



Australian Government
Registered Organisations Commission

14 May 2018

Mr John Dixon
Branch Secretary
Australian Education Union, New South Wales Teachers Federation Branch

By e-mail: mail@nswtf.org.au

Dear Mr Dixon

Australian Education Union, New South Wales Teachers Federation Branch
Financial Report for the year ended 31 December 2017 - FR2017/310

I acknowledge receipt of the financial report for the year ended 31 December 2017 for the Australian Education Union, New South Wales Teachers Federation Branch (AEU-NSWTF). The financial report was lodged with the Registered Organisations Commission (ROC) on 7 May 2018.

The financial report has now been filed. You are not required to take any further action in respect of the report lodged.

Whilst the 2017 report has been filed the following should be addressed in the preparation of the next financial report.

1. Committee of Management Statement

Reference to s.272 & s.273

Following the enactment of the *Fair Work (Registered Organisations) Amendment Act 2016*, with effect from 1 May 2017, section 272 refers to Commissioner of the ROC instead of the General Manager, Fair Work Commission. However, section 273 continues to refer to the Fair Work Commission (FWC).

The AEU-NSWTF Committee of Management statement, at reference (e)(vi), refers to the 'Registered Organisations Commission'. In future, please ensure that this reference is to the 'Fair Work Commission'.

Should you wish to discuss the matters raised in this letter, or if you require further information on the financial reporting requirements of the Act, I may be contacted on (03) 9603 0707 or by email at ken.morgan@roc.gov.au

Yours faithfully

A handwritten signature in black ink, appearing to read 'K. Morgan', with a stylized flourish at the end.

KEN MORGAN
Financial Reporting Advisor
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



Locked Bag N^o 3010, Darlinghurst NSW 1300 • 02 9217 2100 • www.nswtf.org.au
NSW PRESIDENT: Maurie Mulheron • NSW GENERAL SECRETARY: John Dixon

7 May 2018

In reply please quote: 366/2018/JD:bdcb

Bernadette O'Neill
General Manager
Fair Work Commission
GPO Box 1994
Melbourne VIC 3001

Re: Financial Statements for the Australian Education Union New South Wales Teachers Federation Branch for financial period ended 31 December 2017

Dear Ms O'Neill

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 2017 (*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 1 May 2018 (*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 2017

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 2017 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 7 May 2018; and
- that the full report was presented to a meeting of the Branch Executive on 1 May 2018 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
7 May 2018

Australian Education Union

New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Consolidated Financial Statements

For the Year Ended 31 December 2017

Australian Education Union New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Financial Statements

For the Year Ended 31 December 2017

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Australian Education Union

New South Wales Teachers Federation Branch

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Operating Report

31 December 2017

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 2017.

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 focussed 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 2017 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.

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31 December 2017

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 both arriving in Canberra for a lobby event in the week of 20 March 2017. As part of the bus tours, 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 of 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 2017 was 59,876 (2016: 59,820).

Number of employees

The number of full time equivalent employees at 31 December 2017 was 159 (2016: 155).

Australian Education Union

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Operating Report

31 December 2017

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

Office Holders

All Office Holders held their positions throughout the financial year under review, unless otherwise stated.

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

Name	Position	Date of Resignation
John Dixon	Branch Secretary	
Rod Brown	Deputy Branch Secretary	
Michelle Rosicky	Deputy Branch Secretary	
Maxine Sharkey	Deputy Branch Secretary	
David Wynne	Deputy Branch Secretary	January 2018
Maurie Mulheron	Branch President	
Gary Zadkovich	Branch Deputy President	January 2018
Joan Lemaire	Senior Vice President	

Australian Education Union New South Wales Teachers Federation Branch

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Operating Report

31 December 2017

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

Executives

All Executives held their positions throughout the financial year under review, unless otherwise stated.

The names of the people who held positions on the Committee of Management and their commencement date of term appointment during the year are:

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

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



Margaret Vos
Custodian



John Dixon
Branch Secretary

Dated this 1st day of May 2018

Australian Education Union

New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Committee of Management Statement

On 1 May 2018, 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 2017:

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 Registered Organisations Commission under section 273 of the RO Act, there has been compliance.
- (f) No revenue has been derived from undertaking recovery of wages activity during the reporting period.

