



Australian Government
Registered Organisations Commission

26 April 2018

Ms Susan Hopgood
Federal Secretary
Australian Education Union

By e-mail: aeu@aeufederal.org.au

Dear Ms Hopgood

Australian Education Union
Financial Report for the year ended 31 December 2017 - FR2017/352

I acknowledge receipt of the financial report for the year ended 31 December 2017 for the Australian Education Union (AEU). The financial report was lodged with the Registered Organisations Commission (ROC) on 10 April 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 Committee of Management statement, at reference 5(f), refers to the 'Registered Organisations Commission'. In future, please ensure that this reference is to the 'Fair Work Commission'.

2. General Purpose Financial Report (GPFR)

Activity under Reporting Guidelines (RG) not disclosed

Item 15 of the RG states that if the activity identified in item 14 has not occurred in the reporting period, a statement to this effect must be included in the notes to the GPFR. I note that for item 14(a) - periodic or membership subscriptions no such disclosure has been made.

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



Australian Education Union

Federal Office

*Ground Floor, 120 Clarendon Street, Southbank, Victoria, 3006
PO Box 1158, South Melbourne, Victoria, 3205
Federal Secretary : Susan Hopgood
Federal President : Correna Haythorpe*

*Phone : +61 (0)3 9693 1800
Fax : +61 (0)3 9693 1805
Email : aeu@aeufederal.org.au
Web : www.aeufederal.org.au*

10 April 2018

Ref.: 031.001.001

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

Email: regorgs@roc.gov.au

Dear Commissioner Bielecki,

**Re: Financial Documents for the Australian Education Union
for financial period ended 31 December 2017**

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

- (a) A copy of the AEU Financial Report for the financial period ending 31 December 2017 (Attachment A);
- (b) Secretary's Certificate that the document lodged is a copy of the document provided to members and presented to the meeting of the Federal Executive of the Australian Education Union on 28 March 2018 (Attachment B).

Yours sincerely,

A handwritten signature in blue ink that reads 'S Hopgood'.

Susan Hopgood
Federal Secretary

AUSTRALIAN EDUCATION UNION – FEDERAL OFFICE
ABN 16 006 296 647

FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017



Australian Education Union

Federal Office

Ground Floor, 120 Clarendon Street, Southbank, Victoria, 3006
PO Box 1158, South Melbourne, Victoria, 3205
Federal Secretary : Susan Hopgood
Federal President : Correna Haythorpe

Phone : +61 (0)3 9693 1800
Fax : +61 (0)3 9693 1805
Email : aeu@aeifederal.org.au
Web : www.aeifederal.org.au

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This financial report covers the Australian Education Union - Federal Office as an individual entity. The financial report is presented in the Australian currency.

The Australian Education Union - Federal Office is a registered body under the Fair Work (Registered Organisations) Act 2009 and is domiciled in Australia.

The principal place of business is:

Australian Education Union – Federal Office
G/F, 120 Clarendon Street
SOUTH BANK VIC 3006

The financial report was authorised for issue by the Committee of Management on the 22nd day of February 2018.

AUSTRALIAN EDUCATION UNION - FEDERAL OFFICE
ABN 16 006 296 647

OPERATING REPORT

The Federal Executive presents their report on the Australian Education Union - Federal Office (The AEU-Federal Office) for the financial year ended 31 December 2017.

Members of executive

The Federal Executive is elected for a two-year term commencing on 1 March and ending two years later at the end of February. The name of each person who has been a member of the Federal Executive at any time during or since the end of the financial year is as follows:

Federal Executive from 1 March 2016 to 28 February 2018

Name	Position	Name	Position
Erin Aulich	General Division	Kevin Bates **	General Division
Pat Byrne**	General Division	Carolyn Clancy	General Division
John Dixon **	General Division	Glenn Fowler	General Division
Pat Forward**	Deputy Federal Secretary	Shane Gorman	Principals Representative
Correna Haythorpe **	Federal President	Susan Hopgood **	Federal Secretary
Joan Lemaire	General Division	Martel Menz	Early Childhood Representative
Maurie Mulheron	Deputy Federal President	Justin Mullaly	General Division
Meredith Peace**	General Division	Samantha Pidgeon	General Division
		Michelle Purdy	Federal TAFE President
Helen Richardson	General Division	Michelle Rosicky	General Division
Jarvis Ryan	General Division	Howard Spreadbury	General Division
Jenny Swadling	General Division	Gary Zadkovich	General Division
Charline Emzin-Boyd	Aboriginal & Torres Strait Islander Representative		

** members of Finance Committee

Members have been in office since the start of the financial year to the date of this report unless otherwise stated.

OPERATING REPORT (Continued)

Significant changes in state of financial affairs

There have been no significant changes in the state of financial affairs of the AEU-Federal Office that occurred during the financial year.

Review of principal activities and results of operations

The AEU is a professional and industrial organisation, registered under the Fair Work (Registered Organisations Act) 2009, representing teachers and other education workers in public early childhood education centres, schools and TAFE colleges across Australia. The AEU is a democratic, federated structure, with a Federal Office, based in Melbourne, and branches in every state and territory of Australia.

The primary object of the AEU 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 early childhood education centres, schools and TAFE institutes.

The AEU 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 Australia and internationally.

The AEU Federal Executive set the following strategic objectives :

- To achieve equitable, sustainable, recurrent Government funding of public education across early childhood, 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 is a growing, active campaigning, democratic union.
- To promote, defend and advocate for human rights and social justice.

The principal activities of the AEU-Federal Office during the financial year have focussed on the achievement of these strategic objectives.

The major activities of the AEU during the period were the continuation of the national public education campaigns in schools, early childhood and TAFE.

Throughout 2017 the AEU 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 honoring the agreements with states and territories to deliver the full implementation of needs based funding. The AEU produced 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.

OPERATING REPORT (Continued)

Review of principal activities and results of operations (Continued)

In May 2017 Prime Minister Malcolm Turnbull announced his so called 'needs-based' schools funding policy. It was clear the *Give a Gonski* campaign had changed the national dialogue about schools and funding, forcing the Turnbull government to recognise that this was an issue that is top of mind for the nation.

Instead of ensuring every school across the country has the resources needed to close the education gap for students, the Turnbull plan entrenched disadvantage. The government's long promised disability loading has turned out to be nothing more than a severe cut for five states and territories.

The Federal Government's changes to the Education Act cut \$1.9 billion of funding to public schools that they would have got in 2018 and 2019. The Government's education plan leaves 8 out of 10 public schools below the national "Schooling Resource Standard" – the minimum level of funding required to meet the educational needs of children. The Turnbull school funding plan cuts funding for students with a disability who already suffer a shortage of adequate resources and support. There will be cuts to funding in public schools in South Australia, Western Australia, Tasmania, the Australian Capital Territory and the Northern Territory.

The AEU National Schools Funding campaign continued as a key priority for the AEU at a national, state and local level to ensure that the public school system is resourced to 100% of the Schooling Resource Standard (SRS) in order to meet the teaching and learning needs of schools and students.

The Turnbull Government may consider schools funding a settled matter, but the campaign continues and escalates until we secure proper needs based funding for every child across the country.

Submissions were made to a number of Parliamentary and other Inquiries as well as appearances to these Inquiries. This included the *Review to Achieve Educational Excellence in Australian Schools* - chaired by David Gonski and the Inquiry into Regional, Rural, and Remote Education. The annual *AEU State of our Schools Survey* was conducted in March. A follow up was conducted in October to provide evidence for our submission to the Governments Review to Achieve Educational Excellence in Australian Schools.

Another major activity was the *Stop TAFE Cuts* campaign which was set against the backdrop of the unfolding disaster that was VET FEE-HELP and increasing uncertainty as public revelations about the activities of private for-profit colleges consumed the media. The problems with the VET FEE-HELP scheme cannot be considered in isolation from the other problems which currently exist across the sector. Indeed many of the problems - low quality provision, low student engagement, poor progression, inconsistent assessment and low completion rates, unscrupulous providers and wasted financing are all evident across the whole sector, and are not confined to VET FEE-HELP provision.

