



FAIR WORK  
AUSTRALIA

7 April 2011

Captain Bryan Murray  
President  
Australian Federation of Air Pilots

email: [admin@afap.org.au](mailto:admin@afap.org.au)

Dear Captain Murray

**Re: Financial Report for the Australian Federation of Air Pilots for year ended 30 June 2010 – FR2010/2625**

I acknowledge receipt of the financial report for the Australian Federation of Air Pilots (the Federation) for the year ended 30 June 2010. The report was lodged with Fair Work Australia (FWA) on 22 February 2011. I also acknowledge advice from the Federation regarding the resolution of the meeting of the Committee of Management on 3 September 2010.

The financial report has now been filed.

I make the following comments to assist you when you next prepare a financial report. You are not required to take any further action in respect of the report lodged.

#### **General purpose financial report to be prepared on accrual basis**

[Section 252](#) of the *Fair Work (Registered Organisations) Act 2009* (the Act) places obligations upon organisations to *keep* financial records. Under section 252(4) an organisation may *keep* the financial records for its membership subscriptions on a cash basis.

This is distinct from the obligation under [section 253](#) to *prepare* a general purpose financial report (GPFR). Section 253 requires that ‘...a reporting unit must cause a general purpose financial report to be *prepared*, in accordance with the Australian Accounting Standards, from the financial records kept under subsection 252(1) in relation to the financial year...’. Please note that paragraph 27 of Australian Accounting Standard 101 states that ‘an entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting’.

Note 1(b) to the financial statements states that ‘Subscription revenue is recognised only when received, rather than on an accruals basis due to the uncertainty of receipts from members. Subscriptions identifiable as being received in advance for next year are recorded as such in the balance sheet.’

In future all parts of the GPFR, except for cash flow information, should be prepared on an accrual basis as required by section 253 of the Act and the relevant Australian Accounting Standard (AASB 101(27)).

#### **Operating Report**

Right of members to resign

Subsection 254(2)(c) of the Act requires the operating report to ‘give details’ of the right of members to resign from the reporting unit under section 174 of the Act. This requirement may be met by the inclusion of a statement that a member has the right to resign and a reference to the relevant rule, which makes such provision. Alternatively, the complete text of the relevant resignation rule may be reproduced in the report. It would appear in this case that rule 2, sub-rule 7 of the Federation’s Rules is applicable.

## Results of principal activities

I refer to the Operating Report, in particular to the 'operating results'. I note that s254(2)(a) of the Act requires the operating report to include a review of the principal activities of the reporting entity, the results of those activities and any significant changes in the nature of those activities.

The 'results of operation' requirement contemplates reference in the operating report to results directly related to the principal activities as opposed to the reporting entities financial result, particularly as measured in dollar 'surplus' or 'loss' terms. Although this may not be stated explicitly in the text of the subsection, I think it is reasonable to infer this is what the legislators had in mind given that the subsection is referring primarily to the principal activities and secondly, the actual financial outcome is elaborated elsewhere in the financial documents, such as the Balance Sheet and/or the Profit and Loss statement.

## **Fair Work (Registered Organisations) Act 2009**

Reference to the RAO Schedule appearing in the Statement by Committee of Management and Schedule 1 of the Fair Work (Registered Organisations) Act 2009 appearing the Audit Report, should properly refer to Fair Work (Registered Organisations) Act 2009.

## **Timing of Financial Documents - Lodgement of documents with Fair Work Australia**

[Section 268](#) of the Act requires the Federation to lodge its financial documents with FWA within 14 days of the date of the presentation of the full report to a meeting of the Committee of Management (that is, 25 January 2011). The documents were not lodged with FWA until 15 February 2011. In future years please ensure that financial reports are lodged with FWA within 14 days of the Committee of Management meeting.

If you wish to discuss any of the matters referred to above I can be contacted on (03) 8661 7764.