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



.....
Margaret Vos
Custodian

Dated this 1st day of May 2018



.....
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 2017

		2017	2016
		\$	\$
	Note		
Revenue	4	34,814,982	33,571,662
Other income	4	3,531,885	3,082,907
Total Revenue		38,346,867	36,654,569
Employee benefits expense	28(b)	(20,609,874)	(20,685,806)
Capitation fees and levies	28(b)	(2,780,883)	(2,788,524)
Affiliation and association fees		(525,516)	(669,240)
Depreciation and amortisation		(1,640,726)	(1,653,907)
Grants paid		(307,389)	(249,410)
Meetings, conferences and related expenses		(3,652,777)	(3,370,397)
Professional expenses		(840,486)	(331,560)
Finance charges		(137,808)	(137,834)
Property costs		(841,454)	(1,072,971)
Publication expenses		(1,868,684)	(2,211,988)
Office administration		(880,639)	(1,271,048)
Other operating expenses		(936,919)	(960,638)
Total Expenses		(35,023,155)	(35,403,323)
Profit from continuing operations		3,323,712	1,251,246
Profit/(loss) from discontinued operations	5(a)	(159,958)	(889,292)
Result for the year		3,163,754	361,954
Other comprehensive income:			
Actuarial (losses)/gains on defined benefit plans	14(a)	881,812	2,971,249
Other comprehensive income for the year		881,812	2,971,249
Total comprehensive income for the year		4,045,566	3,333,203

The accompanying notes form part of these financial statements.

Australian Education Union

New South Wales Teachers Federation Branch

ABN: 86 600 150 697

Consolidated Balance Sheet

As at 31 December 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	3,785,673	4,176,645
Trade and other receivables	7	984,478	807,719
Financial assets	8	32,613,402	27,135,566
Other assets	9	424,213	569,543
TOTAL CURRENT ASSETS		37,807,766	32,689,473
NON-CURRENT ASSETS			
Financial assets	8	118,512	3,117,446
Property, plant and equipment	10	26,047,666	24,780,762
Intangible assets	11	107,691	212,026
Deferred tax assets		-	825
TOTAL NON-CURRENT ASSETS		26,273,869	28,111,059
TOTAL ASSETS		64,081,635	60,800,532
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	2,510,261	2,728,918
Employee benefits	13	8,117,090	8,121,128
Current tax liabilities		-	17,375
TOTAL CURRENT LIABILITIES		10,627,351	10,867,421
NON-CURRENT LIABILITIES			
Employee benefits	13	18,887,872	19,351,581
Deferred tax liabilities		-	60,684
TOTAL NON-CURRENT LIABILITIES		18,887,872	19,412,265
TOTAL LIABILITIES		29,515,223	30,279,686
NET ASSETS		34,566,412	30,520,846
EQUITY			
Funds	15	16,689,412	12,947,846
Reserves	15	17,877,000	17,573,000
TOTAL EQUITY		34,566,412	30,520,846

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 2017

	General Fund	Special Reserve 1984 Conference	Public Education Fund	Total
	\$	\$	\$	\$
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
Balance at 1 January 2016	4,805,977	18,009,000	4,372,666	27,187,643
Comprehensive income for the year	361,954	-	-	361,954
Total other comprehensive income for the period	2,971,249	-	-	2,971,249
Transfers to and from reserves				
- Special Reserve: 1984 Annual Conference	436,000	(436,000)	-	-
- Public Education Fund	(334,080)	-	334,080	-
Balance at 31 December 2016	8,241,100	17,573,000	4,706,746	30,520,846

The accompanying notes form part of these financial statements.

Australian Education Union

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Consolidated Statement of Cash Flows

For the Year Ended 31 December 2017

	2017	2016
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from members	38,349,135	36,836,301
Receipts from other	3,031,470	3,380,187
Payments to suppliers and employees	(36,867,608)	(37,814,992)
Interest received	989,485	841,338
Net cash provided by operating activities	23 <u>5,502,482</u>	<u>3,242,834</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	218,971	775,398
Purchase of property, plant and equipment	(3,633,523)	(1,278,503)
Net purchase of investments	(2,478,902)	(3,279,083)
Net cash used by investing activities	<u>(5,893,454)</u>	<u>(3,782,188)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net cash used by financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents held	(390,972)	(539,354)
Cash and cash equivalents at beginning of year	4,176,645	4,715,999
Cash and cash equivalents at end of financial year	6 <u>3,785,673</u>	<u>4,176,645</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 2017

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 Australia 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.

(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*.

Australian Education Union

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Notes to the Financial Statements

For the Year Ended 31 December 2017

2. Summary of Significant Accounting Policies (Continued...)

(b) Income tax (Continued...)

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

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Notes to the Financial Statements

For the Year Ended 31 December 2017

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 balance sheet.

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.