The major focus of the *Stop TAFE Cuts* campaign throughout 2017 was to secure broad support for a guarantee from all major political parties of a minimum 70 per cent vocational education funding for TAFE. The campaign engaged members and supporters in a range of campaign activities, both through social media, and on the ground through state election campaigns, and by-elections. Strategic lobbying activities focussed the campaign in a number of target seats, where the campaign built on efforts to educate members and activists.

In August, as part of this work, we launched a new phase of our online and social media campaign to secure the support of politicians for the 70 per funding guarantee. A highly successful *National TAFE Day* celebration was held in June highlighting the successes of TAFE system, whilst reminding politicians of the current crisis in the sector. Members in both schools and TAFE colleges organised a variety of events across the country to mark the day with a strong focus on promoting the 70 per cent funding guarantee. The AEU in partnership with the AMWU and ETU hosted a reception in Parliament House in Canberra attended by unions and other social partners, over 60 MPs and Senators to mark the event. In October the AEU held its inaugural TAFE Conference – *the future of public TAFE institutions: towards new social policy* in partnership with the John Cain Foundation. The purpose of the conference was to initiate discussion and debate around the future of TAFE and the importance of developing new public policy in the sector.

OPERATING REPORT (Continued)

Review of principal activities and results of operations (Continued)

The union continued to campaign for the Federal Government to commit to ongoing funding for universal access to fifteen hours of pre-school delivered by a qualified teacher for every four year old. The Turnbull government has so far failed to make any commitment to permanent federal funding despite the strong evidence base on the importance of quality early childhood programs for children and the long term social and economic benefits for the nation of early investment in education.

With the end of current funding arrangements for looming post 2017, AEU Federal Executive determined to implement a national campaign plan to achieve a federal government commitment to permanent federal funding of 15 hours Universal Access per week for all 4 year olds, by a 4 year qualified university trained early childhood teacher. Activities undertaken included advocacy to federal and state government education ministers, the development of online resource kit for members and community supporters, website launch and social media activity, postcards signed and collected and delivered to Senator Simon Birmingham.

The Union has worked with its members, its Branches and employing authorities to improve the professional status of teaching and other education workers in all sectors. It has campaigned for these objectives through advocacy and support for high standards of entry to, and rigorous courses of, Initial Teacher Education, professional standards for school teachers and principals, the introduction of professional teaching qualifications for TAFE teachers as well as for further recognition through improved remuneration and enhanced career structures for teachers and education workers generally.

Results of activities

The AEU's *I Give a Gonski* campaign helped to deliver a new national funding system, and hundreds of millions of dollars in extra funding for public schools. In NSW, Queensland, and South Australia, where the funding has been in schools since 2014 and in Victoria since 2017, the benefits are already visible, through increased resourcing in schools, better outcomes and increased levels of job satisfaction being reported by members.

Despite the agenda of the Federal Government to dismantle the Gonski funding model with the announcement of the Turnbull funding plan which abolished the needs based funding system and drastically cut schools funding, The AEU, together with parents and the broader community have successfully campaigned to ensure that fairer funding for schools remains on the political agenda. The AEU's campaign continues to have a major impact on school funding policies. Public polling consistently shows the public is concerned about fair funding for schools and the issue is high on the issues of voters both at a national and at state level. All State and Territory Governments, except for the WA Government, oppose the cuts to the Gonski funding proposed by the Turnbull Government, They have stated this opposition repeatedly at meetings of the Education Council (Education Ministers). Polling by Essential Research in the lead up to the December meeting showed that only 18% of voters approved of the Coalition's cuts to school funding, while 54% opposed them.

The AEU's *Stop TAFE Cuts* campaign continues to build a strong presence on social media, with sign-ups on the website, and on Facebook and Twitter continuing. In a significant breakthrough for the campaign, the Australian Labor Party announced a commitment to guarantee at least two thirds of government VET funding to TAFE in their 2017 budget in reply speech. The two thirds funding guarantee will form part of the ALP's platform going into the next Federal Election, and the announcement has been a key factor in shaping the campaign's focus throughout 2017, and into 2018.

The campaign for universal pre-school education for four year olds has resulted in the pre-school community becoming aware of the funding shortfall and active in the campaign to call on the government to support it. Over 14,000 POP postcards were delivered to Minister Simon Birmingham calling for on-going funding for the early childhood sector. The government announced funding for 2018 prior to the federal budget in 2017.

OPERATING REPORT (Continued)

Results of activities (Continued)

Throughout the financial year the AEU has successfully enhanced and supported the professional status of AEU members in public education through professional development and training and conferences, representation of members on professional bodies and to employers; made submissions and appeared before Commonwealth of Australia Parliamentary Committees and various federal Inquiries.

The AEU campaigned for Marriage Equality in the lead up to the postal vote with members active in doorknocking, phone calling and on social media.

The AEU Federal Office has coordinated, researched and informed Branches on industrial matters including support for salaries and conditions which have resulted in increased salaries and improved conditions across the country.

Analysis of results for the year:

The expenditure on campaigning is impacted by the three year federal election cycle. This year was the first year of the cycle and while we undertook many campaign activities, the year was also one of consolidation and planning for the next phase of the campaign in the lead up to the federal election in 2019. Much of the expenditure in 2017 on the campaigns have focused on planning, evaluation and raising awareness of the impact of the newly elected government policies.

The next two years of the election cycle will require a much more active campaign, particularly focusing on local community campaigning in targeted electorates, to promote and advocate for a continuation of the new fairer funding model for schools based on student need. This will be significant in convincing the electorate of the choices in the election in relation to the achievement of fair schools funding, ongoing funding for early childhood education and a well-funded public TAFE sector.

	General Operations	Public Education Campaign	Total
	\$	\$	\$
Revenue	8,483,318	736,978	9,220,296
Expenses	(5,653,283)	(736,978)	(6,390,261)
Funds transferred	(1,598,662)	1,598,662	-
Surplus for the year	1,231,373	1,598,662	2,830,035

OPERATING REPORT (Continued)

Right of members to resign

Members may resign from the union in accordance with rule 17, which reads as follows:

"17 - Resignation from membership and termination of eligibility

- (1) Subject to sub-rule 17(1A) a member becomes ineligible for membership of the Union when he/she no longer meets the conditions of eligibility for membership of the Union.
- (1A) The following persons shall after the date referred to in sub-rule 5(12) be eligible to retain membership of the Union notwithstanding the fact that they are no longer eligible for membership within the conditions of eligibility for membership set out in rule 5:
 - (a) members who are eligible for membership pursuant to paragraphs 5(3)(a), (b) or (c) and are -
 - (i) seconded by their employer to non-teaching duties, or
 - (ii) appointed by the Minister for Education to any Board, Committee or statutory authority;
 - (b) members who were formerly eligible for membership pursuant to paragraph 5(4)(a), (b) or (c) and have commenced to be employed elsewhere in the Victorian Education Department or in a technical and further education institution or by the Technical and Further Education Board or are seconded by their employer to perform professional duties requiring teacher qualifications;
 - (c) persons who become members of the Union prior to the date referred to in sub-rule 5(12) pursuant to paragraphs 5(3)(d) or 5(4)(d);provided that persons who are entitled to retain membership pursuant to this sub-rule should not be entitled to retain membership after the expiration of the secondment or appointment.
- (2) A member who becomes ineligible for membership of the Union shall within seven days thereof give written notice of the fact and the reason therefore to the Secretary of the Branch to which he/she is attached.
- (3) A member may resign from membership of the Union by written notice addressed to and delivered to the Secretary of the Branch to which the member is attached.
- (4) A notice of resignation from membership takes effect:-
 - (a) here the member ceases to be eligible to become a member of the Union -
 - (i) on the day on which the notice is received at the office of the relevant Branch Secretary; or
 - (ii) on the day specified in the notice, which is a day not earlier than the day when the member ceases to be eligible to become a member;whichever is later; or
 - (b) in any other case -
 - (i) at the end of 2 weeks after the notice is received at the office of the relevant Branch Secretary; or
 - (ii) on the day specified in the notice;whichever is later.
- (5) Any subscriptions, levies or fines which are due and payable but have not been paid by a former member in relation to a year before the member's resignation took effect, may be sued for and recovered in the name of the Union, in a court of competent jurisdiction, as a debt due to the Union.
- (6) A notice delivered to the relevant Branch Secretary shall be taken to have been received by the Union when it was delivered.
- (7) A notice of resignation that has been received at the office of the relevant Branch Secretary is not invalid because it was not addressed and delivered in accordance with sub-rule (1).
- (8) (A resignation from membership is valid even if it is not effected in accordance with this section if the member is informed in writing by or on behalf of the Union that the resignation has been accepted.
- (9) A relevant Branch Secretary may accept a resignation from membership which is not effected in accordance with this Rule.
- (10) Where the relevant Branch Secretary accepts a resignation in accordance with the previous sub-rule the relevant Branch Secretary shall inform the member in writing that his/her resignation has been accepted.
- (11) On receipt of a written notice from a member that he/she has become ineligible for membership of the Union or a notice of resignation or on acceptance of a resignation which is not effected in accordance with this Rule, the Branch Secretary shall, as soon as possible notify the Federal Secretary that the member has become ineligible for membership or that the member has resigned."