Yours sincerely



Kevin Donnellan

Tribunal Services and Organisations

Fair Work Australia

Email: [kevin.donnellan@fwa.gov.au](mailto:kevin.donnellan@fwa.gov.au)

**AUSTRALIAN FEDERATION  
OF AIR PILOTS**



**MEMBER OF THE  
INTERNATIONAL FEDERATION OF  
AIR LINE PILOTS' ASSOCIATION**

*President:*  
Bryan Murray

*Executive Director:*  
Terry O'Connell

15 February 2010

General Manager  
Fair Work Australia  
GPO Box 1994  
MELBOURNE VIC 3001  
Attention: Mr Kevin Donnellan

Via email: [kevin.donnellan@fwa.gov.au](mailto:kevin.donnellan@fwa.gov.au)

Dear Mr Donnellan,

**Re: FR2010/2625 Financial Statements – Australian Federation of Air Pilots**

As required under section 268 of the Fair Work (Registered Organisations) Act 2009, please find enclosed the Federation's Financial Statements and Auditor's Report for the financial year ending 30 June 2010, together with a certificate signed by AFAP President, Captain Bryan Murray.

We apologise for the delay in providing this information to Fair Work Australia.

If you have any questions, please contact me at this office on 03 9928 5737.

Yours sincerely,

Terry O'Connell  
Executive Director

**CERTIFICATION PURSUANT TO SECTION 268 OF THE FAIR WORK  
(REGISTERED ORGANISATIONS) ACT 2009**

I, Bryan Murray, President of the Australian Federation of Air Pilots hereby certify that the attached documents are full copies of the Auditor's report, accounts and statements for the Financial Year 2009/10 provided to the membership by publication on the Federation's website on 1 October 2010 and presented to the Committee of Management on 11 January 2011 in accordance with the Fair Work (Registered Organisations) Act 2009.



.....  
***Captain Bryan Murray***

**15 February 2011**

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

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2010**

## AUSTRALIAN FEDERATION OF AIR PILOTS

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This financial report covers the Australian Federation of Air Pilots as an individual entity. The financial report is presented in the Australian currency.

The Australian Federation of Air Pilots is a registered body under the Fair Work (Registered Organisations) Act 2009 and is domiciled in Australia.

*The principal place of business is:*

Australian Federation of Air Pilots  
Level 6  
132 -136 Albert Road  
SOUTH MELBOURNE VIC 3205

The financial report was authorised for issue by the committee of management on the 3rd day of September 2010.

## **OPERATING REPORT**

Your Committee of Management present their report on the Australian Federation of Air Pilots (The Federation) for the financial year ended 30 June 2010.

### **Members of executive**

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

B Murray

C Terry

G Brown

P Gardiner

T Seedsman

L Lewis (commenced September 2009)

L Pole (commenced September 2009)

J Grady (resigned September 2009)

P O Doherty (resigned September 2009)

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 for the financial year amounted to \$ 271,347 (30 June 2009: surplus of \$ 173,590).

### **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 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 activities**

The principal activities of The Federation during the financial year were the protection and improvement of employment conditions for its members. No significant change in the nature of these activities occurred during the year.

### **After balance date events**

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

**OPERATING REPORT (Continued)**

**Union details**

The number of employees at 30 June 2010 was 10 (2009: 10)  
The number of members at 30 June 2010 was 2,670 (2009: 2,691).

**Right of members 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 case, (i) at the end of 2 weeks after the notice is received by the Federation, or (ii) on the day specified in the notice, whichever is later.

**Superannuation Trustees**

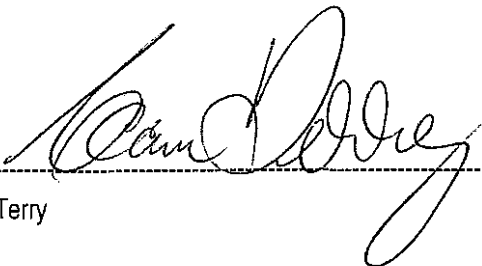
As at 30 June 2010, the following people held positions in the Aviation Superannuation Trust by virtue of their office or membership of the federation:

- R J Higgins - Director
- L Cox - Chairman

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



B Murray



C Terry

Dated this 15 day of September 2010



AUSTRALIAN FEDERATION OF AIR PILOTS  
 ABN 63 230 452 036  
 STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
Revenue from continuing operations	4	2,127,788	1,983,999
Other income	5	-	628
<b>Expenses</b>			
Administrative expenses		(167,439)	(153,857)
Audit fee	8	(20,000)	(19,000)
Bank charges and interest		(13,499)	(16,422)
Communication expenses		(41,752)	(49,157)
Depreciation and amortisation	6	(38,664)	(35,906)
Finance costs		(18,818)	(19,610)
History of the Federation		(107,836)	(104,419)
IFALPA		(55,845)	(59,878)
Industrial matters		(92,240)	(64,456)
Legal fees		(74,389)	(145,866)
Loss on disposal and impairment of available for sale financial assets		(2,720)	(134,947)
Meeting and conferences		(105,144)	(53,943)
Occupancy expenses		(35,324)	(36,031)
Staff costs	7	(1,020,077)	(891,907)
Technical expenses		(13,694)	(6,638)
Welfare expenses		(49,000)	(19,000)
		<u>(1,856,441)</u>	<u>(1,811,037)</u>
<b>Surplus for the year</b>		<u>271,347</u>	<u>173,590</u>
<b>Surplus attributable to the members</b>		271,347	173,590
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year attributable to the members</b>	18	<u>271,347</u>	<u>173,590</u>

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

AUSTRALIAN FEDERATION OF AIR PILOTS  
 ABN 63 230 452 036  
 BALANCE SHEET  
 AS AT 30 JUNE 2010

	Note	2010 \$	2009 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	2,302,469	1,737,972
Trade and other receivables	10	15,486	42,611
<b>Total current assets</b>		<u>2,317,955</u>	<u>1,780,583</u>
<b>Non-current assets</b>			
Available for sale financial assets	11	210,333	312,102
Property, plant and equipment	12	258,972	276,494
Intangible assets	13	3,801	29,220
<b>Total non-current assets</b>		<u>473,106</u>	<u>617,816</u>
<b>Total assets</b>		<u>2,791,061</u>	<u>2,398,399</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	174,794	126,231
Provisions	15	412,249	373,545
Other	16	82,473	49,376
<b>Total current liabilities</b>		<u>669,516</u>	<u>549,152</u>
<b>Total liabilities</b>		<u>669,516</u>	<u>549,152</u>
<b>Net assets</b>		<u>2,121,545</u>	<u>1,849,247</u>
<b>EQUITY</b>			
Reserves	17	-	(951)
Accumulated surplus	18	2,121,545	1,850,198
<b>Total equity</b>		<u>2,121,545</u>	<u>1,849,247</u>

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

**AUSTRALIAN FEDERATION OF AIR PILOTS**  
**ABN 63 230 452 036**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Accumulated surplus \$	Reserves \$	Total \$
<b>Balance at 1 July 2008</b>	1,676,608	(61,498)	1,615,110
Surplus for the year	173,590		173,590
Available for sale financial assets		60,547	60,547
<b>Balance at 30 June 2009</b>	<u>1,850,198</u>	<u>(951)</u>	<u>1,849,247</u>
<b>Balance at 1 July 2009</b>	<b>1,850,198</b>	<b>(951)</b>	<b>1,849,247</b>
Surplus for the year	271,347		271,347
Available for sale financial assets		951	951
<b>Balance at 30 June 2010</b>	<u>2,121,545</u>	<u>-</u>	<u>2,121,545</u>

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

AUSTRALIAN FEDERATION OF AIR PILOTS  
 ABN 63 230 452 036  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Receipts from operations (inclusive of GST)		2,220,632	2,065,354
Payments to suppliers and employees (inclusive of GST)		(1,880,344)	(1,727,545)
Interest received		97,611	102,398
<b>Net cash inflow from operating activities</b>	22	<u>437,899</u>	<u>440,207</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment and software		4,557	19,600
Proceeds from redemption of investments		100,000	-
Rental income (inclusive of GST)		38,511	26,771
Payment for property, plant and equipment and software		(16,470)	(49,873)
<b>Net cash (outflow) from investing activities</b>		<u>126,598</u>	<u>(3,502)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		564,497	436,705
Cash and cash equivalents at beginning of financial year		<u>1,737,972</u>	<u>1,301,267</u>
<b>Cash and cash equivalents at end of financial year</b>	9(a)	<u>2,302,469</u>	<u>1,737,972</u>

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

**NOTE 1: Statement 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 years presented, unless otherwise stated.

The financial report includes the separate financial statements for the Australian Federation of Air Pilots (The Federation).