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Notes to the Financial Statements

For the Year Ended 31 December 2017

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.

Where the cost model is used, the asset is carried at its 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.

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Notes to the Financial Statements

For the Year Ended 31 December 2017

2. Summary of Significant Accounting Policies (Continued...)

(f) Financial Instruments

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).

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.

Australian Education Union

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Notes to the Financial Statements

For the Year Ended 31 December 2017

2. Summary of Significant Accounting Policies (Continued...)

(f) Financial instruments (Continued...)

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.

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.

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.

Australian Education Union New South Wales Teachers Federation Branch

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Notes to the Financial Statements

For the Year Ended 31 December 2017

2. Summary of Significant Accounting Policies (Continued...)

(f) Financial instruments (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

Financial liabilities are classified as other 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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Notes to the Financial Statements

For the Year Ended 31 December 2017

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.

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2. Summary of Significant Accounting Policies (Continued...)

(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.

(j) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Defined benefit superannuation schemes

Nature of the benefits provided by the fund

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)

These schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive a lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the schemes are closed to new members.

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Notes to the Financial Statements

For the Year Ended 31 December 2017

2. Summary of Significant Accounting Policies (Continued...)

(j) Employee benefits (Continued...)

Defined benefit superannuation schemes (Continued...)

Description of the regulatory framework

The applicable schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, State Authorities Non-Contributory Superannuation Act 1987, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015. The next actuarial investigation will be performed at 30 June 2018.

Description of other entities' responsibilities for the governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

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.

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For the Year Ended 31 December 2017

2. Summary of Significant Accounting Policies (Continued...)

(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.

(l) Adoption of new and revised accounting standards

During the current year, there have been no new or revised accounting standards that have become mandatory, which have 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.

(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 9 Financial Instruments

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model. The standard is not applicable until 1 January 2018 but is available for early adoption.

Following the changes approved by the AASB in December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

While the Group has yet to undertake a detailed assessment, it is expected that there will be no impact on the Federation's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The Group has not yet decided whether it should adopt AASB 9 before its mandatory date. Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

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Notes to the Financial Statements

For the Year Ended 31 December 2017

2. Summary of Significant Accounting Policies (Continued...)

(m) New Accounting Standards and Interpretations (Continued...)

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.

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.

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. At this stage, the Group does not intend to adopt the standard before its effective date.

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.

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Notes to the Financial Statements

For the Year Ended 31 December 2017

3. Critical Accounting Estimates and Judgments (Continued...)

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 provisions

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.

4. Revenue and Other Income

Revenue from continuing operations

	Note	2017 \$	2016 \$
Membership subscriptions		33,601,475	32,029,249
Public Education Fund levy	15(c)	1,213,507	1,542,413
		34,814,982	33,571,662
Rental income		1,387,982	1,351,657
Donations and grants		62,963	10,259
Interest income		900,680	936,056
Other income		487,995	346,547
Course fees		692,265	438,388
		3,531,885	3,082,907
Total Revenue and Other Income		38,346,867	36,654,569

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Notes to the Financial Statements

For the Year Ended 31 December 2017

5. Discontinued operations

(a) Financial Performance Information

Financial Performance Information

	2017	2016
	\$	\$
Revenue from services rendered	8,481	742,281
Cost of services rendered	(201,936)	(919,119)
Gross profit/(loss)	(193,455)	(176,838)
Other income	-	1,275
Net operating income / (loss)	(193,455)	(175,563)
Salaries and wages	280	(820,177)
Administration expenses	(4,633)	(73,237)
Debt waiver	(45)	5,005
Net profit or loss before taxation	(197,853)	(1,063,972)
Taxation benefit/(expense)	37,895	174,680
Net profit (loss) for the year	(159,958)	(889,292)

Refer to note 20 for further information.

(b) Net Cash Flows

There were no material cash inflows/outflows from the operating, investing and financing activities of discontinued operations for the year ended 31 December 2017.

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Notes to the Financial Statements

For the Year Ended 31 December 2017

6. Cash and Cash Equivalents

	Note	2017 \$	2016 \$
Cash at bank		3,783,523	4,173,995
Cash on hand		2,150	2,650
		<u>3,785,673</u>	<u>4,176,645</u>

7. Trade and Other Receivables

Trade receivables	7(a)	527,211	301,549
GST receivable		1,450	1,689
Other receivables		455,817	504,481
		<u>984,478</u>	<u>807,719</u>

(a) Aged analysis

The ageing analysis of trade receivables is as follows:

0-30 days	343,413	104,522
31-60 days	42,989	13,238
61-90 days (past due not impaired)	78,349	42,952
91+ days (past due not impaired)	62,460	140,837
	<u>527,211</u>	<u>301,549</u>

(b) Receivables from other reporting units

Australian Education Union	-	3,521
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The above receivables from other reporting units are not deemed impaired. (2016: No impairment).

