



9 July 2020

Mr Brad Gandy
Secretary, West Australian Branch
Australian Workers' Union

Dear Brad,

Re: – Australian Workers' Union, West Australian Branch - financial report for year ending 30 June 2019 (FR2019/113)

I refer to the financial report of the Australian Workers' Union, West Australian Branch (the **reporting unit**). The documents were lodged with the Registered Organisations Commission (**ROC**) on 12 December 2019. The filing of the report was deferred pending the finalising of various reconciliations with other Branch reports of the Australian Workers' Union.

The financial report has now been filed. The financial report was filed based on a primary review. This involved confirming whether the financial reporting timelines required under s.253, s.265, s.266 and s.268 of the Fair Work (Registered Organisations) Act 2009 (**RO Act**) have been satisfied, all documents required under s.268 of the RO Act were lodged and that various disclosure requirements under the Australian Accounting Standards, RO Act and reporting guidelines have been complied with. A primary review does not examine all disclosure requirements. Please note that the financial report for the year ending 30 June 2020 may be subject to an advanced compliance review.

You are not required to take any further action in respect of the report lodged. However I make the following comments to assist in the preparation of the next financial report.

Auditor's report: emphasis of matter regarding going concern

I note that the auditor's report emphasises the reporting unit's basis for preparing the report on a going concern basis and draws attention to the information in Note 1 of the report. Note 1.2 sets out information regarding the reporting unit's financial position and its net operating and working capital deficits. A significant contributing factor concerns the reporting unit's investment property.

Property valuation

The reporting unit's investment property is disclosed in the statement of financial position at cost with a written down value of \$340,879. Note 1.2 to the financial report states that the property was subjected to an independent valuation on 21 March 2017 and was subsequently valued at \$2,100,000.

AASB 101 Presentation of Financial Statements paragraph 15 requires that "Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. ...". It may be advisable for the reporting unit to review its current accounting policy relating to recognising its investment property under the cost model instead of the revaluation model.

Operating forecasts

The reporting unit reported a net current asset deficiency of \$1,248,805, and an operating loss of \$296,426. Note 1.2 states that a cash flow forecast has been prepared showing that the reporting unit:

- (i) will be able to pay its debts as and when they fall due;
- (ii) that the National Office is required to support the Branch if required;

- (iii) that repayments of amounts payable have been deferred for twelve months; and
- (iv) that the investment property can be utilised to provide working capital.

Notwithstanding the above, I draw the officers of the reporting unit's attention to their duties under sections 285 and 287 of the RO Act in relation to the financial management of the reporting unit. These sections require officers to exercise their powers and discharge their duties with care and diligence, in the best interest of the organisation and not to cause detriment to the organisation. It is incumbent on the officers of the reporting unit to take appropriate steps to address the reporting unit's working capital and operating deficits and ensure its ongoing solvency.

Nil activity disclosure - recovery of wage activity revenue

The committee of management statement included a declaration at sub-paragraph (f) that no revenue had been derived from recovery of wage activity. This declaration has been removed from the committee of management statement template by reporting guideline 26, and information relating to this item should be disclosed within the statement of comprehensive income or notes (or an officer declaration statement) in accordance with either reporting guideline 13(e) or 21 as appropriate.

Please note that this was previously drawn to the reporting unit's attention in correspondence related to the 2018 report.

Nil activities disclosure - other

Item 21 of the reporting guidelines states that if any activities identified within items 10-20 of the reporting guidelines have not occurred in the reporting period, a statement to this effect must be included either in the financial statements, the notes or in an officer's declaration statement. The notes contained nil activity information for all prescribed reporting guideline categories except the following:

- RG12 - acquire an asset or liability due to an amalgamation under Part 2 of Chapter 3 of the RO Act, a restructure of the branches of an organisation, a determination or revocation by the General Manager, Fair Work Commission
- RG17(a) - have a fund or account for compulsory levies, voluntary contributions or required by the rules of the organisation or branch
- RG19 - have another entity administer the financial affairs of the reporting unit
- RG20 - make a payment to a former related party of the reporting unit

Please ensure in future years that the above mentioned items are disclosed as per the reporting guidelines.

Designated officer's certificate

The documents lodged with the ROC included:

- (a) a designated officer's certificate signed and dated on 14 November 2019; and
- (b) a cover certifying letter signed and dated 12 December 2019.

The former certificate incorrectly referred to the first meeting of the committee of management, which was held on 8 November 2019, for the purpose of certifying presentation in accordance with section 266. It is clear from the cover certifying letter that the full report was, for the purposes of section 266, presented to the annual general meeting held on 12 December. I have therefore disregarded the first certificate and taken the letter to be the true and accurate certificate for the purpose of section 268.

Only one certificate is required to be lodged. As the designated officer's certificate is required to certify that the events to which it refers (i.e. provision and presentation of the full report) have occurred, please ensure that in future years the full report is accompanied only by the certificate signed at the conclusion of these events.

Reporting Requirements

The ROC website provides several factsheets in relation to the financial reporting process and associated timelines. The website also contains the s.253 reporting guidelines and a model set of financial statements. The ROC recommends that reporting units use these model financial statements to assist in complying with the RO Act, the reporting guidelines and Australian Accounting Standards. Access to this information is available via [this link](#).

If you have any questions about the above or the reporting requirements, please do not hesitate to contact me by email at stephen.kellett@roc.gov.au.

Yours faithfully

A handwritten signature in black ink, appearing to read "Stephen Kellett", with a horizontal line extending to the right.

Stephen Kellett
Financial Reporting
Registered Organisations Commission



WEST AUSTRALIAN BRANCH

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ABN 23 613 523 164

Branch Secretary – Brad Gandy

Registered Organisations Commission
GPO Box 2983
Melbourne VIC 3001

Sent by email: regorgs@roc.gov.au

12th December 2019

Dear Sir/Madam,

RE: Lodgement of AWU WA Branch Audited Financial Returns 2018/19 and Statutory Declaration

Please find attached a copy of the audited financial accounts for the West Australian Branch of The Australian Workers' Union (AWU). I certify that these accounts were presented to the Branch Executive of the Union and accepted at a meeting held on 8th November 2019.

The audited accounts were then posted on the AWU WA Branch website on 14th November 2019.

An Annual General Meeting of the Union was held on 12th December 2019 which endorsed the audited accounts and instructed me to lodge a copy with the Registered Organisations Commission in accordance with the Act.

Yours sincerely,

Brad Gandy
Secretary
The Australian Workers' Union
West Australian Branch

WESTERN AUSTRALIA

OATHS, AFFIDAVITS AND STATUTORY DECLARATIONS ACT 2005

STATUTORY DECLARATION

I, Bradley Alan Gandy, Union Official, of Level 3, 25 Barrack Street, PERTH

{name, address and occupation of person making declaration}

sincerely declare as follows:-

- a) I am the duly elected Branch Secretary of the Australian Workers' Union, West Australian Branch.
- b) I have placed at the disposal of the Auditors all books and relevant documents in relation to the financial affairs of the union, in respect of the period ended 30 June 2019.
- c) The documents lodged are copies of the documents provided to members and presented to the Annual General Meeting in accordance with the Act.