AUSTRALIAN EDUCATION UNION - FEDERAL OFFICE
ABN 16 006 296 647

OPERATING REPORT (Continued)

Membership and employee numbers

The number of employees includes both full-time employees and part-time employees measured on a full-time equivalent basis at 31 December 2017 was 18.31 (2016: 17.2)

The number of members across 8 branches at 31 December 2017 was 191,262 (2016: 188,880).

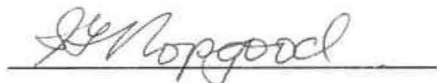
Superannuation trustees

To the best of the Federal Executive's belief and knowledge, no officer or member of the organisation, by virtue of their office or membership of the Australian Education Union is:

- (i) a trustee of a superannuation entity or exempt public sector superannuation scheme: or
- (ii) a director of a company that is a trustee of a superannuation entity or exempt public sector superannuation scheme: and
- (iii) where the criterion for the officer or member being a trustee or director is that the officer or member is an officer or member of a registered organisation.

Signed in accordance with a resolution of the Federal Executive:

Signature of designated officer:



Name of designated officer: Susan Hopgood

Title of designated officer: Federal Secretary

Date:

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 \$	2016 \$
Revenue from continuing operations	4	8,691,930	8,652,470
Other revenue	4	532,559	530,773
Expenses			
Administrative and other expenses	5	(521,261)	(378,811)
Capitation, affiliation fees and levies	6	(1,591,629)	(1,617,122)
Campaign and project expenses	7	(736,978)	(5,099,729)
Depreciation and amortisation	8	(8,372)	(14,464)
Employee expenses	9	(2,395,898)	(2,674,261)
ITF allocation		(88,000)	(88,000)
Legal and professional fees	10	(32,214)	(32,969)
Meeting and conference expenses	11	(320,425)	(286,631)
Publications	12	(699,677)	(689,172)
		<u>(6,394,454)</u>	<u>(10,881,159)</u>
Surplus (Deficit) for the year		<u>2,830,035</u>	<u>(1,697,916)</u>
Surplus (Deficit) attributable to the members		2,830,035	(1,697,916)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Gain on revaluation of investments		292,598	784,477
		<u>292,598</u>	<u>784,477</u>
Total comprehensive income for the year attributable to the members		<u>3,122,633</u>	<u>(913,439)</u>

AUSTRALIAN EDUCATION UNION - FEDERAL OFFICE
ABN 16 006 296 647

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	13	14,988,815	12,484,995
Trade and other receivables	14	278,416	234,850
Total current assets		15,267,231	12,719,845
Non-current assets			
Available-for-sale financial assets	15	4,383,937	4,089,787
Property, plant and equipment	16	27,123	30,422
Total non-current assets		4,411,060	4,120,209
Total assets		19,678,291	16,840,054
LIABILITIES			
Current liabilities			
Trade and other payables	17	134,792	179,285
Provisions	18	1,683,778	1,923,681
Total current liabilities		1,818,570	2,102,966
Total liabilities		1,818,570	2,102,966
Net assets		17,859,721	14,737,088
FUNDS			
Reserves	19	6,983,432	5,042,172
General fund	20	10,876,289	9,694,916
Total funds		17,859,721	14,737,088

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

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2017

	General Fund \$	Reserves \$	Total \$
Balance at 1 January 2016	8,794,828	6,855,699	15,650,527
Total comprehensive income for the year	(1,697,916)	-	(1,697,916)
Revaluation of financial assets	-	784,477	784,477
Transfer from general fund	<u>2,598,004</u>	<u>(2,598,004)</u>	<u>-</u>
Balance at 31 December 2016	<u>9,694,916</u>	<u>5,042,172</u>	<u>14,737,088</u>
Balance at 1 January 2017	9,694,916	5,042,172	14,737,088
Total comprehensive income for the year	2,830,035	-	2,830,035
Revaluation of financial assets	-	292,598	292,598
Transfer to (from) general fund	<u>(1,648,662)</u>	<u>1,648,662</u>	<u>-</u>
Balance at 31 December 2017	<u>10,876,289</u>	<u>6,983,432</u>	<u>17,859,721</u>

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts of capitation fees and levies (inclusive of GST)	25(a)	8,535,079	8,456,891
Receipts from controlled entities		-	-
Receipts of campaign contributions from branches (inclusive of GST)	25(b)	809,204	851,475
Sundry receipts		592,978	567,675
Payments to suppliers and employees (inclusive of GST)		(7,579,789)	(12,052,804)
Payments to controlled entities		-	-
Interest received		115,517	193,901
Net cash inflow (outflow) from operating activities	25(c)	<u>2,472,989</u>	<u>(1,982,862)</u>
Cash flows from investing activities			
Payment for property, plant and equipment		(5,073)	(16,138)
Proceeds from sales of property, plant and equipment		-	3,330
Net cash (outflow) from investing activities		<u>(5,073)</u>	<u>(12,808)</u>
Cash flows from financing activities			
Loan repayment received (advanced)		35,904	(36,984)
Net cash inflow (outflow) from financing activities		<u>35,904</u>	<u>(36,984)</u>
Net increase (decrease) in cash and cash equivalents		2,503,820	(2,032,654)
Cash and cash equivalents at beginning of financial year		12,484,995	14,517,649
Cash and cash equivalents at end of financial year	13(a)	<u>14,988,815</u>	<u>12,484,995</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the period presented, unless otherwise stated.

The financial report includes the separate financial statements for the Australian Education Union - Federal Office (The AEU-Federal Office).

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Fair Work (Registered Organisation) Act 2009*. The AEU-Federal Office is a not-for-profit entity for the purpose of preparing the financial statements.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost, except for certain assets and liabilities measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

Compliance with Australian Accounting Standards

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). A statement of compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) cannot be made due to the AEU-Federal Office applying not-for-profit specific requirements contained in the Australian Accounting Standards.

Early adoption of standards

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

New and amended standards adopted by the AEU-Federal Office

The AEU-Federal Office has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107, and
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the AEU-Federal Office's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1: Summary of significant accounting policies

(b) Taxation

AEU-Federal Office is exempt from income tax under section 50.1 of the Income Tax Assessment Act 1997 however still has obligation for Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

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

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

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

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified within operating cash flows.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of amounts collected on behalf of third parties.

The AEU-Federal Office recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the AEU-Federal Office and specific criteria have been met for each of the AEU-Federal Office's activities as described below. The amount of revenue is not considered to be reliably measurable until all relating contingencies have been resolved. The AEU-Federal Office bases its estimates on historical results, taking into consideration the type of member, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major operating activities as follows:

Affiliation and capitation fees and levies

Affiliation and capitation fees and levies are recognised on an accruals basis when the right to receive the fee or levy has been established.

Campaign contributions from branches

Campaign contributions from branches are recognised on an accruals basis when the right to receive the fee or levy has been established.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the AEU-Federal Office reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1: Summary of significant accounting policies (Continued)

(c) Revenue recognition (Continued)

Other revenue

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of Goods and Services Tax (GST).