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Notes to the Financial Statements

For the Year Ended 31 December 2017

8. Financial Assets

	2017	2016
	\$	\$
CURRENT		
<i>Held to maturity financial assets</i>		
Interest bearing deposits	32,613,402	27,135,566
NON-CURRENT		
<i>Held to maturity financial assets</i>		
Interest bearing deposits	-	3,000,000
Term deposits	8,000	8,000
<i>Available for sale financial assets</i>		
Shares in unlisted entity - Trade Union Centre Wollongong	110,512	109,446
	118,512	3,117,446
Total	32,731,914	30,253,012

9. Other Assets

Prepayments	417,682	358,806
Unbilled revenue at recoverable amount	-	202,281
Other	6,531	8,456
	424,213	569,543

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Notes to the Financial Statements

For the Year Ended 31 December 2017

10. Property, Plant and Equipment

	2017	2016
	\$	\$
Land and Buildings		
At Cost	34,154,572	33,868,871
Accumulated depreciation	<u>(15,756,198)</u>	<u>(14,885,312)</u>
	<u>18,398,374</u>	<u>18,983,559</u>
Plant and equipment		
At Cost	9,128,634	9,161,454
Accumulated depreciation	<u>(2,674,289)</u>	<u>(4,563,515)</u>
	<u>6,454,345</u>	<u>4,597,939</u>
Furniture, fixtures and fittings		
At cost	2,648,868	2,582,482
Accumulated depreciation	<u>(2,054,614)</u>	<u>(2,013,296)</u>
	<u>594,254</u>	<u>569,186</u>
Motor vehicles		
At cost	874,344	1,036,741
Accumulated depreciation	<u>(286,672)</u>	<u>(430,667)</u>
	<u>587,672</u>	<u>606,074</u>
Leasehold Improvements		
At cost	102,775	114,135
Accumulated amortisation	<u>(89,754)</u>	<u>(90,131)</u>
	<u>13,021</u>	<u>24,004</u>
Total property, plant and equipment	<u><u>26,047,666</u></u>	<u><u>24,780,762</u></u>

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Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2017

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 2016						
Balance at beginning of year	20,088,923	4,169,422	570,754	516,762	30,247	25,376,108
Additions	2,232	923,531	134,796	418,772	533	1,479,864
Disposals	(233,524)	(223,225)	(8,247)	(112,237)	-	(577,233)
Depreciation expense	(874,072)	(271,789)	(128,117)	(217,223)	(6,776)	(1,497,977)
Balance at the end of the year	18,983,559	4,597,939	569,186	606,074	24,004	24,780,762
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

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Notes to the Financial Statements

For the Year Ended 31 December 2017

11. Intangible Assets

	2017	2016
	\$	\$
Computer Software		
Software - at cost	1,619,395	2,256,032
Accumulated amortisation	<u>(1,511,704)</u>	<u>(2,044,006)</u>
Total Intangibles	<u>107,691</u>	<u>212,026</u>
 <i>Movements in carrying amounts of intangible assets</i>		
Balance at beginning of the year	212,026	212,443
Additions	33,378	154,516
Disposals	(926)	-
Amortisation	<u>(136,787)</u>	<u>(154,933)</u>
Closing value at end of year	<u>107,691</u>	<u>212,026</u>

12. Trade and Other Payables

Trade payables and accruals	1,658,915	2,100,927
Membership in advance	850,146	610,520
Other payables	<u>1,200</u>	<u>17,471</u>
	<u>2,510,261</u>	<u>2,728,918</u>

(a) Payables to other reporting units:

Australian Education Union	<u>582</u>	-
Total	<u>582</u>	<u>-</u>

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Notes to the Financial Statements

For the Year Ended 31 December 2017

12. Trade and Other Payables (Continued...)

(b) Legal costs payable

	Note	2017 \$	2016 \$
Legal costs			
Litigation		100	-
Other legal matter		4,857	-
Total		<u>4,957</u>	<u>-</u>

(c) Payables to employers

Payables to employers as consideration for making payroll deductions
of membership subscriptions

-	-
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13. Employee Benefits

CURRENT

Annual Leave		2,685,550	2,855,507
Long service leave		4,841,540	4,675,621
Defined benefit fund liability (b)	14	590,000	590,000
		<u>8,117,090</u>	<u>8,121,128</u>

