



**Australian Government**  
**Australian Industrial Registry**

Level 35, Nauru House  
80 Collins Street, Melbourne, VIC 3000  
GPO Box 1994S, Melbourne, VIC 3001  
Telephone: (03) 8661 7799  
Fax: (03) 9654 6672

Mr Richard Higgins  
President  
Australian Federation of Air Pilots  
Level 6, 132 -136 Albert Rd  
SOUTH MELBOURNE VIC 3205

Dear Mr Higgins,

**Re: Financial Documents for year ended 30 June 2004 - FR2004/636**  
**Schedule 1B - Workplace Relations Act 1996 (RAO Schedule)**

I acknowledge receipt of the financial report of the Australian Federation of Air Pilots for the year ended 30 June 2004. The documents were lodged in the Industrial Registry on 14 January 2005.

I also acknowledge receipt of a signed copy of the auditor's report that was received in the Registry on 5 April 2005

The documents have been filed.

**Comments to assist future financial reports**

The following comments may assist you when you next prepare financial reports. No further action is required regarding these issues with respect to the financial documents already lodged.

**Timing of financial documents - Auditor's Report**

The RAO Schedule sets out a particular chronological order in which financial documents must be prepared, made available to members and presented to a meeting. It appears that the lodged documents may not have fully complied with these requirements.

In particular, it is unclear whether the auditor's report was signed and dated *before* the financial documents were provided to members and presented to the Committee of Management meeting as required by the RAO Schedule. Accordingly, in future financial years the organisation should ensure that the Auditor's Report is signed and dated within the prescribed timeframe - see the enclosed *Timeline* at Attachment A.

**Documents to be presented to a general meeting of members**

The Secretary's Certificate states that the full financial report was presented to a meeting of the Committee of Management rather than a general meeting of members - this may not be in accord with the RAO Schedule.

The standard obligation under subsection 266(1) of the RAO Schedule requires the full financial report to be presented to a general meeting of members within 7 months of the end of the financial year. It is only permissible to present the report directly to a Committee of Management meeting where the rules of an organisation contain a provision that allows up to 5% of members to demand a general meeting to be held to consider the report (see s266(3)).

While it is noted that the organisation recently altered its rules to include the provision under s266(3) the Registrar concluded that the rule would not achieve its purpose - see Attachment B.

Accordingly, if in future financial years the organisation wishes to present the financial report to the Committee of Management rather than a general meeting it will be necessary for the rules to be further altered to fulfill the requirements of s266(3). To assist this process, the Registry can provide advice and/or assistance regarding any draft rules the organisation may wish to submit on this issue.

If you have any queries please contact me on (03) 8661 7799.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Andrew Schultz', written over a thin horizontal line.

Andrew Schultz  
Statutory Services Branch

7 April 2005

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Australian Government  
Australian Industrial Registry

Level 35, Nauto House  
80 Collins Street, Melbourne, VIC  
3000  
GPO Box 19945, Melbourne, VIC  
3001  
Telephone: (03) 8851 7788  
Fax: (03) 9654 6572

Capt. R Higgins  
President  
Australian Federation of Air Pilots  
132-136 Albert Road  
SOUTH MELBOURNE Vic 3205

Attn: Ms K Bowshell

Dear Capt Higgins,

**Alteration of Rules - s159 of Schedule 1B of 205 Workplace Relations Act 1996 [R 2004/494]**

I refer to your letter and written statement of 22 November 2004, and the accompanying notice setting out particulars of alterations to the rules of the Australian Federation of Air Pilots (the 'Federation'), being alterations to rules 4.6(c), and 25, the deletion of rule 4.1(i) and the insertion of new rule 16. The alterations were lodged in the Industrial Registry on 29 November 2004. I have also received Ms Bowshell's submission of 16 December 2004 concerning the abolition of the Overseas Pilot Council.

The alterations have been certified. My certificate is enclosed.

It is important that I comment on the alteration to rule 4.6(c), which I note has emanated from advice provided by this office suggesting an appropriate alteration in order to utilise the terms of subsection 266(3) of Schedule 1B of the Workplace Relations Act 1996. While I have certified the alteration to rule 4.6(c) [because there is no reason to refuse it] I am not satisfied that it will achieve its purpose. This is because the Federation is a whole reporting unit. The branches are not discrete reporting units. The alteration is predicated on a requisition of 5% of members of a Branch petitioning a meeting of the Branch, whereas subsection 266(3) is, in my view, directed to a percentage of members of a reporting unit seeking a meeting of that reporting unit, in this case, the whole of the Federation. I also note in this regard that there is insufficient provision in the rules for a general meeting of all members of the Federation. The advice from the Registry in this respect is regretted, and I apologise for any inconvenience caused to the Federation.