This declaration is true and I know that it is an offence to make a declaration knowing that it is false in a material particular.

This declaration is made under the *Oaths, Affidavits and Statutory Declarations Act 2005*

at Level 3/25 Barrack St, Perth.....
.....
..... {place}

12 December 2019.....
..... {date}

in the presence of -
[Signature].....
.....
{Signature of authorised witness}

Susannah Isobel Hartley Connor.....
A legal practitioner who has held a
practice certificate for at least 2 years and
who holds a current practice certificate.....
.....

{Name of authorised witness and qualification as such a witness}

by [Signature].....
.....
{Signature of person making the
declaration}

Australian Workers' Union, West Australian Branch

FINANCIAL STATEMENTS 2018–19

Contents

Independent Audit Report	2
Designated Officer's Certificate	5
Report Required under Subsection 255(2A)	6
Operating Report	7
Committee of Management Statement	9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Index to the Notes of the Financial Statements	14



Independent Auditor's Report

To the Members of Australian Workers' Union, West Australian Branch

Opinion

We have audited the **Financial Report** of Australian Workers' Union, West Australian Branch (the Entity).

In our opinion, the accompanying Financial Report presents fairly, in all material respects, the financial position of the Entity as at 30 June 2019, and of its financial performance and its cash flows for the year then ended, in accordance with:

- Australian Accounting Standards.
- Any financial reporting requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the Fair Work (Registered Organisation) Act 2009.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2019.
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies.
- Expenditure Report as required under subsection 255(2A) of the Fair Work (Registered Organisation) Act 2009 for the year ended 30 June 2019.
- Committee of Management Statement.
- Officer Declaration Statement.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Entity in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – Going concern basis of preparation

We draw attention to Note 1 to the Financial Report, which describes the going concern basis of preparation. In the preparation of the Financial Report, the Committee of Management have assessed that the Entity's the use of the going concern basis of accounting is appropriate. Based on the audit evidence we have obtained, we conclude that Management's use of the going concern basis of preparation is appropriate. Our opinion is not modified in respect of this matter.



Restriction on use and distribution

The Financial Report has been prepared to assist the members of Australian Workers' Union, West Australian Branch in complying with the financial reporting requirements of the *Fair Work (Registered Organisations) Act 2009*.

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the members of Australian Workers' Union, West Australian Branch and should not be used by or distributed to parties other than the members of Australian Workers' Union, West Australian Branch. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the members of Australian Workers' Union, West Australian Branch or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in Australian Workers' Union, West Australian Branch's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Committee of Management is responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Committee of Management for the Financial Report

The Committee Management is responsible for:

- The preparation and fair presentation of the Financial Report in accordance with Australian Accounting Standards and any financial reporting requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the *Fair Work (Registered Organisation) Act 2009*.
- Implementing necessary internal control to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error.
- Assessing the Entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error.
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

I declare that I am an approved auditor as defined by Regulation 4 of the Fair Work (Registered Organisations) Regulations 2009, a member of the Institute of Chartered Accountants in Australia and hold a current Public Practice Certificate.

KPMG

Matthew Hingeley

Partner

Registration number (as registered by the Registered Organisations Commissioner under the Registered Organisations Act 2009): AA2019/14

235 St Georges Terrace
Perth, WA 6000

8 November 2019

Australian Workers' Union West Australian Branch

s.268 *Fair Work (Registered Organisations) Act 2009*

CERTIFICATE BY PRESCRIBED DESIGNATED OFFICER

Certificate for the period year 30 June 2019

I, Brad Gandy being the Branch Secretary of the Australian Workers' Union West Australian Branch certify:

- that the documents lodged herewith are copies of the full report for the Australian Workers' Union West Australian Branch for the year ended 30 June 2019 referred to in s.268 of the *Fair Work (Registered Organisations) Act 2009*; and
- that the full report was provided to members of the reporting unit on 14/11/2019; and
- that the full report was presented to a meeting of the committee of management of the reporting unit on 21/11/2019 in accordance with s.266 of the *Fair Work (Registered Organisations) Act 2009*.

Signature of prescribed designated officer: Brad Gandy

Name of prescribed designated officer: Brad Gandy

Title of prescribed designated officer: Branch Secretary

Dated: 14/11/2019

Australian Workers' Union West Australian Branch

Report Required under Subsection 255(2A)

for the year ended 30 June 2019

The Committee of Management presents the expenditure report as required under subsection 255(2A) on the Reporting Unit for the year ended 30 June 2019.

	2019	2018
	\$	\$
Categories of expenditures		
Remuneration and other employment-related costs and expenses - employees	2,204,114	2,057,292
Advertising	1,986	-
Operating costs	1,433,411	1,698,670
Donations to political parties	-	-
Legal costs	113,702	19,959

Signature of designated officer: 

Name and title of designated officer: Brad Gandy
Awu Wa Branch Secretary

Dated: 8 November 2019

Australian Workers' Union, West Australian Branch

Operating Report

for the year ended 30 June 2019

The committee presents its report on the reporting unit for the financial year ended 30 June 2019.

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

The principal activities of the reporting unit during the course of the financial year were those of a registered trade union working for the benefit of members through negotiating enterprise bargaining agreements, varying awards, representing members before industrial tribunals, training delegates in workplace organizing, recruitment and the public promotion of the interests of members.

The Branch Executive of WA Branch were re-elected in July 2017 un-opposed.

There were no significant changes in the nature of the activities of the reporting unit during the year.

Significant changes in financial affairs

There were no significant changes in the state of affairs of the reporting unit that occurred during the year.

As at 30 June 2019, Australian Workers' Union, West Australian Branch has reported a deficiency in net assets of \$392,273 (2018: deficiency of \$95,847). The deficiency in net assets includes the Branch's investment property, recorded on a historical cost basis, at its carrying value of \$340,879 (2018: \$358,179). The Branch has engaged an independent valuer which has determined the fair value of the investment property as at 21 March 2017 to be \$2,100,000. Had the Branch adopted a fair value accounting policy for its investment property using the 21 March 2017 fair value, its carrying value would have increased by approximately \$1.7 million and the net assets of the Branch would increase to a surplus of approximately \$1.3 million.

Right of members to resign

AWU Rule 14 – Resigning as a member – provides for resignation of members in accordance with s174 of Schedule 1B of the Fair Work (Registered Organisations) Act 2009.

Officers or members who are superannuation fund trustee(s) (include position details) or director of a company that is a superannuation fund trustee where being a member or officer of a registered organisation is a criterion for them holding such position

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

Number of members

The number of persons in the register of members is 6,885 (2018: 6,807).

Number of employees

The Branch employed 22 full time equivalent employees during the year although a number of these employees did not work for the full financial year.

Other information

The Branch has maintained its affiliation with both the ALP and Unions WA during the financial year.