**(a) Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the requirements of the Fair Work (Registered Organisations) Act 2009.

*Compliance with IFRS*

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 full compliance with IFRS cannot be made due to the entity applying the not for profit sector requirements contained in AIFRS.

*Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities at fair value through profit or loss.

*Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying The Federation'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.

*Financial statement presentation*

The Federation has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. There has been no effect on the Federations' presentation of its financial statements.

**(b) Revenue recognition**

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

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

**1: Statement of significant accounting policies (Continued)**

**(b) Revenue recognition (Continued)**

Revenue is recognised for the major operating activities as follows:

*Subscriptions*

Subscription revenue is recognised only when received, rather than on an accruals basis due to the uncertainty of receipts from members. Subscriptions identifiable as being received in advance for next year are recorded as such in the balance sheet.

*Interest income*

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, The Federation 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.

*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).

**(c) Income tax**

No provision for income tax has been raised as the entity is exempt from income tax under Section 50-5 of the Income Tax Assessment Act 1997.

**(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.

## 1: Statement of significant accounting policies (continued)

### (e) Investment in other financial assets

#### **Classification**

The Federation 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 Federation 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.

#### **Recognition and derecognition**

Regular purchases and sales of investments are recognised on trade-date - the date on which The Federation commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and The Federation has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

#### **Fair value**

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), The Federation establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

#### **Impairment**

The Federation assesses at each balance date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists 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 and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

**1: Statement of significant accounting policies (continued)**

**(f) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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 balance sheet date. The quoted market price used for financial assets held by The Federation is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to The Federation for similar financial instruments.

**(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 Federation commencing from the time the asset is held ready for use.

<b>Class of fixed asset</b>	<b>Depreciation rate</b>	<b>Depreciation basis</b>
Buildings	2.5%	Straight Line
Motor vehicles	7.5 - 15%	Straight Line
Office equipment	7.5-15%	Straight Line
Furniture and Fittings	7.5%	Straight Line
Computer equipment	33%	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 Federation 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.



## **1: Statement of significant accounting policies (continued)**

### **(i) Welfare payments**

In accordance with a Convention Resolution, ex gratia payments may be made to dependents of members at the discretion of the trustees. These payments are expensed as incurred.

### **(j) Goods and Service Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the balance sheet are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from, or payable to the ATO as classified as operating cash flow.

Commitments and contingencies are disclosed inclusive of GST.

### **(k) Employee benefits**

#### *(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

#### *(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows

### **(l) 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 Federation's functional and presentation currency.

## 1: Statement of significant accounting policies (continued)

### (m) Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year. The re-classification of expenses has resulted in a restatement of the amounts in various expenses in the statement of comprehensive income. There is no net effect on the total expenses.

### (n) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Federation's assessment of the impact of these new standards and interpretations is set out below.

#### **AASB 2009-8 Amendments to Australian Accounting Standards – group Cash-Settled Share based Payment Transactions [AASB 2]** (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The amendment will have no impact on the Federation.

#### **AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]** (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment will have no impact on the Federation.

#### **AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9** (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is not likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Federation will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010.

#### **Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards** (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The amendment will have no impact on the Federation.

## 1: Statement of significant accounting policies (continued)

### (n) New accounting standards and interpretations (continued)

#### **AASB Interpretation 19 *Extinguishing financial liabilities with equity instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* (effective from 1 July 2010)**

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. The amendment will have no impact on the Federation.

#### **AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* (effective from 1 January 2011)**

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The amendment will have no impact on the Federation.

### (o) 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.

## 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 Federation and that are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates and assumptions

The Federation 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.

### (b) Critical judgments in applying the entity's accounting policies

#### *Employee entitlements*

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in wages and salaries
- future on-cost rates; and
- experience of employee departures and period of service

## 3: Information to be provided to members or general manager

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), (2) and (3) of section 272 which read as follows:

(1) a member of a reporting unit, or a the General Manager, 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 made 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).