Please note that as a consequence of an intervening alteration there are now two rules enumerated as Rule 16.

The documentation comprising this rule alteration matter will be available for public inspection on the Commission's website at [www.e-airc.gov.au/282v](http://www.e-airc.gov.au/282v).

Yours sincerely,

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

Terry Nassios  
Deputy Industrial Registrar  
20 December 2004



**AUSTRALIAN FEDERATION OF AIR PILOTS**  
(Member of the International Federation of Airline Pilots Associations)

TEL: (03) 9699 4200

FAX:(03) 9699 8199

Email: martin@afap.com.au

**FACSIMILE**

**TO: Andrew Schulze**  
**Australian Industrial Relations Commission**  
**Fax: (03) 96546672**

**FROM: Martin Reid**  
**Industrial Officer**

**DATE: 5 April 2005**

**SUBJECT: Signed copy of Independent Auditor Report**

**PAGES (including this one) ..... 2**

**Andrew**

**As discussed, we enclose a signed copy of the Independent audit report to the members of the Australian Federation of Air Pilots compiled by PricewaterhouseCoopers.**

**If you have any queries in relation to this report please contact me on (03) 9669 4200.**

**Regards**

**Martin Reid**  
**Industrial Officer**



**PricewaterhouseCoopers**  
333 Collins Street  
MELBOURNE VIC 3000  
GPO Box 1331L  
MELBOURNE VIC 3001  
DX 77 Melbourne  
Australia  
[www.pwcglobal.com/au](http://www.pwcglobal.com/au)  
Telephone 61 3 8603 1000  
Facsimile 61 3 8603 1999

## **Independent audit report to the members of AUSTRALIAN FEDERATION OF AIR PILOTS**

### **Audit opinion**

In our opinion, the financial report of the Australian Federation of Air Pilots ("the Federation"):

- gives a true and fair view of the financial position of the Federation as at 30 June 2004 and of its performance for the year ended on that date, and
- is presented in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia.

This opinion must be read in conjunction with the rest of our audit report.

### **Inherent Uncertainty Regarding Continuation as a Going Concern**

Without qualification to the opinion expressed above, attention is brought to the following matter.

In Note 18 to the financial statements, reference is made to certain events that resulted in contingent liabilities to the Federation amounting to at least \$7,500,000. These contingent liabilities arose from the Federation's representation of some of its members in an industrial dispute. If the ultimate resolution of these contingent liabilities is unfavourable to the Federation, it is unlikely that the Federation will be able to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Federation be unable to continue as a going concern.

### **Scope**

#### **The financial report and committee of management member' responsibility**

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, operating report and the committee of management statement, for the year ended 30 June 2004.

The members of the committee of management are responsible for the preparation and true and fair presentation of the financial report. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.



### **Audit approach**

We conducted an independent audit in order to express an opinion to the members of the Federation. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Federation's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by the members of the committee of management or management.

### **Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

A large, stylized handwritten signature in cursive script that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in cursive script that reads "Chris Dodd".

Chris Dodd  
Partner

Melbourne  
December 2004

FR2004/636

**AUSTRALIAN FEDERATION  
OF AIR PILOTS**



MEMBER OF THE  
INTERNATIONAL FEDERATION OF  
AIR LINE PILOTS' ASSOCIATION

*President:*  
Richard Higgins

*Executive Director:*  
Terry O'Connell

The Industrial Registrar  
Australian Industrial Registry  
Level 35 Nauru House  
GPO Box 1994S  
MELBOURNE VIC 3001

By fax: 03 9654 6672  
**Attention: Andrew O'Brien**

Dear Registrar,

**Australian Federation of Air Pilots – Financial Statements**

Please find attached the Federation's Financial Statements and Auditor's Report for the financial year ending 30 June 2004, together with a certificate under s.268 from the President, Captain Richard Higgins.

I will be leaving the Federation this Friday, 14 January 2005. Therefore, if you have any questions, please contact Martin Reid of this office on 03 9699 4200.