Australian Workers' Union, West Australian Branch

Operating Report (continued)

for the year ended 30 June 2019

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

The following persons held office through the entire period 1 July 2018 to 30 June 2019 unless otherwise indicated:

A. D. Hacking	Branch President
J. Pascoe	Branch Vice President
A. Herbert	Branch Vice President (from 26/11/2018)
M. Zoetbrood	Branch Secretary (dismissed 30/04/2019)
B. Gandy	Branch Secretary (from 07/05/2019)
B. Gandy	Assistant Branch Secretary (resigned 07/05/2019)
C. Beveridge	Assistant Branch Secretary (from 07/05/2019)
D. Cullen	Committee Member
N. Pavlovic	Committee Member
S. Allen	Committee Member – Alcoa Pinjarra Sub-Branch President (resigned 24/04/2019)
S. Allen	Committee Member – Alcoa Pinjarra Sub-Branch Secretary (from 24/04/2019)
W. Hope	Committee Member – Alcoa Pinjarra Sub-Branch Secretary (resigned 24/04/2019)
A. Draper	Committee Member – Alcoa Pinjarra Sub-Branch President (from 24/04/2019)
C Ramirez	Committee Member
D. Solly	Committee Member
D. Connors	Committee Member
R. Woods	Committee Member
S. O'Reilly	Committee Member
B. Ahmed	Committee Member
R. Lynn	Committee Member

Signature of designated officer: Bradley Gandy

Name and title of designated officer: Bradley Gandy
AWU WA Branch Secretary

Dated: 8/11/2019

Australian Workers' Union, West Australian Branch

Committee Of Management Statement

for the year ended 30 June 2019

On 8 November 2019 the Committee of Management of the Australian Workers' Union West Australian Branch passed the following resolution in relation to the general purpose financial report (**GPFR**) for the year ended 30 June 2019:

The Committee of Management declares that in its opinion:

- (a) the financial statements and notes comply with the Australian Accounting Standards;
- (b) the financial statements and notes comply with any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009* (the **RO Act**);
- (c) the financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the reporting unit for the financial year to which they relate;
- (d) there are reasonable grounds to believe that the reporting unit will be able to pay its debts as and when they become due and payable; and
- (e) during the financial year to which the GPFR relates and since the end of that year:
 - (i) meetings of the 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 RO Act; and
 - (iv) where the organisation consists of two or more reporting units, the financial records of the reporting unit have been kept, as far as practicable, in a consistent manner with each of the other reporting units of the organisation; and
 - (v) where information has been sought in any request by a member of the reporting unit or Commissioner duly made under section 272 of the RO Act has been provided to the member or Commissioner; and
 - (vi) where any order for inspection of financial records has been made by the Fair Work Commission under section 273 of the RO Act, there has been compliance.
- (f) no revenue has been derived from undertaking recovery of wages activity during the reporting period.

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

Signature of designated officer: Bradley Candy

Name and title of designated officer: Bradley Candy
Aww Wa Branch Secretary

Dated: 8/11/2019

Australian Workers' Union, West Australian Branch

Statement of Comprehensive Income

for the year ended 30 June 2019

	<i>Notes</i>	2019	2018
		\$	\$
Revenue			
Membership subscription		3,081,987	3,264,161
Capitation fees	3A	-	-
Levies	3B	-	-
Rental revenue	3C	109,135	168,090
Other revenue	3D	100,665	300,964
Total revenue		3,291,787	3,733,215
Other income			
Grants and/or donations	3E	-	-
Investment income	3F	165,000	-
Total other income		165,000	-
Total income		3,456,787	3,733,215
Expenses			
Employee expenses	4A	2,204,114	2,057,292
Capitation fees	4B	338,745	347,705
Affiliation expenses	4C	97,365	93,773
Administration expenses	4D	844,416	865,627
Grants or donations	4E	3,008	10,308
Finance costs	4F	21,189	25,613
Depreciation and amortisation	4G	84,964	104,497
Legal costs	4H	113,702	19,959
Audit and accounting fees		58,123	45,789
Write down and impairment of assets	4I	(183,639)	-
Net losses from sale of assets	4J	13,713	14,621
Other expenses	4K	157,513	190,737
Total expenses		3,753,213	3,775,921
Deficit for the year		(296,426)	(42,706)
Other comprehensive income			
Change in fair value of other investments		-	49,515
Total comprehensive (loss)/income for the year		(296,426)	6,809

The above statement should be read in conjunction with the notes

Australian Workers' Union, West Australian Branch

Statement of Financial Position

as at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	5A	491,173	412,338
Trade and other receivables	5B	186,113	116,970
Total current assets		677,286	529,308
Non-current assets			
Land and buildings - Investment property	6A	340,879	358,179
Plant & equipment	6B	270,274	330,856
Other investments	6C	565,000	216,361
Total non-current assets		1,176,153	905,396
Total assets		1,853,439	1,434,704
LIABILITIES			
Current liabilities			
Trade payables	7A	1,069,256	626,507
Other payables	7B	199,336	13,973
Employee provisions	8A	465,245	428,220
Other liabilities	8B	192,254	96,127
Total current liabilities		1,926,091	1,164,827
Non-current liabilities			
Employee provisions	8A	77,659	48,824
Other liabilities	8B	241,962	316,900
Total non-current liabilities		319,621	365,724
Total liabilities		2,245,712	1,530,551
Net liabilities		(392,273)	(95,847)
EQUITY			
General funds		(804,691)	(557,780)
Reserves	9A	412,418	461,933
Total equity		(392,273)	(95,847)

The above statement should be read in conjunction with the notes

Australian Workers' Union, West Australian Branch

Statement of Changes in Equity

for the year ended 30 June 2019

	General funds	Reserves	Total
	\$	\$	\$
Balance as at 1 July 2017	(515,074)	412,418	(102,656)
Deficit for the year	(42,706)	-	(42,706)
Other comprehensive income for the year	-	49,515	49,515
Closing balance as at 30 June 2018	<u>(557,780)</u>	<u>461,933</u>	<u>(95,847)</u>
Adjustment on initial application of AASB 9	49,515	(49,515)	-
Restated balance as at 1 July 2018	<u>(508,265)</u>	<u>412,418</u>	<u>(95,847)</u>
Deficit for the year	(296,426)	-	(296,426)
Other comprehensive income for the year	-	-	-
Closing balance as at 30 June 2019	<u>(804,691)</u>	<u>412,418</u>	<u>(392,273)</u>

The above statement should be read in conjunction with the notes

Australian Workers' Union, West Australian Branch

Statement of Cash Flows

for the year ended 30 June 2019

	<i>Notes</i>	2019	2018
		\$	\$
OPERATING ACTIVITIES			
Cash received			
Receipts from other reporting units		-	-
Receipts from members		3,341,129	3,580,351
Other		209,800	469,054
		3,550,929	4,049,405
Cash used			
Suppliers		(1,060,211)	(1,429,691)
Employees		(2,138,254)	(2,022,588)
Payments to other reporting units	10A	(252,834)	(547,864)
Net cash from operating activities	10A	99,630	49,262
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of plant and equipment		2,629	10,889
Cash used			
Purchase of plant and equipment		(23,424)	(6,834)
Net cash (used in)/from investing activities		(20,795)	4,055
FINANCING ACTIVITIES			
Cash received			
Loans and borrowings		-	(96,128)
Net cash used by financing activities		-	(96,128)
Net increase/(decrease) in cash held		78,835	(42,811)
Cash & cash equivalents at the beginning of the reporting period		412,338	455,149
Cash & cash equivalents at the end of the reporting period	5A	491,173	412,338