**4: Revenue**

	2010 \$	2009 \$
<b>From continuing operations</b>		
<i>Service revenue</i>	1,973,775	1,841,086
<i>Other revenue</i>		
- interest	107,119	102,398
- rent	35,010	24,337
- distributions	2,431	3,295
- dividends	3,166	5,364
- other revenue	6,287	7,519
	<u>2,127,788</u>	<u>1,983,999</u>

**5: Other income**

Net gain on disposal of property, plant and equipment	-	628
	<u>-</u>	<u>628</u>

**6: Expenses**

	2010 \$	2009 \$
The surplus for the year includes the following specific expenses:		
<i>Depreciation of non-current assets</i>		
- Buildings	5,250	5,250
- Motor vehicles	15,595	19,533
- Office equipment and furniture	4,937	4,348
- Computer equipment	7,197	3,103
	<u>32,979</u>	<u>32,234</u>
<i>Amortisation of non-current assets</i>		
- Software	5,685	3,672
	<u>5,685</u>	<u>3,672</u>
Total Depreciation and amortisation	<u>38,664</u>	<u>35,906</u>
<i>Net loss on disposal and impairment of available-for-sale financial asset</i>	2,720	134,947
<i>Defined contribution superannuation expense</i>	107,489	101,257

**7: Staff costs**

	2010 \$	2009 \$
Employee benefits - employees	980,176	853,885
Other staff costs	<u>39,901</u>	<u>38,022</u>
	<u>1,020,077</u>	<u>891,907</u>

**8: Auditors remuneration**

	2010 \$	2009 \$
During the year the following fees were paid or payable for services provided by the auditor and its related practices:		
Audit of the financial report	20,000	19,000
Other services	<u>39,369</u>	<u>7,500</u>
	<u>59,369</u>	<u>26,500</u>

**9: Current assets – Cash and cash equivalents**

	2010 \$	2009 \$
Cash on hand	580	681
Cash at bank	266,889	707,291
Deposits at call	<u>2,035,000</u>	<u>1,030,000</u>
	<u>2,302,469</u>	<u>1,737,972</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>2,302,469</u>	<u>1,737,972</u>
Balances per cash flow statement	<u>2,302,469</u>	<u>1,737,972</u>

**(b) Interest rate risk exposure**

The Federation's exposure to interest rate risk is discussed in note 21.

**10: Current assets – Trade and other receivables**

	2010 \$	2009 \$
Prepayments	3,758	38,793
Other receivables	11,728	3,818
	<u>15,486</u>	<u>42,611</u>

**(a) Other receivables**

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

**(b) Fair value and credit risk**

There is no concentration of credit risk with respect to current and non-current receivables. Due to the nature of the receivables the carrying value is assumed to approximate their fair value. Refer to note 21 for more information on the risk management policy of The Federation.

**11: Non- Current assets – Available for sale financial assets**

	2010 \$	2009 \$
Listed investments	<u>210,333</u>	<u>312,102</u>
	<u>210,333</u>	<u>312,102</u>

These financial assets are carried at fair value.

These investments include the following surplus/(deficit) transferred to equity at reporting date:

Opening balance	312,102	386,503
Disposals	(100,000)	(100,000)
Impairment charge	(2,720)	(34,947)
Increase/(Decrease) in investment revaluation reserve	951	60,546
Closing balance	<u>210,333</u>	<u>312,102</u>

**12: Non- Current assets – Property, plant and equipment**

	2010 \$	2009 \$
<b>Buildings</b>		
At cost	210,000	210,000
Less accumulated depreciation	<u>(52,500)</u>	<u>(47,250)</u>
	<u>157,500</u>	<u>162,750</u>
<b>Plant and equipment</b>		
Motor vehicles		
At cost	103,956	103,956
Less accumulated depreciation	<u>(45,279)</u>	<u>(29,684)</u>
	<u>58,677</u>	<u>74,272</u>
Computer equipment		
At cost	85,412	69,955
Less accumulated depreciation	<u>(68,632)</u>	<u>(61,435)</u>
	<u>16,780</u>	<u>8,520</u>
Furniture and equipment		
At cost	63,400	63,400
Less accumulated depreciation	<u>(37,385)</u>	<u>(32,448)</u>
	<u>26,015</u>	<u>30,952</u>
<b>Total property, plant and equipment</b>	<u><u>258,972</u></u>	<u><u>276,494</u></u>

**(a) Buildings**

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 of the Federation.