Yours sincerely,

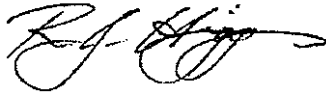
Kate Bowshell  
**Industrial Officer**

11 January 2005

**Level 6, 132-136 Albert Road, South Melbourne, Victoria 3205**  
**Tel: (03) 9699 4200 Fax: (03) 9699 8199**  
**Email: admin@afap.org.au**

**CERTIFICATION PURSUANT TO SUBSECTION 268  
OF THE WORKPLACE RELATIONS ACT 1996 SCHEDULE 1B**

I, Richard Higgins, President of the Australian Federation of Air Pilots hereby certify that the attached documents are copies of the auditors report, accounts and statements provided to members by publication on the Federation's website on 16 December 2004 and presented to the Committee of Management on 29 December 2004 in accordance with section 266 of *Schedule 1B* of the *Workplace Relations Act 1996*.



.....  
Captain Richard Higgins

**5 January 2005**



**AUSTRALIAN FEDERATION OF AIR PILOTS**  
**ABN 63 230 452 036**

**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2004**

**AUSTRALIAN FEDERATION OF AIR PILOTS**  
**ABN 63 230 452 036**

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**AUSTRALIAN FEDERATION OF AIR PILOTS**

ABN 63 230 452 036

**OPERATING REPORT**

Your Committee of Management present their report on the company for the financial year ended 30 June 2004.

**Members of Committee**

The names of the members of the Committee of Management in office at any time during or since the end of the financial year are:

R J Higgins

C Terry

T Russel (Until September 2003)

G Abbott

G Love

P O'Doherty

J Grady (From September 2003)

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

**Operating Results**

The surplus from operations of the Australian Federation of Air Pilots (the Federation) for the financial year amounted to \$263,500.

**Review of Operations**

A review of the operations of the Federation during the financial year and the results of those operations found that during the year, the Federation continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

**Significant Changes in State of Affairs**

No significant changes in the state of affairs of the Federation occurred during the financial year.

**Principal Activity**

The principal activity of the the Federation during the financial year was the protection and improvement of employment conditions for its members.

No significant change in the nature of these activities occurred during the year.

**Membership and Employee Numbers**

As at 30 June 2004 the Federation had 2,480 (2003 - 2,015) members and 8 (30 June 2003 - 8) employees.

**AUSTRALIAN FEDERATION OF AIR PILOTS**

**OPERATING REPORT (continued)**

**Members Rights to Resign**

A member of the Federation may resign from membership by written notice addressed to and delivered to the Vice President (Administration and Finance). The notice of resignation takes effect:

- (i) where the member ceases to be eligible to become a member of the Federation: (i) on the day on which the notice is received by the Federation , or (ii) on the day specified in the notice, whichever is later.
- (ii) in any other case, (1) at the end of 2 weeks after the notice is received by the Federation, or (ii) the day specified in the notice, whichever is later.

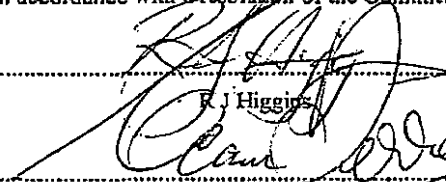
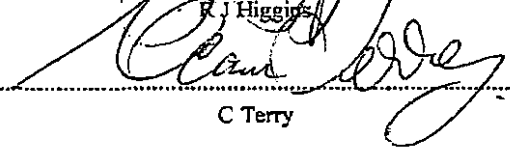
**Superannuation Trustee**

As at 30 June 2004 the following people held positions in the Aviation Industry Superannuation Trust by virtue of their office or membership of the Federation:

R J Higgins - Director

L Cox - Chairman .

Signed in accordance with a resolution of the Committee of Management:

.....  
  
 R J Higgins  
 .....  
  
 C Terry

Signed at:

Dated: 9 December 2004

**AUSTRALIAN FEDERATION OF AIR PILOTS**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	2004 \$	2003 \$
Revenues from ordinary activities	2	1,154,926	918,751
Administration expenses		(108,119)	(103,520)
Audit fees		(11,205)	(10,140)
Bank charges and interest		(12,490)	(8,908)
Communication expenses		(34,128)	(23,451)
Depreciation	3	(27,457)	(20,527)
Donations		-	(30)
Finance costs		(12,570)	(11,752)
IFALPA		(38,576)	(23,450)
Industrial matters		(75,210)	(98,187)
Legal fees		(28,625)	(8,524)
Meetings and conferences		(30,205)	(22,944)
Occupancy costs		(9,066)	(5,654)
Staff costs	4	(474,134)	(414,207)
Technical expenses		(4,761)	(2,937)
Welfare expenses	1(e)	(24,880)	(20,220)
		<u>(891,426)</u>	<u>(774,451)</u>
Surplus from ordinary activities		<u>263,500</u>	<u>144,300</u>