The above statement should be read in conjunction with the notes

Index to the Notes of the Financial Statements

Note 1	Summary of significant accounting policies
Note 2	Events after the reporting period
Note 3	Income
Note 4	Expenses
Note 5	Current assets
Note 6	Non-current assets
Note 7	Current liabilities
Note 8	Provisions and other liabilities
Note 9	Reserves
Note 10	Cash flow
Note 11	Contingent liabilities, assets and commitments
Note 12	Related party disclosures
Note 13	Remuneration of auditors
Note 14	Financial instruments
Note 15	Fair value measurements
Note 16	Section 272 <i>Fair Work (Registered Organisations) Act 2009</i>

Australian Workers' Union, West Australian Branch

Note 1 Summary of significant accounting policies

1.1 Basis of preparation of the financial statements

The financial statements are Tier 1 general purpose financial statements and have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period and the *Fair Work (Registered Organisation) Act 2009*. For the purpose of preparing the general purpose financial statements, the Australian Workers' Union, West Australian Branch is a not-for-profit entity.

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

1.2 Financial position and going concern

As at 30 June 2019, Australian Workers' Union, West Australian Branch has reported a deficiency in net assets of \$392,273 (2018: deficiency of \$95,847). The deficiency in net assets includes the Branch's investment property, recorded on a historical cost basis, at its carrying value of \$340,879 (2018: \$358,179). The Branch has engaged an independent valuer which has determined the fair value of the investment property as at 21 March 2017 to be \$2,100,000. Had the Branch adopted a fair value accounting policy for its investment property using the 21 March 2017 fair value, its carrying value would have increased by approximately \$1.7 million and the net assets of the Branch would increase to a surplus of approximately \$1.3 million.

For the year ended 30 June 2019, the Branch reported a net deficit of \$296,426 (2018: \$42,706) and has a deficit in working capital of \$1,248,805 (2018: \$635,519). Included in trade payables as at 30 June 2019 is an amount due to AWU National of \$720,455 (2018: \$187,397).

Executives have prepared a cash flow forecast for the next 12 months which indicates that the Branch can meet its debts as and when they fall due. The accounts have been prepared on a going concern basis. The Executives note that the AWU National Office is required to support the WA Branch under its constitution if required. Under Rule 25 of the National Union's constitution all financial decisions are authorised by the National Executive and therefore it is their responsibility to take action to secure the satisfactory working of any Branch. The AWU National Office has agreed to not call for repayment the amounts payable by AWU, WA Branch, for 12 months from the date of this report and to assist in meeting its obligations to its creditors as and when they fall due. As noted above, the Branch holds an investment property with a carrying value significantly lower than its fair value which could be utilised to provide working capital either through its sale or as a security for borrowings.

No financial support was provided to another reporting unit during the current period.

1.3 Comparative amounts

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

1.4 Significant accounting judgements and estimates

The following accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

Estimation of useful lives of assets

The entity's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The useful lives could change significantly as a result of use or some other event. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off assets that have been abandoned or sold.

Australian Workers' Union, West Australian Branch

Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date.

Fair value of investments

A number of the reporting unit's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The reporting unit has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Commissioner.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the reporting entity's Audit Committee.

When measuring the fair value of an asset or liability, the reporting entity uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure fair value of an asset or liability to fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The reporting unit recognises transfers between levels of fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 15 Fair Value Measurements.

1.5 New Australian Accounting Standards

Adoption of New Australian Accounting Standard requirements

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

The accounting policies adopted are consistent with those of the previous financial year except for the following standards and amendments, which have been adopted for the first time this financial year:

- AASB 9 Financial Instruments and relevant amending standards, which replaces AASB 139 Financial Instruments: Recognition and Measurement.

The adoption of this amendment has resulted in an upwards adjustment of \$49,515 in the opening balance of general funds. This comes as a result of the gain and loss on the revaluation of investments now being recognised in profit or loss rather than equity. Consequently, the balance of the available for sale reserve was reclassified to general funds as at 30 June 2018.

Australian Workers' Union, West Australian Branch

- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and other amendments, which clarify certain requirements in:
 - AASB 12 Disclosure of Interests in Other Entities – clarification of scope
 - AASB 128 Investments in Associates and Joint Ventures – measuring an associate or joint venture at fair value
 - AASB 140 Investment Property – change in use

The nature and effects of the changes required by this standard has no material impact on the financial statements of the reporting unit.

- AASB Interpretation 22 Foreign Currency Transactions and Advance Considerations, which clarifies that the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration.

The nature and effects of the changes required by this standard has no material impact on the financial statements of the reporting unit.

Impact on adoption of AASB 9

(a) Initial application

AASB 9 Financial Instruments (**AASB 9**) replaces AASB139 Financial Instruments: Recognition and Measurement (**AASB 139**) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The reporting unit has applied AASB 9 retrospectively, with an initial application date of 1 July 2018. The reporting unit has not restated the comparative information, which continues to be reported under AASB 139. Differences arising from the adoption of AASB 9 have been recognised directly in opening retained earnings and other components of equity as at 1 July 2018. The nature and effect of the changes as a result of adoption of AASB 9 are as follows:

Impact on the statement of financial position (increase/(decrease)):

	Ref adjustments	1 July 2018 \$
Classification and measurement	(i)	-
Impairment	(ii)	-
Other adjustments		-
		<hr/>
		-
		<hr/>

Australian Workers' Union, West Australian Branch

	Ref adjustments	1 July 2018 \$
Assets		
Trade and other receivables	(ii)	-
Investments in associates		-
Other non-current assets	(ii)	-
Total assets		
Total adjustments on equity		
Retained earnings	(i) (ii)	49,515
Other components of equity	(i) (ii)	(49,515)

The nature of these adjustments are described below.

(i) Classification and measurement

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the reporting unit's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the reporting unit's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did have a significant impact to the reporting unit.

- Trade receivables and other non-current financial assets (i.e., Loan to a related party) previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.
- Listed equity investments previously classified as AFS financial assets are now classified and measured as financial assets at fair value through profit or loss.

As a result of the change in classification of the reporting unit's listed equity investments, the AFS reserve of \$49,515 related to those investments that were previously presented under accumulated OCI, was reclassified to retained earnings as at 1 July 2018.

The reporting unit has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the reporting unit's financial liabilities.

Australian Workers' Union, West Australian Branch

In summary, upon adoption of AASB 9, the reporting unit applied the following required or elected reclassifications:

1 July 2018

	AASB 9 measurement category			
	Fair value through profit or loss	Amortised cost	Fair value through OCI	
	\$	\$	\$	\$
AASB 139 measurement category				-
Loans and receivables				
Cash and cash equivalents	412,338	-	412,338	-
Trade and other receivables	116,970	-	116,970	-
Available for sale				
Investments	216,361	216,361	-	-
	745,669	216,361	529,308	-

*The change in carrying amount is a result of additional impairment allowance. See discussion on impairment below.