(d) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(e) Investment in other financial assets

Classification

The AEU-Federal Office classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

The AEU-Federal Office does not hold any investments in the following categories: financial assets at fair value through profit or loss and held-to-maturity investments.

(i) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(ii) 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 are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Reclassification

The entity may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the entity may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the entity has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1: Summary of significant accounting policies (Continued)

(e) Investment in other financial assets (Continued)

Reclassification (Continued)

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the entity commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the entity has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities

Measurement

At initial recognition, the entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the entity's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations

Impairment

The entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1: Summary of significant accounting policies (Continued)

(e) Investment in other financial assets (Continued)

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the entity may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(f) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1: Summary of significant accounting policies (Continued)

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at historical cost less any accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Depreciation

The depreciable amount of all fixed assets including buildings are depreciated over their estimated useful lives to the AEU-Federal Office commencing from the time the asset is held ready for use.

Class of fixed asset	Depreciation rate	Depreciation basis
Office and computer equipment	20 -33%	diminishing value
Furniture and fittings	10%	straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the AEU-Federal Office prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

(i) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1: Summary of significant accounting policies (Continued)

(i) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The entity recognises termination benefits at the earlier of the following dates: (a) when the entity can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(j) Functional and presentation currency

Items included in the financial report are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial report is presented in Australian dollars, which is the AEU-Federal Office's functional and presentation currency.

(k) Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(l) Impairment of assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1: Summary of significant accounting policies (Continued)

(m) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the entity. The AEU-Federal Office's assessment of the impact of these new standards and interpretations is set out below:

Title of Standard	AASB 9 Financial Instruments
Nature of change	<p>AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:</p> <ol style="list-style-type: none"> a. Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> • the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI) • the remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <ul style="list-style-type: none"> • Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: • classification and measurement of financial liabilities; and • derecognition requirements for financial assets and liabilities. <p>AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.</p> <p>When this standard is first adopted for the year ending 31 December 2018, there will be no material impact on the transactions and balances recognised in the financial statements.</p>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1: Summary of significant accounting policies (Continued)

(m) New accounting standards and interpretations (Continued)	
Title of Standard	AASB 9 Financial Instruments (Continued)
Application date	Must be applied for financial years commencing on or after 1 January 2018. 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 2016. After that date, the new rules must be adopted in their entirety. The entity does not intend to adopt AASB 9 before its mandatory date.
Title of Standard	AASB 15 Revenue from Contracts with Customers
Nature of change	<p>AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:</p> <ul style="list-style-type: none"> – establishes a new revenue recognition model – changes the basis for deciding whether revenue is to be recognised over time or at a point in time – provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing) – expands and improves disclosures about revenue <p>In May 2016, the AASB issued ED 260 Income of Not-for-Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2016 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2017.</p> <p>At this stage, the entity is not able to estimate the effect of the new rules on the entity's financial statements. The entity will make more detailed assessments of the effect over the next twelve months.</p>
Application date	Mandatory for financial years commencing on or after 1 January 2018. At this stage, the entity does not intend to adopt the standard before its effective date.
Title of Standard	AASB 16 Leases
Nature of change	<p>AASB 16 was issued in February 2017. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.</p> <p>The standard will affect primarily the accounting for the entity's operating leases. As at the reporting date, the entity has non-cancellable operating lease commitments of \$33,638, see note 22. However, the entity 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 entity'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.</p>
Application date	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the entity does not intend to adopt the standard before its effective date.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

1: Summary of significant accounting policies (Continued)

(m) New accounting standards and interpretations (Continued)	
Title of Standard	AASB 1058 Income of Not-for-Profit Entities
Nature of change	<p>AASB 1058 clarifies and simplifies the income recognition requirements that apply to NFP entities, in conjunction with AASB 15 Revenue from Contracts with Customers. These Standards supersede all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contributions. Under AASB 1058, the timing of income recognition depends on whether a NFP transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.</p> <p>This standard applies when a NFP entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. In the latter case, the entity will recognise and measure the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment). Upon initial recognition of the asset, AASB 1058 requires the entity to consider whether any other financial statement elements (called 'related amounts') should be recognised, such as:</p> <ol style="list-style-type: none"> a. Contributions by owners; b. Revenue, or a contract liability arising from a contract with a customer; c. A lease liability; d. A financial instrument; or e. A provision. <p>These related amounts will be accounted for in accordance with the applicable Australian Accounting Standard.</p>
Application date	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the entity does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2: Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the AEU-Federal Office and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The AEU-Federal Office makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. None of the estimates and assumptions are expected to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

(b) Critical judgments in applying the AEU-Federal 's accounting policies

The following are the critical judgements that management has made in the process of applying the AEU-Federal Office's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Employee entitlements

Management judgements are applied in determining the following key assumptions in the calculation of long service leave at balance date:

- future increase in wages and salaries;
- future on-costs rates; and
- experience of employees departures and year of service.

3: Section 272 Fair Work (Registered Organisations) Act 2009

In accordance with the requirements of the *Fair Work (Registered Organisations) Act 2009* the attention of members is drawn to the provisions of subsection (1) to (3) of sections 272, which read as follows:

Information to be provided to members or Commissioner:

(1) a member of a reporting unit, or the Commissioner, may apply to the reporting unit for specified prescribed information in relation to the reporting unit to be made available to the person making the application.

(2) the application must be in writing and must specify the period within which, and the manner in which, the information is to be made available. The period must not be less than 14 days after the application is given to the reporting unit.

(3) a reporting unit must comply with an application made under subsection (1).

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

4: Revenue

	Notes	2017 \$	2016 \$
From continuing operations			
Affiliation fees & other levies	a	1,465,763	1,489,996
Campaign contributions from branches	b	735,640	774,068
Capitation fees	c	5,646,037	5,543,307
Library income		103,041	82,104
Publication income	d	94,086	108,215
Publication levy	e	647,363	654,780
		<u>8,691,930</u>	<u>8,652,470</u>
Other revenue			
Distribution received		129,379	127,341
Donations		-	-
Financial support from another reporting unit		-	-
Grants		-	-
Interest		158,669	183,331
ITF reimbursements		57,350	57,350
Rent		182,968	161,012
Other revenue		4,193	1,739
		<u>532,559</u>	<u>530,773</u>

(a) Affiliation fees & other levies

	2017 \$	2016 \$
ACT Branch	26,413	28,107
NSWTF Branch	467,664	476,211
NT Branch	11,899	14,931
QLD Branch	311,284	314,296
SA Branch	104,973	108,095
TAS Branch	44,473	46,106
VIC Branch	380,743	383,495
SSTUWA for the WA Branch	118,314	118,755
	<u>1,465,763</u>	<u>1,489,996</u>

The affiliation fees income represents the funding received or receivable from the branches for the ACTU and Education International Affiliations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

4: Revenue (Continued)

(b) Campaign contributions from branches

	2017	2016
	\$	\$
ACT Branch	13,256	14,036
NSWTF Branch	234,712	247,808
NT Branch	5,972	7,456
QLD Branch	156,228	166,952
SA Branch	52,684	53,980
TAS Branch	22,320	23,024
VIC Branch	191,088	201,508
SSTUWA for the WA Branch	59,380	59,304
	<u>735,640</u>	<u>774,068</u>

These contribution from branches are for the National Public Education Campaign.

(c) Capitation fees

	2017	2016
	\$	\$
ACT Branch	101,740	104,568
NSWTF Branch	1,801,415	1,771,670
NT Branch	45,835	55,547
QLD Branch	1,199,050	1,169,292
SA Branch	404,350	402,151
TAS Branch	171,306	171,529
VIC Branch	1,466,600	1,426,735
SSTUWA for the WA Branch	455,741	441,815
	<u>5,646,037</u>	<u>5,543,307</u>

(d) Publication income

	2017	2016
	\$	\$
Australian Educator	88,548	99,440
TAFE Teacher	5,538	8,775
	<u>94,086</u>	<u>108,215</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

4: Revenue (Continued)

(e) Publication levy

	2017 \$	2016 \$
ACT Branch	11,665	12,352
NSWTF Branch	206,547	209,271
NT Branch	5,255	6,561
QLD Branch	137,481	138,118
SA Branch	46,362	47,502
TAS Branch	19,642	20,261
VIC Branch	168,157	168,527
SSTUWA for the WA Branch	52,254	52,188
	<u>647,363</u>	<u>654,780</u>

This levy is for the publication of Australian Educator and TAFE Teacher.