**The above Statement of Financial Performance should be read in conjunction with the accompanying notes.**

## AUSTRALIAN FEDERATION OF AIR PILOTS

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2004

	Notes	2004 \$	2003 \$
<b>CURRENT ASSETS</b>			
Cash assets	5	1,094,069	783,314
Receivables	6	1,618	5,533
Other	7	<u>11,166</u>	<u>11,167</u>
<b>TOTAL CURRENT ASSETS</b>		<u><b>1,106,853</b></u>	<u><b>800,014</b></u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	<u>279,832</u>	<u>290,219</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u><b>279,832</b></u>	<u><b>290,219</b></u>
<b>TOTAL ASSETS</b>		<u><b>1,386,685</b></u>	<u><b>1,090,233</b></u>
<b>CURRENT LIABILITIES</b>			
Payables	9	75,882	71,983
Provisions	10	<u>94,894</u>	<u>98,407</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u><b>170,776</b></u>	<u><b>170,390</b></u>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	10	<u>141,346</u>	<u>133,010</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u><b>141,346</b></u>	<u><b>133,010</b></u>
<b>TOTAL LIABILITIES</b>		<u><b>312,122</b></u>	<u><b>303,400</b></u>
<b>NET ASSETS</b>		<u><b>1,074,563</b></u>	<u><b>786,833</b></u>
<b>MEMBERS' FUNDS</b>			
Reserves	11	162,418	136,641
Retained surplus	12	<u>912,145</u>	<u>650,192</u>
<b>TOTAL MEMBERS' FUNDS</b>		<u><b>1,074,563</b></u>	<u><b>786,833</b></u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**AUSTRALIAN FEDERATION OF AIR PILOTS**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	2004 \$	2003 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from operations (inclusive of GST)		1,199,108	941,820
Payments to suppliers and employees (inclusive of GST)		(926,203)	(795,333)
Interest received		52,510	33,345
Welfare payments made		-	(15,000)
<b>Net cash inflows from operating activities</b>	16 (a)	<u><b>325,415</b></u>	<u><b>164,832</b></u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Rental income		2,410	29,900
Payments for property, plant and equipment		(17,070)	(39,659)
<b>Net cash inflows/(outflows) from investing activities</b>		<u><b>(14,660)</b></u>	<u><b>(9,759)</b></u>
<b>Net increase in cash held</b>		<b>310,755</b>	<b>155,073</b>
Cash at the beginning of the financial year		<u><b>783,314</b></u>	<u><b>628,241</b></u>
<b>Cash at the end of the financial year</b>	5	<u><b>1,094,069</b></u>	<u><b>783,314</b></u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## AUSTRALIAN FEDERATION OF AIR PILOTS

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Australian Federation of Air Pilots (the Federation) is a registered body under the Workplace Relations Act 1996. The purpose of the Federation is to protect and improve employment conditions and entitlements for members.

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

Except as noted below, the financial report has been prepared on an accruals basis and is based on historical costs. Cost is based on the fair values of the consideration given in exchange for assets.

#### (a) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less accumulated depreciation.

##### *Property*

Freehold land and buildings are measured on the cost basis. The carrying amount is reviewed annually by the Committee of Management to ensure that it is not in excess of the recoverable amount of the assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and their subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

##### *Plant and equipment*

Plant and equipment is measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by the Committee of Management to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and their subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

##### *Depreciation*

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

The expected useful lives are as follows:

Class of fixed asset	Depreciation rates/useful lives	Depreciation basis
Buildings	2.5 %	Straight Line
Motor Vehicles	7.5-15 %	Straight Line
Office Equipment	7.5-33 %	Straight Line
Furniture, Fixtures and Fittings	7.5 %	Straight Line
Computer Equipment	33 %	Straight Line

#### (b) Employee Benefits

Provision is made for the Federation's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Federation to an employee superannuation fund and are charged as expenses when incurred.



**AUSTRALIAN FEDERATION OF AIR PILOTS****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(c) Cash**

Cash includes cash on hand, at bank and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months which are readily convertible to cash on hand and are subject to an insignificant risk of change in value.

**(d) Revenue**

(i) Subscription income is recognised only when received rather than on an accruals basis due to the uncertainty of receipts from members,

(ii) 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).