(ii) Impairment loss

The adoption of AASB 9 has fundamentally changed the reporting unit's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking ECL approach. AASB 9 requires the reporting unit to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets, i.e. those held at amortised cost and at FVTOCI.

Future Australian Accounting Standards Requirements

New standards, amendments to standards or interpretations that were issued prior to the sign-off date and are applicable to the future reporting period that are expected to have a future financial impact on the reporting unit include AASB 16 Leases and AASB 1058 Income of Not-For-Profit Entities, which will become mandatory from the reporting unit's 2020 financial statements. The reporting unit does not plan to adopt these standards early and the extent of the impact has not been determined.

1.6 Revenue

Revenue is measured at the fair value of the consideration received or receivable.

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

Revenue from the sale of goods is recognised when, the risks and rewards of ownership have been transferred to the buyer, the entity retains no managerial involvement or effective control over the goods, the revenue and transaction costs incurred can be reliably measured, and it is probable that the economic benefits associated with the transaction will flow to the entity.

Donation income is recognised when it is received.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any loss allowance due to expected credit losses at each reporting date. A provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment has been established.

Australian Workers' Union, West Australian Branch

Membership contributions are accounted for on an accruals basis. Memberships paid in advance as at year end, are recorded as deferred income and included as a current liability in the statement of financial position.

Interest revenue is recognised on an accrual basis using the effective interest method.

Rental revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Referrer fee income is accounted for on an accrual basis and is recorded as revenue in the year to which it relates.

1.7 Gains

Sale of assets

Gains and losses from disposal of assets are recognised when control of the asset has passed to the buyer.

1.8 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and termination benefits when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities for short-term employee benefits (as defined in AASB 119 *Employee Benefits*) and termination benefits which are expected to be settled within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits which are expected to be settled beyond twelve months are measured as the present value of the estimated future cash outflows to be made by the reporting unit in respect of services provided by employees up to reporting date.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Provision is made for separation and redundancy benefit payments. The reporting unit recognises a provision for termination as part of a broader restructuring when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations. A provision for voluntary termination is recognised when the employee has accepted the offer of termination.

1.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Rental revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.10 Borrowing costs

All borrowing costs are recognised in profit and loss in the period in which they are incurred.

Australian Workers' Union, West Australian Branch

1.11 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes cash on hand, deposits held at call with bank, other short-term highly liquid investments with original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

1.12 Financial instruments

Financial assets and financial liabilities are recognised when the Australian Workers' Union, West Australian Branch becomes a party to the contractual provisions of the instrument.

1.13 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (**OCI**), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the reporting unit's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the reporting unit initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (**SPPI**) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The reporting unit's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the reporting unit commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in five categories:

- (Other) financial assets at amortised cost
- (Other) financial assets at fair value through other comprehensive income
- Investments in equity instruments designated at fair value through other comprehensive income
- (Other) financial assets at fair value through profit or loss
- (Other) financial assets designated at fair value through profit or loss

Financial assets at amortised cost

The reporting unit measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (**EIR**) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The reporting unit's financial assets at amortised cost includes trade receivables and loans to related parties.

Australian Workers' Union, West Australian Branch

Financial assets at fair value through profit or loss (including designated)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired or
- The reporting unit has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - a) the reporting unit has transferred substantially all the risks and rewards of the asset, or
 - b) the reporting unit has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the [reporting unit] has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the [reporting unit] continues to recognise the transferred asset to the extent of its continuing involvement together with associated liability.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment

(i) Trade receivables

For trade receivables that do not have a significant financing component, the reporting unit applies a simplified approach in calculating expected credit losses (**ECLs**) which requires lifetime expected credit losses to be recognised from initial recognition of the receivables.

Therefore, the reporting unit does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The reporting unit has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

1.14 Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, at amortised cost unless or at fair value through profit or loss.

Australian Workers' Union, West Australian Branch

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The reporting unit's financial liabilities include trade and other payables.

Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, trade payables and interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

1.15 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant notes. They may arise from uncertainty as to the existence of a liability or asset or represent an existing liability or asset in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are disclosed when settlement is greater than remote.

1.16 Land, Buildings, Plant and Equipment

Asset Recognition Threshold

Purchases of land, buildings, plant and equipment are recognised initially at cost in the Statement of Financial Position. The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful life using, in all cases, the straight line method of depreciation. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

<u>Class of fixed asset</u>	2019	2018
Land and buildings - Investment Property	50 years	50 years
Plant and equipment	6 – 20 years	6 – 20 years

Derecognition

An item of land, buildings, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss.

Australian Workers' Union, West Australian Branch

1.17 Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost and in accordance with the policies set out in 1.16.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal.

Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

1.18 Impairment for non-financial assets

All assets are assessed for impairment at the end of each reporting period to the extent that there is an impairment trigger. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the reporting unit were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

1.19 Taxation

The reporting unit is exempt from income tax under section 50.1 of the Income Tax Assessment Act 1997 however still has obligations for Fringe Benefits Tax (**FBT**) and the Goods and Services Tax (**GST**).

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

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

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

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

1.20 Fair value measurement

The reporting unit measures financial instruments at fair value through profit or loss at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 15A.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Australian Workers' Union, West Australian Branch. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Australian Workers' Union, West Australian Branch

The Australian Workers' Union, West Australian Branch uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Australian Workers' Union, West Australian Branch determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as land and buildings and investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. For the purpose of fair value disclosures, the Australian Workers' Union, West Australian Branch has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Australian Workers' Union, West Australian Branch

Note 2 Events after the reporting period

There were no events that occurred after 30 June 2019, and/or prior to the signing of the financial statements, that would affect the ongoing structure and financial activities of the reporting unit.

2019	2018
\$	\$

Note 3 Income

Note 3A: Capitation fees

NIL	-	-
Total capitation fees	-	-

Note 3B: Levies

NIL	-	-
Total levies	-	-

Note 3C: Rental revenue

Properties	105,532	164,350
Other	3,603	3,740
Total rental revenue	109,135	168,090

Note 3D: Other revenue

Referrer fees	53,274	281,619
Gain on sale of property and equipment	-	6,161
Other revenue	47,391	13,184
	100,665	300,964

Note 3E: Grants or donations

Grants	-	-
Donations	-	-
Total grants or donations	-	-

Note 3F: Investment income

Dividends	165,000	-
Total investment income	165,000	-

Australian Workers' Union, West Australian Branch

2019 2018
\$ \$

Note 4 Expenses

Note 4A: Employee expenses

Holders of office:

Wages and salaries	587,457	178,036
Superannuation	81,197	21,295
Leave and other entitlements	124,662	34,704
Separation and redundancies	26,400	-
Other employee expenses	32,664	10,345
Payroll tax	27,558	10,466
Subtotal employee expenses - holders of office	879,938	254,846

Employees other than office holders:

Wages and salaries	1,184,376	1,500,602
Superannuation	135,497	196,046
Leave and other entitlements	(58,802)	-
Separation and redundancies	6,217	-
Other employee expenses	47,178	40,068
Payroll tax	9,710	65,730
Subtotal employee expenses - employees other than office holders	1,324,176	1,802,446
Total employee expenses	2,204,114	2,057,292

