
- incur fees as consideration for employers making payroll deductions of membership subscriptions
- ~~pay capitation fees to another reporting unit~~
- ~~pay any other expense to another reporting unit~~
- ~~pay affiliation fees to other entity~~
- ~~pay compulsory levies~~
- ~~pay a grant that was \$1,000 or less~~
- ~~pay a grant that exceeded \$1,000~~
- ~~pay a donation that was \$1,000 or less~~
- ~~pay a donation that exceeded \$1,000~~
- ~~pay to a person fees or allowances to attend conferences or meetings as a representative of the reporting unit~~
- ~~incur expenses due to holding a meeting as required under the rules of the organisation~~
- ~~pay legal costs relating to litigation~~
- ~~pay legal costs relating to other legal matters~~
- pay a penalty imposed under the RO Act or the Fair Work Act 2009
- ~~have a receivable with other reporting unit(s)~~
- ~~have a payable with other reporting unit(s)~~
- have a payable to an employer for that employer making payroll deductions of membership subscriptions
- ~~have a payable in respect of legal costs relating to litigation~~
- ~~have a payable in respect of legal costs relating to other legal matters~~
- ~~have a fund or account for compulsory levies, voluntary contributions or required by the rules of the organisation or branch~~

Australian Education Union New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Officer Declaration Statement

- ~~• transfer to or withdraw from a fund (other than the general fund), account, asset or controlled entity~~
- ~~• have a balance within the general fund~~
- ~~• provide cash flows to another reporting unit and/or controlled entity~~
- ~~• receive cash flows from another reporting units and/or controlled entity~~
- have another entity administer the financial affairs of the reporting unit
- make a payment to a former related party of the reporting unit



.....
Margaret Vos
Custodian



.....
John Dixon
Branch Secretary

Dated: 30 April 2019

INDEPENDENT AUDIT REPORT

To the members of Australian Education Union New South Wales Teachers Federation Branch

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Education Union New South Wales Teachers Federation Branch (the Federation) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, the Committee of Management Statement, the subsection 255(2A) report and the Officer Declaration Statement.

In our opinion, the accompanying financial report of presents fairly, in all material aspects, the financial position of Australian Education Union New South Wales Teachers Federation Branch and its subsidiaries (the "Group") as at 31 December 2018, and its financial performance and its cash flows for the year ended on that date in accordance with:

- (i) the Australian Accounting Standards; and
- (ii) any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009* (the RO Act).

We declare that management's use of the going concern basis in the preparation of the financial statements of the Group is appropriate.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditors Report Thereon

The Committee of Management is responsible for the other information. The other information obtained at the date of this auditor's report is in the Operating Report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDIT REPORT

To the members of Australian Education Union New South Wales Teachers Federation Branch

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Committee of Management for the Financial Report

The Committee of Management of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the RO Act, and for such internal control as the Committee of Managements determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Committee of Managements are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee of Managements either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee of Managements.

INDEPENDENT AUDIT REPORT

To the members of Australian Education Union New South Wales Teachers Federation Branch

- Conclude on the appropriateness of the Committee of Managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Committee of Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

I declare that I am an auditor registered under the RO Act.

Daley & Co.
Daley & Co
Chartered Accountants

Michael Mundt
Michael Mundt
Partner

Registration number (as required by the RO Commissioner under the RO Act): AA 2017/67

Wollongong
30 April 2019

Liability limited by Scheme approved under Professional Standards Legislation.



21 January 2019

Mr John Dixon
Branch Secretary
Australian Education Union-New South Wales Teachers Federation (NSWTF) Branch
By Email: mail@nswtf.org.au

Dear Mr Dixon,

**Re: Lodgement of Financial Report - [FR2018/316]
*Fair Work (Registered Organisations) Act 2009 (the RO Act)***

The financial year of the Australian Education Union-New South Wales Teachers Federation (NSWTF) Branch (the reporting unit) ended on 31 December 2018. This is a courtesy letter to remind you of the reporting unit's obligations regarding financial reporting.

Loans Grants and Donations Statement

The reporting unit is required to lodge a statement showing the relevant particulars in relation to each loan, grant or donation of an amount exceeding \$1,000 for the reporting unit during its financial year. Section 237 of the RO Act requires this statement to be lodged with the Registered Organisations Commission (the ROC) within 90 days of the end of the reporting unit's financial year, namely on or before 31 March 2019.

The attached fact sheet *Loans Grants and Donations* (FS 009) summarises the requirements of the Loans Grants and Donations Statement. A sample statement of loans, grants or donations is available on our [website](#).