**(e) Welfare Payments**

In accordance with a Convention Resolution, ex gratia payments may be made to dependents of members at the discretion of the trustees. Based upon a formula detailed in the rules of the Federation, a yearly allocation is made to the Welfare Reserve. Upon reaching the Welfare Reserve limit, the yearly allocation is required to be taken to Retained Surplus.

**(f) Income Tax**

In accordance with section 50-15 of the Income Tax Assessment Act, the organisation is exempt from income tax.

**(g) Trade Creditors**

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

**AUSTRALIAN FEDERATION OF AIR PILOTS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 \$	2003 \$
<b>NOTE 2: REVENUE</b>			
<b>Revenue from operating activities</b>			
Subscriptions		1,036,950	813,156
AFAP - ADF Income		<u>27,273</u>	<u>42,017</u>
		<u>1,064,223</u>	<u>855,173</u>
<b>Revenue from outside operating activities</b>			
Rental income		2,410	29,900
Interest		52,510	33,345
Other Income		<u>35,783</u>	<u>333</u>
		<u>90,703</u>	<u>63,578</u>
Revenue from ordinary activities		<u>1,154,926</u>	<u>918,751</u>
<b>NOTE 3: SURPLUS FROM ORDINARY ACTIVITIES</b>			
Surplus from ordinary activities has been determined after:			
(a) Expenses:			
Depreciation of non-current assets			
Buildings		5,250	5,250
Motor vehicles		12,043	11,175
Office Equipment		1,526	1,685
Furniture, fixtures and fittings		304	288
Computer Equipment		<u>8,334</u>	<u>2,129</u>
Total Depreciation	8	<u>27,457</u>	<u>20,527</u>
Remuneration of the auditors for: audit services		11,205	10,140
<b>NOTE 4: STAFF COSTS</b>			
Salaries and allowances		416,817	360,365
Superannuation		49,924	44,286
Other staff costs		<u>7,393</u>	<u>9,556</u>
		<u>474,134</u>	<u>414,207</u>

**AUSTRALIAN FEDERATION OF AIR PILOTS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 \$	2003 \$
<b>NOTE 5: CASH ASSETS</b>			
Cash on hand		600	600
Cash at bank		168,469	157,714
Deposits at call		<u>925,000</u>	<u>625,000</u>
		<u>1,094,069</u>	<u>783,314</u>
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows.			
Deposits at call			
Deposits bearing floating interest rates between 4.58% and 5.44% (2003 4.58% and 4.76%).			
<b>NOTE 6: RECEIVABLES</b>			
<b>CURRENT</b>			
Other debtors		<u>1,618</u>	<u>5,533</u>
<b>NOTE 7: OTHER ASSETS</b>			
<b>CURRENT</b>			
Prepayments		<u>11,166</u>	<u>11,167</u>
<b>NOTE 8: PROPERTY, PLANT AND EQUIPMENT</b>			
<b>(a) Building</b>			
At cost		210,000	210,000
Less accumulated depreciation		<u>(21,000)</u>	<u>(15,750)</u>
Total Buildings		<u>189,000</u>	<u>194,250</u>
<b>(b) Motor vehicles</b>			
At cost		97,490	97,490
Less accumulated depreciation		<u>(37,287)</u>	<u>(25,244)</u>
		<u>60,203</u>	<u>72,246</u>
<b>(c) Office equipment</b>			
At cost		22,022	21,218
Less accumulated depreciation		<u>(15,156)</u>	<u>(13,630)</u>
		<u>6,866</u>	<u>7,588</u>
<b>(d) Computer equipment</b>			
At cost		43,466	30,397
Less accumulated depreciation		<u>(25,907)</u>	<u>(17,573)</u>
		<u>17,559</u>	<u>12,824</u>
<b>(e) Furniture, fixtures and fittings</b>			
At cost		16,612	13,415
Less accumulated depreciation		<u>(10,408)</u>	<u>(10,104)</u>
		<u>6,204</u>	<u>3,311</u>

**AUSTRALIAN FEDERATION OF AIR PILOTS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 \$	2003 \$
<b>NOTE 8: PROPERTY, PLANT AND EQUIPMENT (Continued)</b>			
Total plant and equipment		<u>90,832</u>	<u>95,969</u>
Total property, plant and equipment		<u>279,832</u>	<u>290,219</u>

All buildings are held in the name of the nominee company, Albair Nominees Pty Ltd ("the Company"). The trustees consider that the Federation has beneficial ownership of the assets and liabilities of the company as the Company's sole purpose is to act as nominee, holding land and buildings for the Federation.