Note 4B: Capitation fees and other expense to another reporting unit

Capitation fees

AWU - National Office	338,745	347,705
Subtotal capitation fees	338,745	347,705

Other expense to another reporting unit

NIL	-	-
Subtotal capitation fees	-	-

Total capitation fees and other expenses to another reporting unit	338,745	347,705
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Note 4C: Affiliation fees

Australian Labour Party	48,364	46,538
Unions WA (formerly Trades and Labour Council)	42,387	42,275
ShopRite	6,614	4,960
Total affiliation fees/subscriptions	97,365	93,773

Australian Workers' Union, West Australian Branch

	2019	2018
	\$	\$
Note 4D: Administration expenses		
Total paid to employers for payroll deductions of membership subscriptions	-	-
Compulsory levies	(4,485)	4,485
Fees/allowances - meeting and conferences	-	-
Conference and meeting expenses	4,079	400
Contractors/consultants	-	-
Property expenses	279,553	247,071
Office expenses	71,170	93,102
Information communications technology	17,717	13,302
Broker Fees	304	80
Travel and accommodation	133,011	171,872
Other	343,067	335,315
Total administration expenses	844,416	865,627

Operating lease rentals:		
Minimum lease payments	259,396	223,441

No compulsory levies were paid during the year. Compulsory levies of \$4,485 (GST Exclusive) were incurred in 2018, though no payment was made and the expense was reversed in 2019.

Note 4E: Grants or donations

Grants:

Total expensed that were \$1,000 or less	-	-
Total expensed that exceeded \$1,000	-	-

Donations

Total expensed that were \$1,000 or less	3,008	1,591
Total expensed that exceeded \$1,000	-	8,717

Total grants or donations	3,008	10,308
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In-Kind Donations:

Vehicle costs	5,525	-
Employee wages	-	-
Other	-	-

Total in-kind donations	5,525	-
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Note 4F: Finance costs

Interest paid	21,189	25,613
Total finance costs	21,189	25,613

Australian Workers' Union, West Australian Branch

	2019 \$	2018 \$
Note 4G: Depreciation and amortisation		
Depreciation		
Land and buildings	17,300	17,300
Property, plant and equipment	67,664	87,197
Total depreciation	84,964	104,497
Total depreciation and amortisation	84,964	104,497
Note 4H: Legal costs		
Litigation	-	-
Other legal costs	113,702	19,959
Total legal costs	113,702	19,959
Note 4I: Write down and impairment of assets		
Reversal of impairment - refer note 6C	(183,639)	-
Total write down and impairment of assets	(183,639)	-
Note 4J: Net losses from sale of assets		
Motor vehicles	13,713	14,621
Total net losses from asset sales	13,713	14,621
Note 4K: Other expenses		
Penalties - via RP Act or the Fair Work Act 2009	-	-
Site Levies	-	62,543
Bank charges	19,467	19,053
Other expenses	138,046	109,141
Total other expenses	157,513	190,737
Note 5 Current assets		
Note 5A: Cash and cash equivalents		
Cash at bank	490,782	411,947
Cash on hand	391	391
Total cash and cash equivalents	491,173	412,338

Australian Workers' Union, West Australian Branch

	2019	2018
	\$	\$
Note 5B: Trade and other receivables		
Receivables from other reporting unit		
AWU National	-	-
Total receivables from other reporting unit	-	-
Less provision for doubtful debts		
AWU National	-	-
Total provision for doubtful debts	-	-
Receivables from other reporting unit (net)	-	-
Other receivables:		
GST receivable from the Australian Taxation Office	-	-
Other trade receivables	186,113	116,970
Total other receivables	186,113	116,970
Total trade and other receivables (net)	186,113	116,970

Note 6 Non-current assets

Note 6A: Land and buildings – investment property

Land and buildings:		
Cost	865,000	865,000
Accumulated depreciation	(524,121)	(506,821)
Total land and buildings - investment property	340,879	358,179

Reconciliation of the opening and closing balances of Land and Buildings - investment property

As at 1 July		
Gross book value	865,000	865,000
Accumulated depreciation and impairment	(506,821)	(489,521)
Net book value 1 July	358,179	375,479
Depreciation expense	(17,300)	(17,300)
Net book value 30 June	340,879	358,179
Net book value as of 30 June represented by:		
Gross book value	865,000	865,000
Accumulated depreciation and impairment	(524,121)	(506,821)
Net book value 30 June	340,879	358,179

The investment property is subject to a registered charge

Australian Workers' Union, West Australian Branch

	2019 \$	2018 \$
Note 6B: Plant and equipment		
Plant and equipment		
At cost	1,167,121	1,220,797
Accumulated depreciation	(896,847)	(889,941)
Total office equipment	270,274	330,856

Reconciliation of the opening and closing balances of Plant and Equipment

As at 1 July		
Gross book value	1,220,797	1,358,773
Accumulated depreciation and impairment	(889,941)	(922,044)
Net book value 1 July	330,856	436,729
Additions:		
By purchase	23,424	6,834
Depreciation expense	(67,664)	(87,197)
Other (Write-offs)	(16,342)	(25,510)
Net book value 30 June	270,274	330,856
Net book value as of 30 June represented by:		
Gross book value	1,167,121	1,220,797
Accumulated depreciation and impairment	(896,847)	(889,941)
Net book value 30 June	270,274	330,856

Note 6C: Other investments

Investment in Chifley Financial Services Pty Ltd	400,000	216,361
Investment in Chifley Trading Trust	165,000	-
Total other investments	565,000	216,361

75,001 Ordinary Shares in Chifley Financial Services Pty Ltd (16.7% of total Ordinary Shares) were acquired by the AWU WA Branch from Unions NSW on the 24th February 2016. 170 Units in Chifley Trading Trust were acquired on 30 January 2019.

Subsequent to year end Chifley Financial Services Pty Ltd declared a final dividend with the funds owing to AWU WA Branch being utilised to repay the outstanding loan. Following the payment of this final dividend, Chifley Financial Services Pty Ltd will be wound up.

Note 7 Current liabilities

Note 7A: Trade payables

Trade and other creditors	217,491	375,078
Accrued expenses	131,310	64,032
Subtotal trade creditors	348,801	439,110
Payables to other reporting unit		
Payable to AWU - National	720,455	187,397
Subtotal payables to other reporting unit	720,455	187,397
Total trade payables	1,069,256	626,507

Settlement is usually made within 30 days.