NON-CURRENT

Long service leave		2,197	12,440
Defined benefit fund liability (b)	14	18,885,675	19,339,141
		<u>18,887,872</u>	<u>19,351,581</u>
Total		<u>27,004,962</u>	<u>27,472,709</u>

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Notes to the Financial Statements

For the Year Ended 31 December 2017

13. Employee Benefits (Continued...)

(a) *Employee benefits attributable to:*

	Note	2017 \$	2016 \$
Office holders			
Annual leave		315,522	470,954
Long service leave		797,337	902,695
Separation and redundancies		-	-
Other employee provisions		-	-
		1,112,859	1,373,649
Employees other than office holders			
Annual leave		2,370,028	2,384,553
Long service leave		4,046,400	3,785,366
Separation and redundancies		-	-
Other employee provisions		-	-
		6,416,428	6,169,919
Defined Benefit Fund Liability	13(b)	19,475,675	19,929,141
		27,004,962	27,472,709

- (b) 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.

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Notes to the Financial Statements

For the Year Ended 31 December 2017

14. Defined Benefits

	2017	2016
	\$	\$
(a) Reconciliation of the net defined benefits liability		
Net defined benefit liability at start of year	18,770,972	21,033,564
Current service cost	278,284	273,306
Net interest expense/(income)	824,576	931,197
Total amount recognised in profit or loss	1,102,860	1,204,503
	19,873,832	22,238,067
Remeasurements:		
Actual return on fund assets less interest income	(2,461,341)	(1,152,625)
Actuarial (gains)/losses arising from changes in financial assumptions	3,289,430	(771,149)
Actuarial (gains)/losses arising from liability experience	(1,709,901)	(1,047,475)
Total amount recognised in other comprehensive income	(881,812)	(2,971,249)
	18,992,020	19,266,818
Employer contributions	(648,160)	(495,846)
Net defined benefit liability at end of year	18,343,860	18,770,972
Provision for on costs	1,131,815	1,158,169
Total liability at end of year	19,475,675	19,929,141
(b) Reconciliation of Fair Value of Fund Assets		
Opening balance	43,892,209	42,751,161
Interest income	1,899,766	1,859,658
Actuarial return on fund assets less interest income	2,461,341	1,152,625
Employer contributions	648,160	495,846
Contributions by participants	210,055	216,025
Benefits paid	(2,566,824)	(2,823,733)
Taxes, premiums and expenses paid	507,333	240,627
Closing balance	47,052,040	43,892,209

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For the Year Ended 31 December 2017

14. Defined Benefits (Continued...)

	2017	2016
	\$	\$
(c) Present value of defined benefit obligations		
Present value of defined benefit obligations at start of year	62,663,181	63,784,726
Current service costs	278,284	273,306
Interest cost	2,724,342	2,790,855
Contributions by participants	210,055	216,025
Actuarial (gains)/losses arising from changes in financial assumptions	3,289,430	(771,150)
Actuarial (gains)/losses arising from liability experience	(1,709,901)	(1,047,475)
Benefits paid	(2,566,824)	(2,823,733)
Taxes, premiums and expenses paid	507,333	240,627
Present value of defined benefit obligations at end of year	65,395,900	62,663,181

(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.

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Notes to the Financial Statements

For the Year Ended 31 December 2017

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 2016 and 2017, respectively).

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	

Class of asset	2016			Total \$'000	% of total
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000		
Short term securities	1,900,292	329,259	-	2,229,551	5.7
Australian fixed interest	(22,099)	2,188,538	-	2,166,439	5.5
International fixed interest	28	734,246	-	734,274	1.9
Australian equities	9,158,485	479,024	24	9,637,533	24.7
International equities	8,529,666	2,556,169	1,025,225	12,111,060	31.1
Property	926,206	592,386	1,999,311	3,517,903	9.0
Alternatives	347,149	4,487,130	3,766,437	8,600,716	22.1
Total	20,839,727	11,366,752	6,790,997	38,997,476	

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

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Notes to the Financial Statements

For the Year Ended 31 December 2017

14. Defined Benefits (Continued...)

(f) Significant actuarial assumptions at the reporting date

	2017	2016
Discount rate	4.02%	4.47%
Salary increase rate (excluding promotions)	2.50 - 3.50%	2.50 - 3.50%
Rate of CPI increase	2.25 - 2.50%	1.75 - 2.50%
Pensioner mortality: per 2015 Actuarial Investigation		

(g) Sensitivity analysis

The Group's total defined benefit obligation as at 31 December 2017 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 2017.