The market value of the building is estimated by management to be \$ 440,000 as at 30 June 2010.



## 12: 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:

	Buildings	Motor vehicles	Computer equipment	Furniture and equipment	Total
	\$	\$	\$	\$	\$
2009					
Opening net book amount	168,000	110,995	6,345	22,534	307,874
Additions	-	-	5,278	12,766	18,044
Disposals	-	(17,190)	-	-	(17,190)
Depreciation	(5,250)	(19,533)	(3,103)	(4,348)	(32,234)
Closing net book amount	<u>162,750</u>	<u>74,272</u>	<u>8,520</u>	<u>30,952</u>	<u>276,494</u>

	Buildings	Motor vehicles	Computer equipment	Furniture and equipment	Total
	\$	\$	\$	\$	\$
2010					
Opening net book amount	162,750	74,272	8,520	30,952	276,494
Additions	-	-	15,457	-	15,457
Disposals	-	-	-	-	-
Depreciation	(5,250)	(15,595)	(7,197)	(4,937)	(32,979)
Closing net book amount	<u>157,500</u>	<u>58,677</u>	<u>16,780</u>	<u>26,015</u>	<u>258,972</u>

## 13: Non- Current assets – Intangible assets

	2010	2009
	\$	\$
<b>SOFTWARE</b>		
At cost	8,012	34,295
Less accumulated amortisation	<u>(4,211)</u>	<u>(5,075)</u>
	<u>3,801</u>	<u>29,220</u>
<b>Total intangibles</b>	<u><u>3,801</u></u>	<u><u>29,220</u></u>

**13: Non- Current assets – Intangible assets (continued)**

**(a) Movements in Carrying Amounts**

Movement in the carrying amounts for each class of intangibles between the beginning and the end of the year:

	Software	Total
	\$	\$
<b>2009</b>		
Opening net book amount	5,597	5,597
Additions	27,295	27,295
Impairment charge	-	-
Amortisation charge	<u>(3,672)</u>	<u>(3,672)</u>
Closing net book amount	<u>29,220</u>	<u>29,220</u>

	Software	Total
	\$	\$
<b>2010</b>		
Opening net book amount	29,220	29,220
Additions	1,013	1,013
Disposals	(20,747)	(20,747)
Impairment charge	-	-
Amortisation charge	<u>(5,685)</u>	<u>(5,685)</u>
Closing net book amount	<u>3,801</u>	<u>3,801</u>

**14: Current liabilities – Trade and other payables**

	2010	2009
	\$	\$
<i>Unsecured</i>		
Legal fees due	-	-
Other trade creditors and accruals	<u>174,974</u>	<u>126,231</u>
	<u>174,974</u>	<u>126,231</u>

**(a) Risk exposure**

Details of the Federation's exposure to risk and the risk management policies of the Federation are set out in Note 21.

**15: Current liabilities – Provisions**

	2010 \$	2009 \$
Employee benefits - staff	<u>412,249</u>	<u>373,545</u>
	<u>412,249</u>	<u>373,545</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 has been included in Note 1.

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Federation does not have an unconditional right to defer settlement.

**16: Current liabilities – Other liabilities**

	2010 \$	2009 \$
Subscriptions received in advance	<u>82,473</u>	<u>49,376</u>
	<u>82,473</u>	<u>49,376</u>

**17: Reserves**

	2010 \$	2009 \$
Available for sale investments revaluation reserve	(a) -	(951)
	-	(951)

**(a) Movements in reserve**

*Movements during the financial year:*

Opening balance	(951)	(61,498)
Transfer to income statement on disposal	951	11,500
Impaired amount transferred to income statement	-	34,947
Revaluation for year	-	14,100
Closing balance	-	(951)

**(b) Nature and purpose of reserve**

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.

## 18: Accumulated surplus

	2010 \$	2009 \$
Movements in the accumulated surplus were as follows:		
Balance 1 July	1,850,198	1,676,608
Net surplus for the year	<u>271,347</u>	<u>173,590</u>
Balance 30 June	<u>2,121,545</u>	<u>1,850,198</u>

## 19: Contingencies

There are no known contingent assets or liabilities at 30 June 2010

## 20: Commitments

	2010 \$	2009 \$
<i>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</i>		
Within one year	4,686	17,850
Later than one year but no later than five years	-	4,686
Later than five years	<u>-</u>	<u>-</u>
	<u>17,850</u>	<u>22,536</u>

## 21: Financial risk management

The Federation's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The Federation'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 Federation.