**(a) Movements in Carrying Amounts**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are set out below;

	Buildings \$	Motor vehicles \$	Office equipment \$	Furniture, fixtures & fittings \$
<b>2004</b>				
Carrying amount at the beginning of the year	194,250	72,246	7,588	3,311
Additions	-	-	804	3,197
Depreciation expense	<u>(5,250)</u>	<u>(12,043)</u>	<u>(1,526)</u>	<u>(304)</u>
Carrying amount at end of year	<u>189,000</u>	<u>60,203</u>	<u>6,866</u>	<u>6,204</u>
			Computer equipment \$	Total \$
<b>2004</b>				
Carrying amount at the beginning of the year			12,824	290,219
Additions			13,069	17,070
Depreciation expense			<u>(8,334)</u>	<u>(27,457)</u>
Carrying amount at the end of the year			<u>17,559</u>	<u>279,832</u>

**NOTE 9: PAYABLES**

**CURRENT**

Trade creditors	52,359	51,593
Sundry creditors and accruals	<u>23,523</u>	<u>20,390</u>
	<u>75,882</u>	<u>71,983</u>

## AUSTRALIAN FEDERATION OF AIR PILOTS

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$	2003 \$
<b>NOTE 10: PROVISIONS</b>			
<b>CURRENT</b>			
Employee benefits - annual leave	(a)	<u>94,894</u>	<u>98,407</u>
<b>NON-CURRENT</b>			
Employee benefits - long service leave	(a)	<u>141,346</u>	<u>133,010</u>
(a) Aggregate employee benefits liability		<u>236,240</u>	<u>231,417</u>
(b) Number of employees at year end		<u>8</u>	<u>8</u>

**AUSTRALIAN FEDERATION OF AIR PILOTS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 \$	2003 \$
<b>NOTE 11: RESERVES</b>			
Asset revaluation reserve	(a)	32,087	32,087
A Smithwell research grant	(b)	7,650	7,650
Welfare reserve	(c)	94,100	69,220
Aviators Welfare Trust	(d)	<u>28,581</u>	<u>27,684</u>
		<u>162,418</u>	<u>136,641</u>

**(a) Asset Revaluation Reserve**

Movements during the financial year:

Opening balance	<u>32,087</u>	<u>32,087</u>
Closing balance	<u>32,087</u>	<u>32,087</u>

The asset valuation reserve is used to record increments and decrements on the revaluation of non-current assets. Revaluation increments are credited directly to the asset valuation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of assets previously recognised as an expense in net surplus or deficit, the increment is recognised immediately as revenue in the net surplus or deficit. Revaluation decrements are recognised immediately as expenses in net surplus or deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

**(b) A Smithwell research grant**

Movements during the financial year:

Opening balance	<u>7,650</u>	<u>7,650</u>
Closing balance	<u>7,650</u>	<u>7,650</u>

The A Smithwell Research Grant reserve is used to provide grants to aspiring pilots or towards the development of flying techniques or technology.

**(c) Welfare reserve**

Movements during the financial year:

Opening balance	69,220	64,000
Payment of benefits	-	(15,000)
Allocation for financial year	<u>24,880</u>	<u>20,220</u>
Closing balance	<u>94,100</u>	<u>69,220</u>

The welfare reserve is used to fund ex gratia payments to dependents of members at the discretion of the trustees. Based upon a formula detailed in the rules of the Federation, a yearly allocation is made to the welfare reserve. Upon reaching the welfare reserve limit, the yearly allocation is required to be taken to Retained Surplus.

**AUSTRALIAN FEDERATION OF AIR PILOTS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 \$	2003 \$
<b>NOTE 11: RESERVES (Continued)</b>			
(d) Aviators Welfare Trust			
Movements during the financial year:			
Opening balance		27,684	26,630
Transfers from reserves		1,547	1,124
Payments made		<u>(650)</u>	<u>(70)</u>
Closing balance		<u>28,581</u>	<u>27,684</u>

The Aviators Welfare Trust reserve consists of the surplus of amounts, under the control of the Committee of Management, collected in previous years for specific purposes.

**NOTE 12: RETAINED SURPLUS**

Accumulated surplus at the beginning of the financial year		650,192	507,016
Net surplus attributable to members of the entity		263,500	144,300
Transfers to reserves		<u>(1,547)</u>	<u>(1,124)</u>
Accumulated surplus at the end of the financial year		<u>912,145</u>	<u>650,192</u>

**NOTE 13: COMMITMENTS FOR EXPENDITURE**

There are no capital or lease commitments at the end of the financial year.