Australian Workers' Union, West Australian Branch

	2019	2018
	\$	\$
Note 7B: Other payables		
Payable to employers for making payroll deductions of membership subscriptions	-	-
Legal costs		
Litigation	-	-
Other legal costs	-	-
Other liabilities	-	-
GST payable to the Australian Taxation Office	8,128	6,476
Prepayments received/unearned revenue	191,208	7,497
Total other payables	199,336	13,973

Total other payables are expected to be settled in:

No more than 12 months	199,336	13,973
More than 12 months	-	-
Total other payables	199,336	13,973

Note 8 Provisions and other liabilities

Note 8A: Employee provisions

Office Holders:

Annual leave	37,179	-
Long service leave	112,437	92,313
Separations and redundancies	-	-
Other	-	-
Subtotal employee provisions - office holders	149,616	92,313

Employees other than office holders:

Annual leave	179,755	206,196
Long service leave	213,533	178,535
Separations and redundancies	-	-
Other	-	-
Subtotal employee provisions - employees other than office holders	393,288	384,731
Total employee provisions	542,904	477,044

Current	465,245	428,220
Non-Current	77,659	48,824
Total employee provisions	542,904	477,044

Australian Workers' Union, West Australian Branch

	2019 \$	2018 \$
Note 8B: Other liabilities		
Loans and borrowings	434,216	413,027
Total other liabilities	434,216	413,027
Current	192,254	96,127
Non-Current	241,962	316,900
Total other liabilities	434,216	413,027

The loans and borrowings are unsecured for a term of 7 years expiring on 30 June 2023 at an interest rate of 5.30% (2018: 5.30%) and requires annual repayments (including interest) of \$96,127 (2018: \$96,607).

Note 9 Reserves

Note 9A: Funds

Capital Reserve

Balance as at start of year	72,750	72,750
Transferred to reserve	-	-
Transferred out of reserve	-	-
Balance as at end of year	72,750	72,750

Asset Revaluation Reserve

Balance as at start of year	237,146	237,146
Transferred to reserve	-	-
Transferred out of reserve	-	-
Balance as at end of year	237,146	237,146

This reserve is not available to offset future revaluation decrements in non-current assets.

Long Service Leave Reserve

Balance as at start of year	102,522	102,522
Transferred to reserve	-	-
Transferred out of reserve	-	-
Balance as at end of year	102,522	102,522

Available for sale reserve

Balance as at start of year	49,515	-
Adjustment on initial application of AASB 9	(49,515)	-
Restated balance as at start of year	-	-
Transferred to reserve	-	49,515
Transferred out of reserve	-	-
Balance as at end of year	-	49,515
Total reserves	412,418	461,933

Australian Workers' Union, West Australian Branch

2019 2018
\$ \$

Note 10 Cash flow

Note 10A: Cash flow reconciliation

Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement:

Cash and cash equivalents as per:

Cash flow statement	491,173	412,338
Balance sheet	491,173	412,338
Difference	-	-

Reconciliation of (deficit) to net cash from operating activities:

(Deficit) for the year	(296,426)	(42,706)
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Adjustments for non-cash items:

Depreciation/amortisation	84,964	104,497
Interest paid	21,189	25,613
Loss on sale of asset	13,713	14,621
Dividend income	(165,000)	-
Reversal of impairment	(183,639)	-
	(525,199)	102,025

Changes in assets/liabilities:

Change in debtors & prepayments	(69,143)	(10,226)
Change in supplier payables	442,749	(17,423)
Change in memberships due in advance	185,363	(59,818)
Change in employee benefits	65,860	34,704
	99,630	49,262

Net cash from operating activities

Cash inflows	-	-
AWU - National Office	-	-
Total cash inflows	-	-

Cash outflows	-	-
AWU - National Office	252,834	547,864
Total cash outflows	252,834	547,864

Note 11 Contingent liabilities, assets and commitments

Note 11A: Commitments and contingencies

Operating lease commitments – as lessee

The AWU WA Branch has contractual commitments in relation to leases for office space in Perth and regional Western Australia as well as for residential accommodation in the North West of Western Australia. The leases typically run for a period of 1 to 5 years, with the main Perth office lease having an option to renew the lease after the date. Lease payments are fixed and are generally non-cancellable.

Australian Workers' Union, West Australian Branch

	2019	2018
	\$	\$

Note 11A: Commitments and contingencies (continued)

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

Within one year	146,768	223,401
After one year but not more than five years	129,878	194,968
More than five years	-	-
Total	276,646	418,369

Operating lease commitments – as lessor

The AWU WA Branch has contractual commitments in relation to leases for office space in East Perth. The leases typically run for a period of 1 to 5 years. Lease payments are fixed and are generally non-cancellable

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

Within one year	73,613	104,519
After one year but not more than five years	31,171	73,613
More than five years	-	31,172
Total	104,784	209,304

Note 12 Related party disclosures

Note 12A: Related party transactions for the reporting period

Amounts totalling \$117,259 (2018: \$121,868) were received from The Australian Workers' Union West Australian Branch Industrial Union of Workers during the year for reimbursement of expenditure. The following table provides the total amount of transactions that have been entered into with related parties for the relevant year.

Expenses paid to AWU National Office includes the following:

Rent	29,867	49,280
Combined head office fees	109,361	396,299

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances for sales and purchases at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Australian Workers' Union, West Australian Branch

2019 2018
\$ \$

Note 12B: Key management personnel remuneration for the reporting period

Short-term employee benefits

Salary (including annual leave taken)	296,087	211,964
Annual leave accrued	16,521	16,121
Performance bonus	-	985
Other benefits	-	-

Total short-term employee benefits	312,608	229,070
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Post-employment benefits:

Superannuation	33,469	21,295
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Total post-employment benefits	33,469	21,295
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Other long-term benefits:

Long-service leave	92,161	92,313
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Total post-employment benefits	92,161	92,313
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Termination benefits	-	-
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Total	438,238	342,678
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Note 13 Remuneration of auditors

Value of the services provided

Financial statement audit services - KPMG	32,400	37,289
Financial statement preparation assistance - KPMG	6,000	6,000
Other assurance services - KPMG	-	2,500

Total remuneration of auditors	38,400	45,789
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No other services were provided by the auditors of the financial statements.

Note 14 Financial instruments

The reporting unit has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the reporting unit's exposure to each of the above risks, the reporting unit's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Committee of Management has overall responsibility for the establishment and oversight of the reporting unit's risk management framework and for developing and monitoring risk management policies.

The reporting unit's risk management policies are established to identify and analyse the risks faced by the reporting unit, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the reporting unit's activities. The reporting unit, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Australian Workers' Union, West Australian Branch

The Committee of Management oversees how management monitors compliance with the reporting unit's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the reporting unit.

2019	2018
\$	\$

Note 14A: Categories of financial instruments

Financial assets

Loans and receivables:

Cash and cash equivalents	491,173	412,338
Trade and other receivables	186,113	116,970
Total	677,286	529,308

Fair value through profit or loss:

Investments	565,000	216,361
Total	565,000	216,361

Carrying amount of financial assets

1,242,286	745,669
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Financial liabilities

Other financial liabilities:

Trade payables	1,069,256	626,507
Other payables	199,336	13,973
Other liabilities	434,216	413,027
Total	1,702,808	1,053,507

Carrying amount of financial liabilities

1,702,808	1,053,507
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Note 14B: Net income and expense from financial assets and liabilities

Amortised cost

Interest revenue	586	1,034
Interest expense	(21,189)	(25,613)
Net (loss) from financial assets at amortised cost	(20,603)	(24,579)

Fair value through profit or loss

Dividend revenue	165,000	-
Reversal of impairment	183,639	-
Net gain on financial assets at fair value through profit and loss	348,639	-

Net gain/(loss) from financial assets and liabilities

328,036	(24,579)
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Note 14C: Credit risk

Credit risk arises from cash and cash equivalents, investments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The credit quality of customers is assessed based on past experience, trading history, and other factors. Individual credit limits are set.