The Federation 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 and other price risks, aging analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by management under policies approved by the Committee of Management. The Committee of Management and management identify, evaluate 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.

The financial instruments of The Federation consist mainly of deposits with banks, short term investments accounts payables and receivables.

## 21: Financial risk management (continued)

### (a) Market risk

#### (i) Foreign exchange risk

The Federation is not exposed to foreign exchange risk.

#### (ii) Price risk

Market risk for the Federation is mainly price risk. Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or to factors affecting all instruments traded in the market.

The Federation is not exposed to commodity price risk.

The Federation is exposed to equity securities price risk. This arises from investments held by the Federation and classified on the balance sheet as available-for-sale. The Federation is not exposed to commodity price risk.

The Federation's equity investments are publicly traded and are listed on the ASX.

The table below summarises the impact of increases/decreases of the indexes on the Federation's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/(decreased) by 10% (2009 - 10%) with all other variables held constant and all the Federation's equity instruments moved according to the historical correlation with the index.

	2010	2009
<i>Effect on equity:</i>	\$	\$
Increase of equity index by 10%	21,033	31,210
Decrease of equity index by 10%	(21,033)	(31,210)

Equity would further increase/decrease as a result of gains/ (losses) on equity securities classified as available-for-sale.

#### (iii) Cash flow and fair value interest rate risk

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

### Sensitivity analysis

As at 30 June 2010 the effect on the surplus as a result of changes in interest rates, with all other variables remaining constant, would be as follows:

	2010	2009
<i>Effect on results:</i>	\$	\$
Increase of interest rates by 2%	46,038	34,746
Decrease of interest rates by 2%	(46,038)	(34,746)

## 21: Financial risk management (continued)

### (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 Federation 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:

	2010	2009
	\$	\$
Cash at bank		
AA Rating	266,889	707,291
Deposits at call		
AA Rating	2,035,000	1,030,000

### (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:

2010	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 \$
<b>Financial Assets</b>								
Cash on hand	-	-	-	-	-	-	580	580
Cash at bank	3.45	266,889	-	-	-	-	-	266,889
Deposits at bank	5.74	-	2,035,000	-	-	-	-	2,035,000
Other receivables	-	-	-	-	-	-	11,728	11,728
Available for sale financial assets	-	-	-	-	-	210,333	-	210,333
		266,889	2,035,000	-	-	210,333	12,308	2,524,530
<b>Financial Liabilities</b>								
Other payables	-	-	-	-	-	-	174,794	174,794
		-	-	-	-	-	174,794	174,794
<b>Net Financial Assets (Liabilities)</b>		266,889	2,035,000	-	-	210,333	(162,489)	2,349,736

## 21: Financial risk management (continued)

### (c) Liquidity risk (continued)

#### Maturity profile of financial instruments (continued)

2009

	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 \$
<b>Financial Assets</b>								
Cash on hand	-	-	-	-	-	-	681	681
Cash at bank	3.45	707,291	-	-	-	-	-	707,291
Deposits at bank	3.05	-	1,030,000	-	-	-	-	1,030,000
Other receivables	-	-	-	-	-	-	3,818	3,818
Available for sale financial assets	-	-	-	-	-	312,102	-	312,102
		<u>707,291</u>	<u>1,030,000</u>	<u>-</u>	<u>-</u>	<u>312,102</u>	<u>4,499</u>	<u>2,053,892</u>
<b>Financial Liabilities</b>								
Other payables	-	-	-	-	-	-	126,231	126,231
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,231</u>	<u>126,231</u>
<b>Net Financial Assets (Liabilities)</b>		<u>707,291</u>	<u>1,030,000</u>	<u>-</u>	<u>-</u>	<u>312,102</u>	<u>(121,732)</u>	<u>1,927,661</u>

### (d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, investments in unlisted subsidiaries) is determined using valuation techniques. The Federation uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Federation for similar financial instruments