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.

	Increase in assumption	Decrease in assumption
31 December 2017		
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
31 December 2016	Increase in assumption	Decrease in assumption
Actuarial assumption	\$	\$
Discount rate +/- 1.0%	(7,094,354)	8,573,686
Salary increase rate (excluding promotions) +/- 0.5%	3,814,590	(3,496,352)
Rate of CPI increase +/- 0.5%	275,738	(263,861)
Mortality improvement factors: Higher/Lower	(547,216)	804,401

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

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For the Year Ended 31 December 2017

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 and was last reviewed following completion of the triennial review as at 30 June 2015. 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 2018 as advised by the Actuary of the respective funds is \$590,000 (31 December 2017: \$590,000).

(k) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.1 years (2016: 13.4 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 2017

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 coordinated 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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For the Year Ended 31 December 2017

16. Capital and leasing commitments

(a) Operating leases - payable

	2017	2016
	\$	\$
Minimum lease payments under non-cancellable operating leases		
- not later than 1 year	201,944	215,512
- between 1 year and 5 years	395,864	360,859
	<u>597,808</u>	<u>576,371</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	1,433,938	1,353,068
- between 1 year and 5 years	1,201,979	2,381,597
- more than 5 years	178,520	421,538
	<u>2,814,437</u>	<u>4,156,203</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.

(c) Capital commitments

Capital commitments	<u>225,983</u>	<u>1,558,022</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 2017

17. Financial Risk Management

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

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

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2017 \$	2016 \$
Financial Assets			
Cash and cash equivalents	6	3,785,673	4,176,645
Trade and other receivables	7	984,478	807,719
Term deposits	8	32,621,402	30,143,566
Shares in unlisted entity - Trade Union Centre Wollongong	8	110,512	109,446
Total financial assets		37,502,065	35,237,376
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	12	2,510,261	2,728,918

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 for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

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 and will not need to draw down any of the financing

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Notes to the Financial Statements

For the Year Ended 31 December 2017

17. Financial Risk Management (Continued...)

Liquidity risk (Continued...) facilities.

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

	Less than 1 month		1 to 3 months		3 to 12 months		1 to 5 years	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Tax liabilities	-	17,375	-	-	-	-	-	-
Trade and other payables	2,510,261	2,728,918	-	-	-	-	-	-
Total	2,510,261	2,746,293	-	-	-	-	-	-

(a) 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 wholesale and retail 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 industries and 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 2017

17. Financial Risk Management (Continued...)

(b) Credit risk - Trade and Other Receivables

The following table details the Group's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Group.

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

	Gross amount	Past due and Impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31-60	61-90	> 90	
	\$	\$	\$	\$	\$	\$	\$
2017							
Trade and other receivables	984,478	-	183,798	42,989	78,349	62,460	616,882
2016							
Trade and term receivables	807,719	-	195,228	31,604	24,007	139,617	417,263

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

The other classes of receivables do not contain impaired assets.

(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

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.

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For the Year Ended 31 December 2017

17. Financial Risk Management (Continued...)

Sensitivity analysis

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

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
2017	163,107	(163,107)	163,107	(163,107)
2016	150,718	(150,718)	150,718	(150,718)

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:

	2017	2016
	\$	\$
Short-term employee benefits	1,494,675	1,501,656
Other long-term benefits	17,710	126,240
Post-employment benefits	212,003	192,038
Termination benefits	6,735	180,631
	<u>1,731,123</u>	<u>2,000,565</u>

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19. Remuneration of Auditors

	2017	2016
	\$	\$
Remuneration of the auditor of the Group, Daley & Co, for:		
- audit and other assurance services	54,000	-
- taxation services	3,500	-
	<u>57,500</u>	<u>-</u>
Remuneration of the previous auditor of the Group		
- audit and other assurance services	-	70,900
- taxation services	7,886	4,990
	<u>7,886</u>	<u>75,890</u>
Total remuneration of auditors	<u>65,386</u>	<u>75,890</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. The company is in the final process of liquidation, with no further material distributions expected. At balance date this entity had no assets or liabilities.

Refer to note 5 for further details of the financial impact of this discontinued operation.

21. Fair Value Measurement

Fair value estimation

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.

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Notes to the Financial Statements

For the Year Ended 31 December 2017

21. Fair Value Measurement (Continued...)

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.

Refer to note 8 for additional details.