5: Administration and other expenses

	2017 \$	2016 \$
Communication	40,243	53,295
Consideration to employers for payroll deductions	-	-
Donations:		
Total paid that were \$1,000 or less	2,090	2,791
Total paid that exceeded \$1,000	21,500	17,615
Grants:		
Total paid that were \$1,000 or less	-	-
Total paid that exceeded \$1,000	-	-
Insurance	30,924	29,533
Library	34,353	29,934
Occupancy costs	164,588	128,040
Penalties - via RO Act or RO Regulations	-	-
Postage, printing and stationary	54,743	58,927
Travel	59,469	15,351
Media Support	54,000	-
IT Support	17,537	-
Website	4,193	7,040
Loss on disposal of fixed assets	-	10,712
Other expenses	37,621	25,573
	<u>521,261</u>	<u>378,811</u>

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

6: Capitation, affiliation fees & levies

	Note	2017 \$	2016 \$
<i>Capitation fees</i>		-	-
<i>Affiliation fees</i>			
ACOSS		1,536	1,493
ACSA		218	218
Aust Council on Children & Media		191	191
ACTU		1,197,932	1,174,563
APHEDA		7,002	6,180
ATEA		155	109
AFTINET		240	200
Australian Anti-Base campaign		-	200
Australian Institute Employment Right		-	3,000
Education International		383,695	430,235
International Peace Bureau		-	253
ACFID		660	-
The Refugee Council of Australia		-	480
		<u>1,591,629</u>	<u>1,617,122</u>
<i>Compulsory levies</i>		-	-
<i>Total Capitation, affiliation and levies</i>		<u>1,591,629</u>	<u>1,617,122</u>

7: Campaign and project expenses

		2017 \$	2016 \$
Public education campaigns			
- Salaries & on-costs	9	-	1,048,408
- Other expenses		736,978	3,899,156
Total Public education campaigns		<u>736,978</u>	<u>4,947,564</u>
Workers Right Campaign		-	80,000
Research project and other campaigns		-	72,165
		<u>736,978</u>	<u>5,099,729</u>

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

8: Depreciation

	Note	2017 \$	2016 \$
<i>Depreciation of non-current assets</i>			
Office equipment		6,447	11,983
Furniture, fixtures and fittings		<u>1,925</u>	<u>2,481</u>
		<u>8,372</u>	<u>14,464</u>

9: Employee expenses

		2017 \$	2016 \$
Holders of office:			
Wages and salaries		516,641	500,921
Superannuation		78,998	76,593
Leave and other entitlements		108,534	102,818
Separation and redundancies		-	-
Other employee expenses		-	82
		<u>704,173</u>	<u>680,414</u>
Employees other than holders of office:			
Wages and salaries		1,734,967	2,870,130
Agreement bonus		6,000	-
Salaries reimbursement received (Seconded staff)		(218,400)	(218,400)
Casual wages		580	7,564
Superannuation		224,248	344,448
Leave and other entitlements		(359,092)	(218,898)
Separation and redundancies		-	-
Other employee expenses		10,234	5,515
		<u>1,398,537</u>	<u>2,790,359</u>
Other :			
Payroll tax		123,579	189,973
Workcover		21,259	31,331
Staff recruitment		129,070	-
Fringe benefit tax		18,272	28,017
Staff training		1,008	2,575
		<u>293,188</u>	<u>251,896</u>
Allocated to Public Education Campaigns	7	<u>-</u>	<u>(1,048,408)</u>
Total employee expenses		<u>2,395,898</u>	<u>2,674,261</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

10: Legal and professional fees

	2017 \$	2016 \$
Audit of the financial report	30,000	29,000
Legal fees		
- litigation	-	-
- other legal matters	2,214	3,969
	<u>32,214</u>	<u>32,969</u>

11: Meeting and conference expenses

	2017 \$	2016 \$
Allowances - meeting and conferences	119,251	113,736
Other meeting expenses	201,174	172,895
	<u>320,425</u>	<u>286,631</u>

12: Publications

	2017 \$	2016 \$
Australian Educator	625,687	616,769
TAFE Teacher	73,990	72,403
	<u>699,677</u>	<u>689,172</u>

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

13: Current assets – Cash and cash equivalents

	2017 \$	2016 \$
Cash on hand	4,131	4,131
Cash at bank	8,142,083	5,740,145
Term deposits	6,842,601	6,740,719
	<u>14,988,815</u>	<u>12,484,995</u>

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	<u>14,988,815</u>	<u>12,484,995</u>
Balances per statement of cash flows	<u>14,988,815</u>	<u>12,484,995</u>

14: Current assets – Trade and other receivables

	2017 \$	2016 \$
<i>Receivable from other reporting units</i>		
TAS Branch	18	-
NSWTF Branch	582	-
QTU	66	-
VIC Branch	4,450	-
SA Branch	-	780
SSTUWA for the WA Branch	-	2,210
	<u>5,116</u>	<u>2,990</u>
Less provision for impairment of receivables	-	-
	<u>5,116</u>	<u>2,990</u>
<i>Others</i>		
Prepayments	138,223	81,734
Amount due from ITF	1,276	37,180
Net GST refund	-	36,210
Other receivables	133,801	76,736
	<u>278,416</u>	<u>234,850</u>

Classification as trade and other receivables

(i) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as noncurrent assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

(ii) Other receivables

These amounts generally arise from transactions during the usual operating activities of the entity. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

(iii) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

15: Non-current assets – Available for sale financial assets

	2017 \$	2016 \$
Unlisted investments in unit trusts	<u>4,383,937</u>	<u>4,089,787</u>

These financial assets are carried at fair value.

These investments include the following surplus transferred to equity at reporting date:

Opening balance	4,089,787	3,303,661
Distribution capitalised	1,552	1,649
Increase in investment revaluation reserve	<u>292,598</u>	<u>784,477</u>
Closing balance	<u>4,383,937</u>	<u>4,089,787</u>

(a) The unit trust investment represents a 21.9% investment in the FEU Unit Trust which owns the building partly occupied by the AEU Federal Office and units in ACTU Member Connect Unit Trust.

16: Non-current assets – Property, plant and equipment

	2017 \$	2016 \$
Plant and equipment		
Office equipment		
At cost	46,147	41,074
Less accumulated depreciation	<u>(29,070)</u>	<u>(22,623)</u>
	<u>17,077</u>	<u>18,451</u>
Furniture, fixtures and fittings		
At cost	60,224	60,224
Less accumulated depreciation	<u>(50,178)</u>	<u>(48,253)</u>
	<u>10,046</u>	<u>11,971</u>
Total property, plant and equipment	<u><u>27,123</u></u>	<u><u>30,422</u></u>

(a) Non-current assets pledged as security

None of the non-currents assets are pledged as security.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

16: Non-current assets – Property, plant and equipment (Continued)

(b) Movements in carrying amounts

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

2016	Office equipment	Furniture, fittings and fixtures	Total
	\$	\$	\$
Opening net book amount	28,338	14,452	42,790
Additions	16,138	-	16,138
Disposals	(14,042)	-	(14,042)
Depreciation	(11,983)	(2,481)	(14,464)
Closing net book amount	<u>18,451</u>	<u>11,971</u>	<u>30,422</u>
	\$	\$	\$
2017	Office equipment	Furniture, fittings and fixtures	Total
Opening net book amount	18,451	11,971	30,422
Additions	5,073	-	5,073
Depreciation	(6,447)	(1,925)	(8,372)
Closing net book amount	<u>17,077</u>	<u>10,046</u>	<u>27,123</u>