It should be noted that s.237 is a civil penalty provision. If a loan, grant or donation over \$1000 has been made, failure to lodge a statement of loans, grants and donations (including failure to lodge on time) may result in legal proceedings being issued with the possibility of a pecuniary penalty. Currently penalties are up to \$105,000 for each contravention for a body corporate and up to \$21,000 for each contravention for an individual and may be imposed upon your organisation and/or an officer whose conduct led to the contravention.

Financial report

The RO Act sets out a particular chronological order in which your financial report must be prepared, audited, provided to members, presented to a meeting and then lodged with the ROC. The attached document *Summary of Financial Reporting timelines* (FS 008) summarises these requirements.

We emphasise that the reporting unit is required to present its audited financial report to a meeting (either of members or of the committee of management, depending on its rules) no later than 30 June 2019 (s.266). The full financial report must be lodged with the ROC within 14 days of that meeting (s.268).

When assessing your financial report, we will continue to focus closely on timelines as well as how loans, grants and donations are reported (see attached *Loans Grants and Donations* fact sheet FS 009). The financial report must break down the amounts of grants and donations and these figures will be compared to the loans, grants and donations statement.

You can visit our website for more information regarding [financial reporting](#), and fact sheets regarding [financial reporting processes and requirements](#). A model set of financial statements developed by the ROC is also available on our website. It is not obligatory to use this model but it is a useful resource to ensure compliance with the RO Act, the Reporting Guidelines and the Australian Accounting Standards.

It should be noted that s.268 of the RO Act is a civil penalty provision. Failure to lodge the full financial report (including failure to lodge on time) may result in legal proceedings being issued with the possibility of a pecuniary penalty, as set out above, being imposed upon your organisation and/or an officer whose conduct led to the contravention (s.268).

Subsection 255(2A) report

A general purpose financial report prepared under section 253 of the RO Act must also include the expenditure report required to be prepared under subsection 255(2A) as prescribed by reporting guideline 22. A copy of the latest reporting guidelines for the purpose of section 253 is available on our [website](#).

It should be noted that the subsection 255(2A) report must be identified by title in the auditor's report in accordance with paragraph 24(c) of Australian Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report*.

A [fact sheet](#) is available on our website which provides guidance on the reporting requirements under subsection 255(2A) of the RO Act.

REMINDER

YOUR AUDITOR MUST BE REGISTERED (s.256)

You must ensure that your auditor is registered by the Registered Organisations Commissioner. A list of registered auditors is available on our [website](#).

Contact

Should you require any clarification in relation to the above, please email regorgs@roc.gov.au.