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.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
2017				
Shares in unlisted entity - Trade Union				
Centre Wollongong	-	-	110,512	110,512
2016				
Shares in unlisted entity - Trade Union				
Centre Wollongong	-	-	109,446	109,446

The Federation does not have any level 1 and 2 assets or liabilities measured at fair value. At balance sheet date the Federations level 3 assets were not material (2016: not material).

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.

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For the Year Ended 31 December 2017

22. Related Party Information (Continued...)

(a) **Key management personnel (Continued...)**

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

(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.

Related party balances are recorded at notes 7 and 12.

(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.

	2017	2016
	\$	\$
<i>Federation Law Pty Ltd:</i>		
Rent received	-	38,483
Interest on loan	-	23,022
Debt forgiveness	(833,000)	-
Total	(833,000)	61,505

Australian Education Union:

Refer to note 28(b)(i) for further details of transactions with the Australian Education Union.

(d) **Related Party Balances**

Related Party balances are recorded at notes 7 and 12.

Federation Law Pty Ltd - Professional expenses	-	507,712
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Australian Education Union New South Wales Teachers Federation Branch

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Notes to the Financial Statements

For the Year Ended 31 December 2017

23. Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

	Note	2017 \$	2016 \$
Result for the year		3,163,754	361,954
Non-cash flows in the result:			
- depreciation and amortisation		1,640,726	1,653,908
- net (gain)/loss on disposal of fixed assets		104,501	114,543
- DBF current service cost and interest	14(a)	1,102,860	1,204,503
Changes in assets and liabilities:			
- (increase)/decrease in trade and other receivables		(176,759)	380,830
- (increase)/decrease in other assets		145,330	713,436
- increase/(decrease) in provision for employee benefits		(688,794)	(578,427)
- increase/(decrease) in trade and other payables		288,098	(431,993)
- increase/(decrease) in tax assets and liabilities		(77,234)	(175,920)
Cashflow from operations		<u>5,502,482</u>	<u>3,242,834</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 provides financial assistance to eligible members via the provision of free or subsidised legal services. At balance-date the Federation has made an undertaking to fund further legal costs for various matters, however these are considered to be immaterial and difficult to ultimately quantify and hence have not been disclosed.

(b) Contingent assets

Similarly, the Federation considers it probable that future recoveries will be made in relation to such legal service disbursements, however they are not able to be reliably measured and hence have not been disclosed.

25. Events after the end of the Reporting Period

The financial report was authorised for issue on 1 May 2018 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

Australian Education Union New South Wales Teachers Federation Branch

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Notes to the Financial Statements

For the Year Ended 31 December 2017

25. Events after the end of the Reporting Period (Continued...)
future financial years.

26. Correction of prior period error

During the current year the following items were discovered:

- on-costs were not provided for on the net defined benefit liability; and
- whilst there was no impact on the total comprehensive income or net assets, the movement in the defined benefit fund position in 2016 was not appropriately allocated between the:
 - result for the year; and
 - other comprehensive income.

The above errors have been corrected by restating each of the affected financial statement line items for the prior period as follows:

	Previously stated	31 December 2016 Adjustments	Restated
	\$	\$	\$
Consolidated Statement of Profit or Loss and Other Comprehensive Income			
Employee benefits expenses	20,098,037	587,769	20,685,806
Result for the year	949,723	(587,769)	361,954
Actuarial gains on defined benefit fund	2,243,878	727,371	2,971,249
Other comprehensive income	2,243,878	727,371	2,971,249
Total comprehensive income	3,193,601	139,602	3,333,203

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Notes to the Financial Statements

For the Year Ended 31 December 2017

26. Correction of prior period error (Continued...)

	Previously stated	31 December 2016 Adjustment	Restated	Previously stated	1 January 2016 Adjustments	Restated
	\$	\$	\$	\$	\$	\$
Consolidated Balance Sheet						
Defined benefit fund liability						
- Current	-	590,000	590,000			
- Non-current	18,770,972	568,169	19,339,141			
Total current liabilities	10,277,421	590,000	10,867,421			
Total non-current liabilities	18,844,096	568,169	19,412,265			
General Fund - Closing balance	9,399,288	(1,158,188)	8,241,100	6,103,767	(1,297,790)	4,805,977
Total Equity - Closing balance	31,679,034	(1,158,188)	30,520,846	28,485,433	(1,297,790)	27,187,643

27. 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 too 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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Notes to the Financial Statements

For the Year Ended 31 December 2017

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

(a) General Disclosures

As required under the reporting guidelines provided for under section 255 of the Fair Work (Registered Organisations) Act 2009, it is confirmed that:

1. The Federation's ability to continue as a going concern is not reliant on the agreed financial support of another reporting unit;
2. The Federation has not agreed or does not have an agreement to provide financial support to another reporting unit to ensure its ability to continue as a going concern;
3. The Federation has not acquired an asset or liability as a result of amalgamation, restructure or alternative reporting unit determination or revocation;
4. The financial affairs of the Federation are not administered by a third party; and
5. No payments have been made to former related parties of the Federation during the current or comparative reporting periods where the liability was incurred during the period that the related party relationship existed.