**NOTE 14: RELATED PARTY TRANSACTIONS**

(a) The Australian Air Pilots Mutual Benefits Fund (MBF) is allied to the Australian Federation of Air Pilots in so far as it is mandatory for all members of the MBF to be members of the Federation.

(b) The Federation occupies premises in a building owned by the MBF rent free. In return the Federation provides promotion, property management, maintenance and supervisory services to the MBF. These amounts are not at arms length. The Committee of Management, based on an external review, believes that the market rental for the premises provided by the MBF to the Federation equates to the services provided by the Federation to the MBF.

(c) The names of members of the Committee of Management who have held office during the financial year are:

R J Higgins  
 C Terry  
 T Russel (until September 2003)  
 G Abbott  
 G Love  
 P O'Doherty  
 J Grady (from September 2003)

(d) No member of the Committee of Management received any remuneration from the Federation during the year for their role as committee member.

**AUSTRALIAN FEDERATION OF AIR PILOTS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 \$	2003 \$
<b>NOTE 15: SEGMENT REPORTING</b>			
The Australian Federation of Air Pilots operates in the area of Aviation Industrial Relations primarily within Australia.			
<b>NOTE 16: CASH FLOW INFORMATION</b>			
(a) Reconciliation of cash flow from operations with surplus from ordinary activities			
Surplus from ordinary activities		263,500	144,300
Non-cash flows in surplus from ordinary activities			
Depreciation		27,457	20,527
Charges to provisions		4,823	5,882
Rental income		(2,410)	(29,900)
Reserve Movements			
Charges to reserves		24,880	20,220
Payments from reserves		(650)	(15,070)
Changes in assets and liabilities			
Decrease in receivables		3,915	18,071
(Increase)/decrease in other assets		1	(847)
Increase in payables		<u>3,899</u>	<u>1,649</u>
Cash flows from operations		<u><u>325,415</u></u>	<u><u>164,832</u></u>



**AUSTRALIAN FEDERATION OF AIR PILOTS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 \$	2003 \$				
<b>NOTE 17: FINANCIAL INSTRUMENTS</b>							
<b>(a) Interest Rate Risk</b>							
The Federation's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:							
	<b>Weighted Average Effective Interest Rate</b>	<b>Floating Interest Rate</b>		<b>Fixed Interest Rate Maturing</b>			
				<b>Within 1 Year</b>		<b>1 to 5 Years</b>	
	2004 2003	2004	2003	2004	2003	2004	2003
	% %	\$	\$	\$	\$	\$	\$
Financial Assets:							
Cash	5.28 4.69	<u>168,469</u>	<u>157,714</u>	<u>925,000</u>	<u>625,000</u>	-	-
Total Financial Assets		<u>168,469</u>	<u>157,714</u>	<u>925,000</u>	<u>625,000</u>	-	-

	<b>Fixed Interest Rate Maturing</b>		<b>Non-Interest Bearing</b>		<b>Total</b>	
	<b>Over 5 Years</b>					
	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$
Financial Assets:						
Cash	-	-	600	600	1,094,069	783,314
Receivables	-	-	<u>1,618</u>	<u>5,533</u>	<u>1,618</u>	<u>5,533</u>
Total Financial Assets	-	-	<u>2,218</u>	<u>6,133</u>	<u>1,095,687</u>	<u>788,847</u>
Financial Liabilities:						
Trade and sundry creditors	-	-	<u>75,882</u>	<u>71,983</u>	<u>75,882</u>	<u>71,983</u>
Total Financial Liabilities	-	-	<u>75,882</u>	<u>71,983</u>	<u>75,882</u>	<u>71,983</u>
Net Financial assets					<u>1,019,805</u>	<u>716,864</u>

**(b) Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial report.

The Federation does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Federation.

**(c) Net Fair Values**

The net fair value of assets and liabilities approximates their carrying value.

**AUSTRALIAN FEDERATION OF AIR PILOTS**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

Note	2004 \$	2003 \$
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**NOTE 18: CONTINGENT LIABILITIES**

Resulting from the Federation's representation of some of its members in an industrial dispute, the Federation received a writ issued by four airlines claiming damages arising out of alleged inducements to cause these members to breach contracts.

In 1989 the Victorian Supreme Court ruled in favour of the four airlines, awarding damages of \$6.5m, legal costs which have not been assessed but which may exceed \$1m and interest. The Federation has appealed against this decision. The airlines have reserved their position on recovery of damages. No attempt has been made to recover either damages or costs.