## 22: Cash flow information

	2010 \$	2009 \$
<b>Reconciliation of cash flow from operations with surplus for the year</b>		
Surplus for the year	271,347	173,590
<i>Non-cash flows in surplus</i>		
Depreciation and amortisation	38,664	35,906
Rental Income	(38,511)	(26,771)
Impairment loss	2,720	134,947
Net loss / (gain) on disposal of property, plant and equipment and software	16,190	(628)
<i>Changes in assets and liabilities</i>		
Decrease in receivables	27,125	14,936
Increase in payables	48,563	18,772
Increase in subscriptions in advance	33,097	33,471
Increase in provisions	38,704	55,984
Cash flows from operations	<u>437,899</u>	<u>440,207</u>

## 23: Australian air pilots mutual benefit fund

During the year to 30 June 2007, the Australian Federation of Air Pilots, in accordance with the Workplace Relations Act 1996, processed a Rule change making it the Trustee of the Australian Air Pilots Mutual Benefit Fund ("The Fund"). The Trustee is not considered to exercise significant influence over the fund at this time for accounting purposes. This relationship has ceased as at year end.

## 24: Events subsequent to 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 Federation, the results of those activities or the state of affairs of The Federation in the ensuing or any subsequent financial year.



STATEMENT BY COMMITTEE OF MANAGEMENT

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 year ended 30 June 2010:

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

1. the financial statements and notes, as set out on pages 3 to 26 comply with Australian Accounting Standards and other mandatory professional reporting requirements
2. the financial statements and notes, as set out on pages 3 to 26 comply with the reporting guidelines of the General Manager of FWA;
3. 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;
4. there are reasonable grounds to believe that The Federation 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 30 June 2010:
  - a. meetings of the Committee of Management were held in accordance with the rules of the organisation including the rules of the branch concerned; and
  - b. the financial affairs of Australian Federation of Air Pilots have been managed in accordance with the rules of the organisation including the rules of a branch concerned; and
  - c. the financial records of Australian Federation of Air Pilots have been kept and maintained in accordance with the Fair Work (Registered Organisations) Act 2009 and the Fair Work (Registered Organisations) Regulations 2009; and
  - d. 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
  - e. the information sought in any request of a member of Australian Federation of Air Pilots or a General Manager of Fair Work Australia (FWA) duly made under section 272 of the Fair Work (Registered Organisations) Act 2009 has been furnished to the members or the General Manager of FWA: and
  - f. No orders have been made by the Commission under section 273 of the RAO Schedule during the period.
6. There has been no recovery of wage activity undertaken by the reporting unit

For the Committee of Management

Designated Officer



B Murray

Dated this

15

day of

September

2010.

**Independent auditor's report to the members of  
Australian Federation of Air Pilots**

**Report on the financial report**

We have audited the accompanying financial report of the Australian Federation of Air Pilots ("the Federation"), which comprises the balance sheet as at 30 June 2010, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Statement by Committee of Management statement for the Federation.

*Committee of Management's' responsibility for the financial report*

The Committee of Management of the Federation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the requirements imposed by *Part 3 of Chapter 8 of Schedule 1 of the Fair Work (Registered Organisations) Act 2009*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

**Independent auditor's report to the members of  
Australian Federation of Air Pilots (continued)**

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

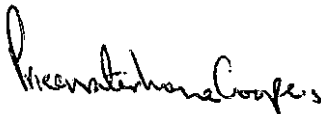
*Independence*

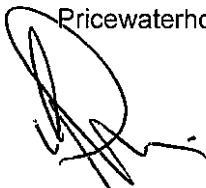
In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

*Auditor's opinion*

In our opinion the financial report of Australian Federation of Air Pilots:

- (i) presents fairly, in all material respects, the Federation's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complies with Australian Accounting Standards (including the Australian Accounting Interpretations) and the requirements imposed by *Part 3 of Chapter 8 of Schedule 1 of the Fair Work (Registered Organisations) Act 2009*.

  
PricewaterhouseCoopers



Andrew Cronin  
Partner  
Registered Auditor with ASIC No. 325199  
Institute of Chartered Accountants in Australia  
Membership number: 45587

Melbourne  
15 September 2010