Yours faithfully,

Kylie Ngo
Registered Organisations Commission

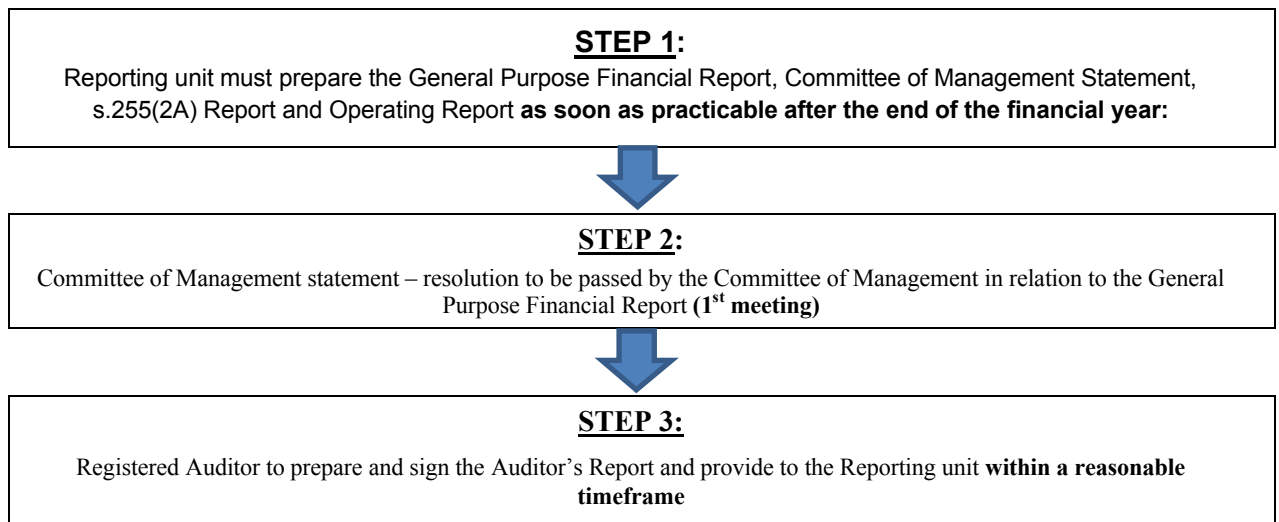


Fact sheet

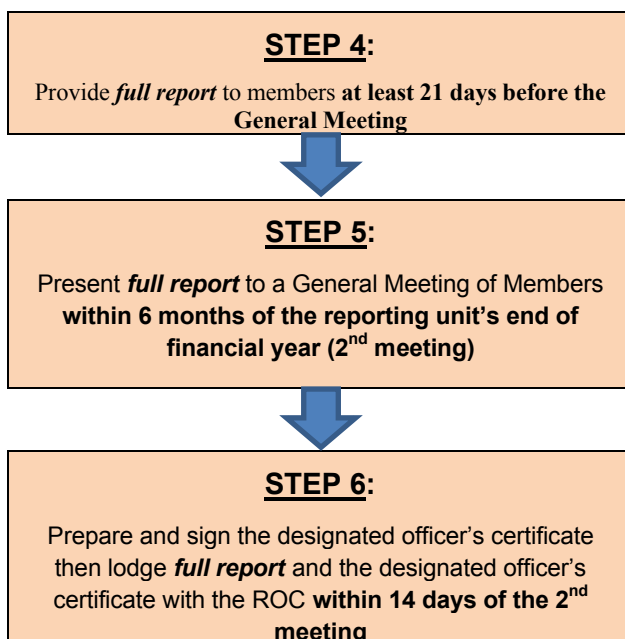
Summary of financial reporting timelines – s.253 financial reports

General Information:

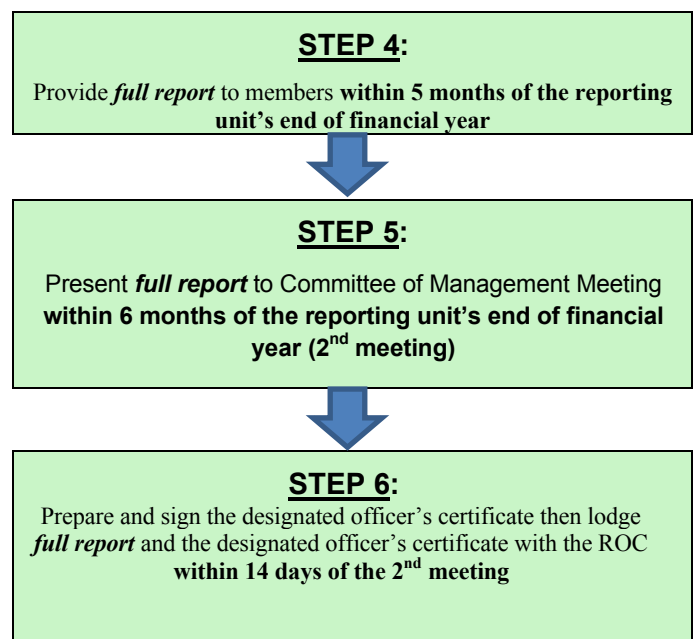
- The **full report** consists of the General Purpose Financial Report, Committee of Management Statement, Operating report, s.255(2A) Report and signed Auditors' Report
- For an explanation of each of the steps below see our [Fact sheet—financial reporting process](#).



IF RULES PROVIDE FOR PRESENTATION OF FULL REPORT
AT **GENERAL MEETING OF MEMBERS**
(this is the default process in the RO Act)





















IF RULES PROVIDE FOR PRESENTATION OF FULL REPORT AT
COMMITTEE OF MANAGEMENT MEETING
(Special rules must be in the rulebook to use this process)



Misconceptions

Over the years, staff of the Commission have noted that there are some common misunderstandings made in relation to the Financial Reporting Process. They include:

Misconception	Requirement
<p> The Committee of Management statement is just copied from the Reporting Guidelines</p>	<p> The Committee of Management statement must have the date of the Committee of Management resolution recorded upon it and it must be signed and dated BEFORE the auditor signs their report</p> <p>Further, if any of the statements within it need to be modified to suit the reporting unit (for instance not holding meetings) these changes must also be made</p>
<p> The Auditor's Report does not need to be signed until just before it is lodged with the ROC</p>	<p> The Auditor's Report must be signed and dated BEFORE the full report (including the Auditor's Report) is sent to members and presented to the second meeting</p>
<p> The Designated Officer's Certificate must be signed before the report is sent to members</p>	<p> The Designated Officer's Certificate declares what the reporting unit HAS ALREADY DONE to provide the report to members and present it to the meeting. It must be signed and dated AFTER sending the report to members and the second meeting</p>
<p> Documents can be dated when they should have been signed or when the events in the document occurred</p>	<p> Documents must always be dated at the date they are actually signed by an officer or auditor</p>
<p> Any auditor can audit a financial report</p>	<p> Only registered auditors can audit the financial report</p>
<p> The Committee of Management statement can be signed at any time</p>	<p> The resolution passing the Committee of Management Statement must occur and the statement signed and dated BEFORE the auditor's report is signed and dated</p>
<p> Any reporting unit can present the Full Report to a second COM meeting</p>	<p> Only reporting units with a 5% rule in their rulebook are able to present their report to a second Committee of Management Meeting. Otherwise, it must be presented to a General Meeting of members</p>
<p> Everything can be done at one Committee of Management meeting</p>	<p> If the rules allow for presenting the report to the Committee of Management, there must still be <u>two meetings</u>. The first meeting resolves the Committee of Management statement (including signing and dating it). Between the two meetings the Auditor's report is signed and dated. Only then can the full report be presented to the second Committee of Management meeting (if the rules allow)</p>
<p> The reporting unit has 6 months and 14 days to lodge their financial report with the ROC</p>	<p> The reporting unit must lodge the financial report within 14 days of the second meeting</p>