No provision for any liability or loss which may result from litigation has been made in the financial statements of the Federation.

**NOTE 19: INFORMATION TO BE PROVIDED TO MEMBERS OR REGISTRAR**

In accordance with Section 274(4) of the Workplace Relations Act 1996 the attention is drawn to members to the provisions of subsections (1), (2) and (3) of section 272 which read as follows:

(1) a member of a reporting unit, or Registrar, may apply to the reporting unit for specific 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).

**NOTE 20: FEDERATION DETAILS**

The office of the Federation is  
Australian Federation of Air Pilots  
Level 6  
132 Albert Road  
SOUTH MELBOURNE VIC 3205

The principal activity of the the Federation during the financial year was the protection and improvement of employment conditions for its members.

**AUSTRALIAN FEDERATION OF AIR PILOTS**  
**ABN 63 230 452 036**

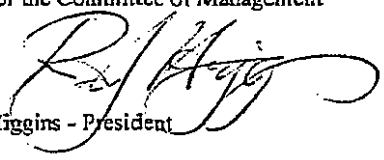
**COMMITTEE OF MANAGEMENT STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2004**

On \_\_\_\_\_ the Committee of Management of the Australian Federation of Air Pilots passed the following resolution in relation to the general purpose financial report (GPFR) of the reporting unit for the financial year ended 30 June 2004:

The Committee of Management declares in relation to the GPFR that in its opinion:

- (a) the financial statements and notes, as sets out on pages 3 to 16, comply with the Australian Accounting Standards;
- (b) the financial statements and notes, as sets out on pages 3 to 16, comply with the reporting guidelines of the Industrial Registrar;
- (c) the financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of Australian Federation of Air Pilots for the financial year to which they relate;
- (d) there are reasonable grounds to believe that Australian Federation of Air Pilots will be able to pay its debts as and when they become due and payable; and
- (e) during the financial year to which the general purpose financial report relates and since the end of that year:
  - (i) meetings of the committee of management were held in accordance with the rules of the organisation including the rules of a branch concerned; and
  - (ii) the financial affairs of the reporting unit have been managed in accordance with the rules of the organisation including the rules of a branch concerned; and
  - (iii) the financial records of the reporting unit have been kept and maintained in accordance with the Registration and Accountability of Organisation (RAO) Schedule and RAO Regulations; and
  - (iv) where the organisation consists of 2 or more reporting units, the financial records of the reporting unit have been kept, as far as practicable, in a consistent manner to each of the other reporting units of the organisation; and
  - (v) the information sought in any request of a member of the reporting unit or a Registrar duly made under section 272 of the RAO Schedule has been furnished to the member or Registrar; and
  - (vi) there has been compliance with any order for inspection of financial records made by the Commission under section 273 of the RAO Schedule
- (e) certain events have resulted in contingent liabilities to the Federation amounting to at least \$7,500,000 as explained in Note 18 to the financial statements, no provision has been made in the financial statements in relation to these contingent liabilities.

For the Committee of Management

  
R J Higgins - President

Signed at: Adelaide  
Dated: 9 December 2004



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## **Independent audit report to the members of AUSTRALIAN FEDERATION OF AIR PILOTS**

### **Audit opinion**

In our opinion, the financial report of the Australian Federation of Air Pilots ("the Federation"):

- gives a true and fair view of the financial position of the Federation as at 30 June 2004 and of its performance for the year ended on that date, and
- is presented in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia.

This opinion must be read in conjunction with the rest of our audit report.

### **Inherent Uncertainty Regarding Continuation as a Going Concern**

Without qualification to the opinion expressed above, attention is brought to the following matter.

In Note 18 to the financial statements, reference is made to certain events that resulted in contingent liabilities to the Federation amounting to at least \$7,500,000. These contingent liabilities arose from the Federation's representation of some of its members in an industrial dispute. If the ultimate resolution of these contingent liabilities is unfavourable to the Federation, it is unlikely that the Federation will be able to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Federation be unable to continue as a going concern.

### **Scope**

#### **The financial report and committee of management's responsibility**

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, operating report and the committee of management statement, for the year ended 30 June 2004.

The members of the committee of management are responsible for the preparation and true and fair presentation of the financial report. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.



### **Audit approach**

We conducted an independent audit in order to express an opinion to the members of the Federation. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Federation's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by the members of the committee of management or management.

### **Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

PricewaterhouseCoopers

Chris Dodd  
Partner

Melbourne  
November 2004