17: Current liabilities – Trade and other payables

	2017 \$	2016 \$
<i>Unsecured:</i>		
Trade creditors	46,912	97,126
Legal cost		
- other legal matters	-	-
- litigation	-	-
Amount payables to other reporting units	-	-
Consideration to employers for payroll deductions	-	-
Amount due to ATO	36,368	-
Other payables and accruals	51,512	82,159
	<u>134,792</u>	<u>179,285</u>

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

18: Current liabilities – Provisions

	2017	2016
	\$	\$
Employee benefit obligations		
<i>Holders of office:</i>		
Annual leave	514,506	444,537
Long service leave	478,872	429,394
Separations and redundancies	-	-
Other	-	-
	<u>993,378</u>	<u>873,931</u>
<i>Employees other than holders of office:</i>		
Annual leave	186,283	365,266
Long service leave	437,465	617,573
Separations and redundancies	-	-
Other	-	-
	<u>623,748</u>	<u>982,839</u>
Other provision	<u>66,652</u>	<u>66,911</u>
Total provision	<u>1,683,778</u>	<u>1,923,681</u>

(a) Employee benefits - long service leave

Included in the employee benefits provision is a provision that has been recognised for future employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on an assessment of the individual employee's circumstances. The measurement and recognition criteria for employee benefits have been included in Note 1.

	Employee benefit obligations	Other provisions	Total
	\$	\$	\$
Balance at 1 January 2016	1,972,850	66,911	2,039,761
Charged to income statement	<u>(116,080)</u>	<u>-</u>	<u>(116,080)</u>
Balance at 31 December 2016	1,856,770	66,911	1,923,681
Charged to income statement	<u>(239,644)</u>	<u>(259)</u>	<u>(239,903)</u>
Balance at 31 December 2017	<u>1,617,126</u>	<u>66,652</u>	<u>1,683,778</u>

19: Reserves

		2017	2016
		\$	\$
Public education campaign reserve	(a)	3,634,107	2,035,445
Workers' rights campaign reserve	(b)	423,352	373,352
Available for sale investments revaluation reserve	(c)	2,791,773	2,499,175
Allocated funds reserve	(d)	<u>134,200</u>	<u>134,200</u>
		<u>6,983,432</u>	<u>5,042,172</u>

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

19: Reserves (Continued)

(a) Public education campaign reserve

	2017	2016
	\$	\$
Movements during the financial year:		
<i>Opening balance</i>	2,035,445	4,633,449
Funds received	735,640	744,068
Other	1,338	-
Funds allocated from general fund	<u>1,598,662</u>	<u>1,605,492</u>
	4,371,085	6,983,009
Funds spent (note 7)	<u>(736,978)</u>	<u>(4,947,564)</u>
<i>Closing balance</i>	<u><u>3,634,107</u></u>	<u><u>2,035,445</u></u>

The public education campaign fund reserve records funds set aside from the surplus for the purpose of funding future public education campaigns. Funds raised in a financial year that are not expended in that year are set aside in the reserve to be spent in future years.

(b) Workers rights campaign reserve

	2017	2016
	\$	\$
Movements during the financial year:		
<i>Opening balance</i>	373,352	373,352
Funds received	-	30,000
Funds allocated	<u>50,000</u>	<u>50,000</u>
	423,352	453,352
Funds spent	<u>-</u>	<u>(80,000)</u>
<i>Closing balance</i>	<u><u>423,352</u></u>	<u><u>373,352</u></u>

The worker rights campaign reserve records funds set aside from the surplus for the purpose of funding future worker rights campaigns.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

19: Reserves (Continued)

(c) Available for sale investment revaluation reserve

	2017	2016
	\$	\$
<i>Movements during the financial year:</i>		
Opening balance	2,499,175	1,714,698
Revaluation	292,598	784,477
Closing balance	<u>2,791,773</u>	<u>2,499,175</u>

Changes in fair value arising on translation of investments such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 1. Amounts are recognised in the income statement when the associated assets are disposed of or impaired.

(d) Allocated funds reserve

	2017	2016
	\$	\$
<i>Movements during the financial year:</i>		
<i>Opening balance</i>	134,200	134,200
Funds allocated	-	-
Funds transferred	-	-
	<u>134,200</u>	<u>134,200</u>
Funds spent	-	-
Funds transferred	-	-
	<u>-</u>	<u>-</u>
<i>Closing balance</i>	<u>134,200</u>	<u>134,200</u>

The allocated funds reserve records funds allocated from the surplus for the purpose of funding future projects.

20: General funds

	2017	2016
	\$	\$
<i>Movements in the general funds were as follows:</i>		
Opening balance	9,694,916	8,794,828
Net surplus (deficit) for the year	2,830,035	(1,697,916)
Transfer from (to) reserves	<u>(1,648,662)</u>	2,598,004
Ending balance	<u>10,876,289</u>	<u>9,694,916</u>

Apart from those recorded in the financial statements, no specific funds or accounts have been operated as part of the Federal Fund in respect of compulsory levies or voluntary contributions (Refer Note 28).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

21: Contingencies

Details of contingent liabilities where the probability of future payments is not considered remote are set out below. Provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	2017	2016
	\$	\$
Bank autopay facility	<u>-</u>	<u>30,000</u>

There are no other known contingent assets or liabilities at 31 December 2017.

22: Commitments

	2017	2016
	\$	\$
<i>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</i>		
Within one year	15,048	33,638
Later than one year but no later than five years	<u>56,430</u>	<u>-</u>
	<u><u>71,478</u></u>	<u><u>33,638</u></u>

General description of leasing arrangement:

Leases are for photocopiers, postage meters and rental property.

23: Events occurring after reporting date

No matter or circumstance has arisen since the end of the financial year to the date of this report, that has or may significantly affect the activities of the AEU-Federal Office, the results of those activities or the state of affairs of the AEU-Federal Office in the ensuing or any subsequent financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

24: Related party transactions

(a) Key management personnel

Members of Executive

(i) The Federal Executive is elected for a two-year term commencing on 1 March and ending two years later at the end of February. The names of the Federal Executive in office at any time during or since the end of the financial year are:

Federal Executive from 1 March 2016 to 28 February 2018

Name	Position	Name	Position
Erin Aulich	General Division	Kevin Bates **	General Division
Pat Byrne**	General Division	Carolyn Clancy	General Division
John Dixon **	General Division	Glenn Fowler	General Division
Pat Forward**	Deputy Federal Secretary	Shane Gorman	Principals Representative
Correna Haythorpe **	Federal President	Susan Hopgood **	Federal Secretary
Joan Lemaire	General Division	Martel Menz	Early Childhood Representative
Maurie Mulheron	Deputy Federal President	Justin Mullaly	General Division
Meredith Peace**	General Division	Samantha Pidgeon	General Division
		Michelle Purdy	Federal TAFE President
Helen Richardson	General Division	Michelle Rosicky	General Division
Jarvis Ryan	General Division	Howard Spreadbury	General Division
Jenny Swadling	General Division	Gary Zadkovich	General Division
Charline Emzin-Boyd	Aboriginal & Torres Strait Islander Representative		

** members of Finance Committee

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

24: Related party transactions

(a) Key management personnel (Continued)

(ii) Key management personnel remuneration

	2017	2016
	\$	\$
Short-term employee benefits		
Salary (including annual leave taken)	500,738	475,370
Annual leave	74,958	59,024
Accommodation benefit	24,861	25,390
Total short-term employee benefits	<u>600,557</u>	<u>559,784</u>
Post-employment benefits:		
Superannuation	78,998	76,593
Total post-employment benefits	<u>78,998</u>	<u>76,593</u>
Other long-term benefits:		
Long-service leave	49,479	69,345
Total other long-term benefits	<u>49,479</u>	<u>69,345</u>
Termination benefits	-	-
	-	-
Total	<u>729,034</u>	<u>705,722</u>

(iii) There were no loans between the key management personnel or the committee of management and the AEU-Federal Office.