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This fact sheet is not intended to be comprehensive. It is designed to assist in gaining an understanding of the Registered Organisations Commission and its work. The Registered Organisations Commission does not provide legal advice.



Fact sheet

Loans, Grants & Donations

The Loans, Grants & Donations Requirements

The Fair Work (Registered Organisations) Act 2009 (the RO Act) requires an organisation or branch to lodge a loans, grants and donations statement (the statement) within 90 days of the ending of the financial year.

Under the Commissioner's Reporting Guidelines, a reporting unit's General Purpose Financial Report (the financial report) must break down the amounts of grants and donations (see below). The figures in the financial report will be compared to the loans, grants and donations statement.

The Loans, Grants & Donations Statement

Section 237 of the RO Act applies to every loan, grant and donation made by an organisation or branch during the financial year that exceeds \$1000. The following information must be supplied to the Registered Organisations Commission (the ROC) for each relevant loan, grant or donation:

- the amount,
- the purpose,
- the security (if it is a loan),
- the name and address of the person to whom it was made,* and
- the arrangements for repaying the loan.*

*The last two items are not required if the loan, grant or donation was made to relieve a member of the organisation (or their dependent) from severe financial hardship.

The statement must be lodged within 90 days of the end of the financial year and the ROC has a [Template Loans, Grants and Donations Statement](#) on its website. The ROC encourages branches and organisations to lodge the statement even if all of the figures are NIL.

Common misconceptions

Over the years, staff of the Commission have noted that there are some common misunderstandings made in relation to the Statement. They include:

Misconception	Requirement
<p>X Only reporting units must lodge the Statement.</p>	<p>✓ All branches and organisations, regardless of whether they lodge a financial report, must lodge the statement within 90 days of the end of the financial year. An organisation cannot lodge a single statement to cover all of its branches.</p>
<p>X Employees can sign the Statement.</p>	<p>✓ The statement must be signed by an elected officer of the relevant branch.</p>
<p>X Statements can be lodged with the financial report.</p>	<p>✓ The deadline for the statement is much shorter (90 days) and if it is lodged with the financial report it is likely to be late.</p>

Grants & Donations within the Financial Report

Item 14(e) of the Commissioner’s Reporting Guidelines requires the reporting unit to separate the line items relating to grants and donations into grants or donations that were \$1000 or less and those that exceeded \$1000.

As such, the note in the financial report relating to grants and donations will have four lines.

In the [ROC's Model Statements](#) the note appears as follows:

Note 4E: Grants or donations*

Grants:	2017	2016
Total expensed that were \$1,000 or less	-	-
Total expensed that exceeded \$1,000	-	-
Donations:		
Total expensed that were \$1,000 or less	-	-
Total expensed that exceeded \$1,000	-	-
Total grants or donations	-	-

The Commissioner’s Reporting Guidelines requires that these line items appear in the financial statements, the notes or in the officer’s declaration statement, even if the figures are NIL.

Implications for filing the Financial Report

During their review of the financial report staff of the ROC may confirm that the figures in the financial report match the disclosures made in the statement. Any inconsistencies in these figures will be raised with the organisation or branch for explanation and action.

This may involve lodging an amended loans, grants or donations statement. Any failure to lodge a loans, grants or donations statement or lodging a statement that is false or misleading can attract civil penalties under the RO Act.

If a reporting unit did not fully comply with these requirements in their last financial report, its filing letter will have included a statement reminding the reporting unit of its obligations.

It is strongly recommended that all reporting units review their filing letters from the previous financial year to ensure any targeted concerns are addressed in their latest financial report. Failure to address these individual concerns may mean that a financial report cannot be filed.

Previous financial reports and filing letters are available from the website.

Further information

If you have any further questions relating to the loan, grant and donation disclosure requirements in the statement or the financial report, please contact the ROC on regorgs@roc.gov.au

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