Australian Workers' Union, West Australian Branch

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below.

The following table illustrates the Entity's gross exposure to credit risk, excluding any collateral or credit enhancements.

	2019 \$	2018 \$
Financial assets		
Cash and cash equivalents	491,173	412,338
Trade and other receivables	186,113	116,970
Investments	565,000	216,361
Total	1,242,286	745,669

In relation to the Entity's gross credit risk, no collateral is held.

Credit quality of financial instruments not past due or individually determined as impaired

	Not Past Due Nor Impaired 2019 \$	Past Due or Impaired 2019 \$	Not Past Due Nor Impaired 2018 \$	Past Due or Impaired 2018 \$
Trade receivables	186,113	-	116,970	-
Total	186,113	-	116,970	-

Ageing of financial assets that were past due but not impaired for 2019

	0 to 30 days \$	31 to 60 days \$	61 to 90 days \$	90+ days \$	Total \$
Trade receivables	-	-	-	-	-
Total	-	-	-	-	-

Ageing of financial assets that were past due but not impaired for 2018

	0 to 30 days \$	31 to 60 days \$	61 to 90 days \$	90+ days \$	Total \$
Trade receivables	-	-	-	-	-
Total	-	-	-	-	-

Note 14D: Liquidity risk

Prudent liquidity risk management involves maintaining sufficient cash reserves. The Union manages liquidity risk by continuously monitoring forecast and actual cash flow. Surplus funds are generally only deposited in savings accounts with offering interest rates.

Contractual maturities for financial liabilities 2019

	On demand \$	< 1 year \$	1 - 2 years \$	2 - 5 years \$	> 5 years \$	Total \$
Trade payables	-	1,069,256	-	-	-	1,069,256
Other payables	-	199,336	-	-	-	199,336
Other liabilities	-	192,254	96,127	192,254	-	480,635
Total	-	1,460,846	96,127	192,254	-	1,749,227

Australian Workers' Union, West Australian Branch

Contractual maturities for financial liabilities 2018

	On demand \$	< 1 year \$	1 - 2 years \$	2 - 5 years \$	> 5 years \$	Total \$
Trade payables	-	626,507	-	-	-	626,507
Other payables	-	13,973	-	-	-	13,973
Other liabilities	-	96,607	96,607	289,821	-	483,035
Total	-	737,087	96,607	289,821	-	1,123,515

Note 14E: Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the reporting unit's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The reporting units' main interest rate risk arises from cash and cash equivalents, which are at variable rates and denominated in Australian dollars.

Sensitivity analysis of the risk that the entity is exposed to for 2019

	Risk variable	Change in risk variable %	Effect on	
			Profit and loss \$	Equity \$
Interest rate risk	-	[+ 0.5%]	2,456	-
Interest rate risk	-	[- 0.5%]	(2,456)	-

Sensitivity analysis of the risk that the entity is exposed to for 2018

	Risk variable	Change in risk variable %	Effect on	
			Profit and loss \$	Equity \$
Interest rate risk	-	[+ 0.5%]	2,062	-
Interest rate risk	-	[- 0.5%]	(2,062)	-

Australian Workers' Union, West Australian Branch

Note 14F: Change in liabilities arising from financing activities

	1 July 2018	Cash flows	Other	30 June 2019
	\$	\$	\$	\$
Current interest bearing loans and borrowings	70,514	-	121,740	192,254
Non-current interest bearing loans and borrowings	342,513	-	(100,551)	241,962
Total liabilities from financing activities	<u>413,027</u>	-	<u>21,189</u>	<u>434,216</u>

	1 July 2017	Cash flows	Other	30 June 2018
	\$	\$	\$	\$
Current interest bearing loans and borrowings	70,263	(96,128)	96,379	70,514
Non-current interest bearing loans and borrowings	413,279	-	(70,766)	342,513
Total liabilities from financing activities	<u>483,542</u>	<u>(96,128)</u>	<u>25,613</u>	<u>413,027</u>

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including obligations under finance leases and hire purchase contracts to current due to the passage of time, the accrual of special dividends that were not yet paid at the year-end, and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings. The reporting unit classifies interest paid as cash flows from operating activities.

Note 15 Fair value measurement

Note 15A: Financial assets and liabilities

Management of the reporting unit assessed that the fair value of cash, trade receivables, investments and trade payables, and other current liabilities approximate their carrying amounts. The fair value of financial assets and liabilities is included at the amount which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate the fair values:

- Fair value of the entity's level 3 available-for-sale financial assets is derived from reference to the net assets of the entity to which the investment is in.
- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the reporting entity based on parameters such as interest rates and individual credit worthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at year-end reporting date the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

Australian Workers' Union, West Australian Branch

The following table contains the carrying amounts and related fair values for the reporting unit's financial assets and liabilities:

	Carrying amount 2019 \$	Fair value 2019 \$	Carrying amount 2018 \$	Fair value 2018 \$
Financial assets				
Cash and cash equivalents	491,173	491,173	412,338	412,338
Trade and other receivables	186,113	186,113	116,970	116,970
Investments	565,000	565,000	216,361	216,361
Total	1,242,286	1,242,286	745,669	745,669
Financial liabilities				
Trade payables	1,069,256	1,069,256	626,507	626,507
Other payables	199,336	199,336	13,973	13,973
Other liabilities	434,216	434,216	413,027	413,027
Total	1,702,808	1,702,808	1,053,507	1,053,507

Note 15B: Fair value hierarchy

The following tables provide an analysis of financial assets and liabilities that are measured at fair value, by fair value hierarchy.

Fair value hierarchy - 30 June 2019

	Date of valuation	Level 1 \$	Level 2 \$	Level 3 \$
Investments	30 June 2019	-	-	565,000
Total		-	-	565,000

Fair value hierarchy - 30 June 2018

	Date of valuation	Level 1 \$	Level 2 \$	Level 3 \$
Investments	30 June 2018	-	-	216,361
Total		-	-	216,361

There were no transfers between classes during the ended 30 June 2019.

Note 15C: Reconciliation of Level 3 fair values

	2019 \$	2018 \$
Balance as at 1 July	216,361	166,846
Revaluation of investments	-	49,515
Reinvestment of dividends received	165,000	-
Reversal of impairment	183,639	-
Total	565,000	216,361

Australian Workers' Union, West Australian Branch

Note 15D: Sensitivity analysis

For the fair values of investments – available for sale, reasonably possible changes at the reporting date, would have the following effects:

	Change in risk variable %	Effect on	
		Profit and loss \$	Equity \$
2019			
Net value of the entity to which the investment is	[+ 20%]	-	113,000
Net value of the entity to which the investment is	[- 20%]	(113,000)	-

	Change in risk variable %	Effect on	
		Profit and loss \$	Equity \$
2018			
Net value of the entity to which the investment is	[+ 20%]	-	43,272
Net value of the entity to which the investment is	[- 20%]	(43,272)	-

Note 16 Section 272 Fair Work (Registered Organisations) Act 2009

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

Information to be provided to members or Commissioner:

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