(iv) There were no transactions between key management personnel or the committee of management and the AEU-Federal Office other than those relating to their membership of the AEU-Federal Office and reimbursement by the AEU-Federal Office in respect of expenses incurred by them in the performance of their duties. Such transactions have been on conditions no more favourable than those which is reasonable to expect would have been adopted by parties at arm's length.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

24: Related party transactions (Continued)

(b) Transactions with related parties

Sales of goods and services:

Capitation fees and levies received

Some capitation fee and levies are paid by associated entities of the affiliated branches as allowed by rule 11(7).

	2017	2016
	\$	\$
<i>Administration fees received</i>		
From the Australian Education Union International Trust Fund	57,350	57,350
<i>Rent received</i>		
From the Federation of Education Unions Unit trust	182,968	161,012
<i>Purchases of goods and services:</i>		
<i>Outgoings paid</i>		
To the Federation of Education Unions Unit trust	164,588	128,040
<i>Superannuation contributions</i>		
Defined contribution superannuation contributions on behalf of employees	303,245	332,048

(c) Outstanding balances arising from sales and purchases of goods and services:

These balances are disclosed in the "Trade receivables" and "Trade payables" notes to the accounts. No provision for impairment has been raised in relation to any of these outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(d) Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances for sales and purchases at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, the entity has not recorded any impairment of receivables relating to : owed by related parties and declared person or body (2016: \$Nil). This assessment is undertaken each financial year examining the financial position of the related party and the market in which the related party operates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

25: Cash flow information

(a) Receipts of affiliation, capitation fees and levies (inclusive of GST)

	2017	2016
	\$	\$
ACT Branch	153,799	159,530
NSWTF Branch	2,723,187	2,702,866
NT Branch	69,289	84,743
QLD Branch	1,812,596	1,783,877
SA Branch	611,253	613,523
TAS Branch	258,962	261,685
VIC Branch	2,217,051	2,176,632
SSTUWA for the WA Branch	688,942	674,035
	<u>8,535,079</u>	<u>8,456,891</u>

(b) Receipts of campaign contributions from branches (inclusive of GST)

	2017	2016
	\$	\$
ACT Branch	14,582	15,440
NSWTF Branch	258,183	272,589
NT Branch	6,569	8,202
QLD Branch	171,851	183,647
SA Branch	57,952	59,378
TAS Branch	24,552	25,326
VIC Branch	210,197	221,659
SSTUWA for the WA Branch	65,318	65,234
	<u>809,204</u>	<u>851,475</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

25: Cash flow information (Continued)

(c) Reconciliation of cash flow from operations with the surplus (deficit) for the year

	2017	2016
	\$	\$
Surplus (Deficit) for the year	2,830,035	(1,697,916)
<i>Non-cash flows in surplus (deficit)</i>		
Depreciation	8,372	14,464
Loss on disposals of fixed assets	-	10,712
Non-cash distribution	(1,552)	(1,649)
<i>Changes in assets and liabilities</i>		
(Increase) in trade and other receivables	(79,471)	(32,078)
(Decrease) in payables	(44,492)	(160,315)
(Decrease) in provisions	(239,903)	(116,080)
Cash flows from operations	<u>2,472,989</u>	<u>(1,982,862)</u>

(d) Liabilities from Financing Activities

The AEU-Federal Office does not have any liabilities from financing activities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

26: Wage recovery activities

All wage recovery activity has resulted in payments being made directly to members by employers. The AEU-Federal Office has not derived any revenue in respect of these activities.

27: Other information

(i) Going Concern

The AEU-Federal Office's ability to continue as a going concern is not reliant on financial support from another reporting unit.

(ii) Financial Support

No financial support has been provided to another reporting unit to ensure that it continues as a going concern.

(iii) Acquisition of assets and liability under specific sections:

The entity did not acquire any asset or a liability during the financial year as a result of:

- an amalgamation under part 2 of Chapter 3, of the RO Act;
- a restructure of the Branches of the organisation;
- a determination by the General Manager under s245(1) of the RO Act;
- a revocation by the General Manager under s249(1) of the RO Act;

(iv) Acquisition of assets and liability as part of a business combination:

If assets and liabilities were acquired during the financial year as part of a business combination, the requirement of the Australian Accounting Standards will be complied with. No such acquisition has occurred during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

28: International Trust Fund

In addition to the Federal Fund established under Rule 61 and to which these financial statements relate, the following separate funds have been established by the Rules:

1. Branch Funds established by Rule 62
 (each branch prepares and lodges its own financial statements with FWC)
2. International Trust Fund (ITF) established by Rule 67
 (the ITF, being a fund separate from the Federal Fund prepares its own financial statements which are published on the AEU website)

In terms of Rule 67 (3), the objects of the International Trust Fund shall be:-

- a) To promote the exchange of information and understanding between teachers and their organisations in Australia and in other countries;
- b) To promote the development of united and effective teachers' organisations throughout the world and to assist them in times of crisis;
- c) To further the development of education and the professional development of teachers;
- d) To seek the extension of educational opportunities to all children in the world; and
- e) To promote peace, international co-operation and understanding and respect of human rights

A summary of the financial statements of the ITF is presented below:

	Note	2017	2016
		\$	\$
Summarised balance sheet			
Current assets		2,971,266	1,493,142
Non-current assets		-	1,420,247
Total assets		<u>2,971,266</u>	<u>2,913,389</u>
Current liabilities		<u>29,085</u>	<u>73,696</u>
Total liabilities		<u>29,085</u>	<u>73,696</u>
Net assets		<u>2,942,181</u>	<u>2,839,693</u>
Summarised income and expenditure statement			
		2017	2016
		\$	\$
REVENUE			
Contributions	28a	729,758	721,046
Investment income		54,653	54,293
Other income		-	-
TOTAL REVENUE		<u>784,411</u>	<u>775,339</u>
TOTAL EXPENDITURE		<u>681,923</u>	<u>805,886</u>
EXCESS OF REVENUE OVER EXPENDITURE (EXPENDITURE OVER REVENUE)		<u>102,488</u>	<u>(30,547)</u>

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

28: International Trust Fund (Continued)

Summarised cash flows	2017 \$	2016 \$
Net cash inflow (outflow) from operating activities	133,809	(184,877)
Net cash (outflow) inflow from financing activities	<u>(35,904)</u>	<u>36,984</u>
Net increase (decrease) in cash and cash equivalents	<u>97,905</u>	<u>(147,893)</u>

(a) Contributions

	2017 \$	2016 \$
ACT Branch	16,868	15,252
NSWTF Branch	160,000	160,000
Federal Fund	88,000	88,000
NT Branch	7,280	7,229
QLD Branch	100,000	100,000
SA Branch	60,000	60,000
TAS Branch	20,000	18,000
VIC Branch	192,000	192,000
SSTUWA for the WA Branch	85,610	80,565
	<u>729,758</u>	<u>721,046</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

29: Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, other price risks and aging analysis for credit risk. Risk management is carried out by management under policies approved by Committee of Management. The Committee of Management identifies, evaluates and hedges financial risks as part of regular meetings. This identification and analysis includes an analysis of interest rate exposure and the evaluation of strategies in the context of most recent economic conditions.

(a) Market risk

(i) Foreign exchange risk

The entity is not exposed to foreign exchange risk.

(ii) Price risk

The entity is exposed to equity securities price and commodity price risk.

(iii) Cash flow and fair value interest rate risk

The AEU-Federal Office has no borrowings and is therefore not exposed to interest rate risk on liabilities. The AEU-Federal Office has investments in a variety of interest-bearing assets and the AEU-Federal Office's income and operating cash flows are exposed to changes in market interest rates for assets.