(b) Expense disclosures

(i) Capitation fees and levies*

	2017	2016
	\$	\$
Australian Education Union		
Capitation fees	1,801,415	1,771,670
ACTU Subscriptions	345,027	338,876
Compulsory levies	206,547	209,271
Education International	122,637	124,849
Public Education Campaign	234,712	237,808
Other miscellaneous charges	70,545	106,050
Total capitation fees and levies	2,780,883	2,788,524

* On the Statement of Profit or Loss and Other Comprehensive Income an amount of \$160,000 (2016: \$160,000) has been included in "Grants paid" for contributions paid to International Trust Fund.

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Notes to the Financial Statements

For the Year Ended 31 December 2017

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

(b) Expense disclosures (Continued...)

(ii) Affiliation fees and periodic subscriptions expense

	2017	2016
	\$	\$
NSW Labor Council	160,211	159,609
Newcastle Labor Council	8,619	6,381
South Coast Labor Council	16,275	15,979
Other Affiliates	10,752	10,838
Welfare Rights Council	20,808	20,808
Total affiliation fees and periodic subscriptions	216,665	213,615

(iii) Grants and donations*

Grants: **		
Total paid that were \$1,000 or less	7,844	3,410
Total paid exceeding \$1,000	299,545	246,000
	307,389	249,410
Donations		
Total paid that were \$1,000 or less	3,865	3,117
Total paid exceeding \$1,000	7,934	14,615
	11,799	17,732
Total	319,188	267,142

* the Federation provides certain member services such as legal support, which are not considered to be donations or grants requiring financial statement disclosure.

** On the Statement of Profit or Loss and Other Comprehensive Income an amount of \$160,000 (2016: \$160,000) has been included for contributions paid to International Trust Fund.

Australian Education Union

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Notes to the Financial Statements

For the Year Ended 31 December 2017

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

(b) Expense disclosures (Continued...)

(iv) Employee expenses

	Note	2017 \$	2016 \$
Holders of Office			
Wages and salaries		1,239,846	1,123,292
Superannuation		204,583	174,094
Leave and other entitlements		287,996	241,561
Separation and redundancies		6,735	-
Other employee expenses		80,541	85,604
Subtotal employee expenses holders of office		1,819,701	1,624,551
Employees other than office holders			
Wages and salaries		13,759,084	13,566,086
Superannuation		1,179,543	1,221,845
Leave and other entitlements		1,792,210	2,139,907
Separation and redundancies		-	-
Other employee expenses		982,829	1,068,516
Employees other than office holders		17,713,666	17,996,354
Defined benefit Fund	13(b)	1,076,507	1,064,901
Total employee expenses		20,609,874	20,685,806

(v) Miscellaneous disclosures

Payments to employers for making payroll deductions of membership subscriptions		-	-
Fees/allowances in respect of attendances at conferences/meetings as representatives of the Federation [not already included at 29(b)(iv)]		-	-
Meetings and conferences expenses: members, council, committees, panels or other bodies		-	-
Legal costs:			
- Litigation		439,233	691,251
- Other legal matters		148,685	(147,779)
Penalties imposed under the RO Act		-	-

Australian Education Union New South Wales Teachers Federation Branch

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Notes to the Financial Statements

For the Year Ended 31 December 2017

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

(c) Revenue disclosure

	2017	2016
	\$	\$
Financial support from another reporting unit	-	-
Capitation fees received	-	-

(d) Cashflows with reporting units

Australian Education Union

Cash inflows	3,521	13,598
Cash outflows	(2,981,370)	(3,243,376)
Total	(2,977,849)	(3,229,778)

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

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 balance sheet as at 31 December 2017, 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, and the committee of management 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 2017, 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.

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.

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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.
- 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.

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- 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 directors 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 approved auditor, a member of Chartered Accountants Australia and New Zealand and hold a current Public Practice Certificate.

Report on the Recovery of Wages Activity financial report

The scope of my work extended to the recovery of wages activity, however as noted in the Committee of Management Statement, no such activity was undertaken during the reporting period.

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
1 May 2018

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