Sensitivity analysis

As at 31 December 2017 the effect on the surplus as a result of changes in interest rates, with all other variables remaining constant, would be as follows:

	2017	2016
<i>Effect on results:</i>	\$	\$
Increase of interest rates by 2%	299,693	249,617
Decrease of interest rates by 2%	(299,693)	(249,617)

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. Cash transactions are limited to high credit quality financial institutions. Currently the investments are held in Australian banks. The AEU-Federal Office has no significant concentrations of credit risk. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. The credit quality of financial assets can be assessed by reference to external credit ratings as follows:

	2017	2016
Cash at bank	\$	\$
<i>AA- Rating</i>	7,934,885	5,561,912
<i>BBB Rating</i>	207,199	178,233
Term deposits		
<i>AA- Rating</i>	4,723,075	4,671,639
<i>BBB</i>	2,119,942	2,069,079

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2017

29: Financial risk management (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions

Maturity profile of financial instruments

The maturity profile of financial assets and liabilities held are detailed below:

2017

	Weighted Average Interest rate %	Floating Interest rate \$	1 year or less \$	1 to 2 years \$	2 to 5 years \$	Over 5 years \$	Non Interest bearing \$	Total \$
Financial Assets								
Cash on hand		-	-	-	-	-	4,131	4,131
Cash at banks	0.15	8,142,083	-	-	-	-	-	8,142,083
Deposits at banks	2.12	-	6,842,601	-	-	-	-	6,842,601
Other receivables Available for sale financial assets		-	-	-	-	-	140,193	140,193
		-	-	-	-	-	4,383,937	4,383,937
		<u>8,142,083</u>	<u>6,842,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,528,261</u>	<u>19,512,945</u>
Financial Liabilities								
Trade & other payables		-	-	-	-	-	134,792	134,792
		-	-	-	-	-	134,792	134,792
Net Financial Assets		<u>8,142,083</u>	<u>6,842,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,393,469</u>	<u>19,378,153</u>

2016

	Weighted Average Interest rate %	Floating Interest rate \$	1 year or less \$	1 to 2 years \$	2 to 5 years \$	Over 5 years \$	Non Interest bearing \$	Total \$
Financial Assets								
Cash on hand		-	-	-	-	-	4,131	4,131
Cash at banks	0.24	5,740,145	-	-	-	-	-	5,740,145
Deposits at banks	2.05	-	6,740,719	-	-	-	-	6,740,719
Other receivables Available for sale financial assets		-	-	-	-	-	153,116	153,116
		-	-	-	-	-	4,089,787	4,089,787
		<u>5,740,145</u>	<u>6,740,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,247,034</u>	<u>16,727,898</u>
Financial Liabilities								
Trade & other payables		-	-	-	-	-	179,285	179,285
		-	-	-	-	-	179,285	179,285
Net Financial Assets		<u>5,740,145</u>	<u>6,740,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,067,749</u>	<u>16,548,613</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

29: Financial risk management (Continued)

(d) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The AEU-Federal Office does not presently have such arrangement in place.

30: Fair value measurement

(a) Financial assets and liabilities

Management of the reporting unit assessed that cash, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair value of financial assets and liabilities is included at the amount which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate the fair values:

- Fair values of the reporting unit's interest-bearing borrowings and loans are determined by using a discounted cash flow method. The discount rate used reflects the issuer's borrowing rate as at the end of the reporting period. The own performance risk as at 31 December 2017 was assessed to be insignificant.
- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.
- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the entity based on parameters such as interest rates and individual credit worthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2017 the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

The following table contains the carrying amounts and related fair values for the entity financial assets and liabilities:

	Carrying amount 2017 \$	Fair value 2017 \$	Carrying amount 2016 \$	Fair value 2016 \$
Financial Assets				
Cash and cash equivalents	14,988,815	14,988,815	12,484,995	12,484,995
Trade and other receivables	278,416	278,416	234,850	234,850
Total	15,267,231	15,267,231	12,719,845	12,719,845
Financial Liabilities				
Trade and other payables	134,792	134,792	179,285	179,285
Total	134,792	134,792	179,285	179,285

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

30: Fair value measurement (Continued)

The entity measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Available-for-sale financial assets

The entity has also measured assets and liabilities at fair value on a non-recurring basis as a result of the reclassification of assets as held for sale.

(b) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Recognised fair value measurements

The following table presents the entity's assets and liabilities measured and recognised at fair value at 31 December 2017. Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new rules.

	Level 1		Level 2		Level 3		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$		\$		\$		\$	
Assets								
Available-for-sale financial assets	-	-	4,383,937	4,089,787	-	-	4,383,937	4,089,787
Financial assets through profit and loss	-	-	-	-	-	-	-	-
Total assets	<u>-</u>	<u>-</u>	<u>4,383,937</u>	<u>4,089,787</u>	<u>-</u>	<u>-</u>	<u>4,383,937</u>	<u>4,089,787</u>

There were no transfers between Level 1, Level 2 and Level 3 in 2017 or 2016.

The entity also has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

30: Fair value measurement (Continued)

(c) Valuation techniques used to derive level 2 and level 3 fair values

(i) Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(ii) Non-recurring fair value measurements

The entity does not have assets in this category.

COMMITTEE OF MANAGEMENT STATEMENT

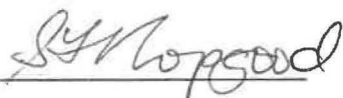
On the 22nd of February 2018, the Committee of Management of the Australian Education Union - Federal Office passed the following resolution in relation to the general purpose financial report (GPFR) for the year ended 31 December 2017:

The Committee of Management declares that in its opinion:

1. the financial statements and notes comply with Australian Accounting Standards;
2. 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);
3. 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;
4. 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
5. during the financial year to which the GPFR relates and since the end of that year:
 - a. meetings of the committee of management were held in accordance with the rules of the organisation including the rules of a branch concerned; and
 - b. 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
 - c. the financial records of the reporting unit have been kept and maintained in accordance with the RO Act; and
 - d. 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 manner consistent with each of the other reporting units of the organisation; and
 - e. 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 has been provided to the member or Commissioner; and
 - f. 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
6. 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 Committee of Management

Designated Officer



Susan Hopgood – Federal Secretary

Dated :

22 / 02 / 18

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN EDUCATION UNION – FEDERAL OFFICE

Report on Audit of the Financial Report

Opinion

We have audited the financial report of the Australian Education Union – Federal Office which comprises the balance sheet as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statement including a summary of significant accounting policies and other explanatory information and the Committee of Management Statement.

In our opinion:

- (i) the accompanying financial report of Australian Education Union – Federal Office:
- a) presents fairly, in all material respects, the financial position of Australian Education Union – Federal Office as at 31 December 2017 and the results of its operations, its changes in equity and cash flows for the year then ended; and
 - b) complies the Australian Accounting Standards; and
 - c) complies with any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009*.
- (ii) the Committee of Management's use of the going concern basis of accounting in the preparation of the entity's financial statements 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the entity in accordance with auditor independent requirements of ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 Code of Ethics for Professional Accountants (the "Code") that are relevant to our audit of the financial report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN EDUCATION UNION – FEDERAL OFFICE (Continued)

Information Other than the Financial Report and Auditor's 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. If, based on the work we have performed, 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.

Committee of Management 's responsibility for the financial report

The Committee of Management is 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 Management 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 Management is responsible for assessing the entity'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 Management either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor 's responsibility 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 this financial report.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
AUSTRALIAN EDUCATION UNION – FEDERAL OFFICE (Continued)**

ABN 96 006 935 459

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee of Management.
- Conclude on the appropriateness of the Committee of Management s' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial statements represent 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 activities within the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

I declare that I am an approved auditor, a member of The Chartered Accountants Australia and New Zealand and hold a current Public Practice Certificate.

BGL Partners
Chartered Accountants

I. A. Hinds - C.A. - Partner

Registration number (as registered by the RO Commissioner under the RO Act): AA2017/87

22 February 2018
Melbourne

SECRETARY'S CERTIFICATE

I, SUSAN LOUISE HOPGOOD, Federal Secretary, Australian Education Union do certify that:

1. I am an Officer authorised by the AEU Rules to lodge these documents.
2. The Federal Executive of the AEU held a meeting in accordance with the rules on 22 February 2018 at which the Executive passed a resolution concerning the accounts as presented.

The copy of the AEU Financial Report being lodged is the document that was provided to members on the AEU website www.aeufederal.org.au on and from 26 February 2018. Notification of the availability of the Report was published in the Autumn Edition of the AEU national magazine *The Australian Educator*.

3. The copy of the full report being lodged is the document presented to the meeting of the Federal Executive of the AEU on 28 March 2018.



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SUSAN LOUISE HOPGOOD
10 April 2018