Australian Government
Registered Organisations Commission

18 August 2020

Justin Page
NSW Branch Secretary/ National Councillor
Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia - Electrical, Energy and Services Division - New South Wales Divisional Branch

Sent via email: justinp@etunsw.asn.au
CC: gkent@mgisq.com.au

Dear Justin Page,

Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia - Electrical, Energy and Services Division - New South Wales Divisional Branch

Financial Report for the year ended 31 December 2019 – (FR2019/343)

I acknowledge receipt of the financial report for the year ended 31 December 2019 for the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia - Electrical, Energy and Services Division - New South Wales Divisional Branch. The documents were lodged with the Registered Organisations Commission (**the ROC**) on 16 June 2020.

The financial report has now been filed.

The financial report was filed based on a primary review. This involved confirming that 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 (**RGs**) have been complied with. A primary review does not examine all disclosure requirements.

Please note that the financial report for the year ending 31 December 2020 may be subject to an advanced compliance review.

You are not required to take any further action in respect of the report lodged. I make the following comments to assist you when you next prepare a financial report. The ROC will confirm these concerns have been addressed prior to filing next year's report.

General purpose financial report (GPFR)

Officer's declaration statement – to include all nil activity disclosures not elsewhere disclosed

Item 21 of the RGs states that if any of the activities identified within items 10-20 of the RGs have not occurred in the reporting period, a statement to this effect must be included either in the financial statements, the notes or in the officer's declaration statement. I note that the officer's declaration statement includes the following nil activity disclosures for which there was already an equivalent form of disclosure in the body of the notes:

- “Incur fees as consideration for employers making payroll deductions of membership subscriptions” is disclosed in both Note 5F and the officer’s declaration statement; and
- “Pay a donation that exceeded $1,000” is disclosed in both Note 5D and the officer’s declaration statement.

Please note that nil activities only need to be disclosed once.

Partial disclosure – accounting policies note

Note 1.4 New Australian Accounting Standards to the GPFR states that Australian Accounting Standard AASB 15 Revenue from Contracts with Customers has been adopted. However, the accounting policies disclosed in note 1.5 Revenue in the GPFR does not appear to have been updated to reflect these new standards, nor does it appear that the disclosures required by this standard have been included in the GPFR.

Please note that in future years the reporting unit’s GPFR must include all relevant and required financial disclosures in accordance with AASB 15.

Reporting Requirements

The ROC website provides a number of factsheets in relation to the financial reporting process and associated timelines. The website also contains the s.253 RGs 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 s.253 RGs and Australian Accounting Standards. Access to this information is available via this link.

If you have any queries regarding this letter, please contact me on (03) 9603 0764 or via email at kylie.ngo@roc.gov.au.

Yours sincerely,

Kylie Ngo
Registered Organisations Commission

COMMUNICATION, ELECTRICAL, ELECTRONIC, ENERGY, INFORMATION, POSTAL, PLUMBING AND ALLIED SERVICES UNION OF AUSTRALIA – ELECTRICAL DIVISION – NEW SOUTH WALES BRANCH

s.268 *Fair Work (Registered Organisations) Act 2009*
CERTIFICATE BY PRESCRIBED DESIGNATED OFFICER
Certificate for the period ended 31 December 2019

Electrical Trades Union
Electrical Trades Union of Australia
New South Wales Branch

Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia

Secretary
Justin Page

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Sydney NSW 2000
Ph 02 9267 4844
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Suite 4B, Ground Floor
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25-27 Darling St,
Mitchell ACT 2911
Ph 02 9267 4844
Fax 02 6163 6667

I Justin Page being the Branch Secretary of the Communication, Electronical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – New South Wales Branch certify:

- that the documents lodged herewith are copies of the full report for the Communication, Electronical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – New South Wales Branch for the period ended 31 December 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 29 May 2020; and

- that the full report was presented a meeting of the committee of management of the reporting unit on 15 June 2020 in accordance with s.266 of the *Fair Work (Registered Organisations) Act 2009*.

Signature of prescribed designated officer:

Name of prescribed designated officer: Justin Page

Title of prescribed designated officer: Branch Secretary

Dated: 16 June 2020

COMMUNICATIONS, ELECTRICAL, ELECTRONIC, ENERGY, INFORMATION, POSTAL, PLUMBING AND ALLIED SERVICES UNION OF AUSTRALIA – ELECTRICAL, ENERGY AND SERVICES DIVISION – NEW SOUTH WALES BRANCH

ABN 46 878 660 276

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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COMMUNICATIONS, ELECTRICAL, ELECTRONIC, ENERGY, INFORMATION, POSTAL, PLUMBING AND ALLIED SERVICES UNION OF AUSTRALIA – ELECTRICAL, ENERGY AND SERVICES DIVISION – NEW SOUTH WALES BRANCH

COMMITTEE OF MANAGEMENT'S OPERATING REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Operating Report

The Committee of Management presents its report on the operations of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Electrical, Energy and Services Division – New South Wales Branch (the Branch) for the financial year ended 31 December 2019.

Principal Activities

The principal activities of the Branch during the year fell in the following categories:

- Organising existing members and new members
- Bargaining, negotiating and arbitrating for improvements in wages and conditions of employment for members of the Branch.
- Representing members in work related grievances or other matters
- Undertaking training and development for delegates of the Branch.

Over the year the Branch negotiated many Collective Agreements delivering improvements in wages and conditions to CEPU – Electrical, Energy and Services Division – New South Wales Branch members.

There have been no changes in the principal activities of the Branch during the year.

Operating Result

The statutory surplus for the financial year amounted to $475,803. The statutory surplus (as calculated by Australian Accounting Standards) was impacted by:

- Fair value gain on the Branch's investments (as per AASB 9: Financial Instruments). This resulted in an unrealised gain of $401,271.

Excluding this gain, the operating surplus for the year was $74,532.

Significant Changes in Financial Affairs

There were no significant changes to the financial affairs of the Branch during the year.

After Balance Date Events

No matters or circumstances other than those described in Note 3 – Events After the Reporting Date have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Branch, the results of those operations or the state of affairs of the Branch in future financial years.

Members Right to Resign

The right of members to resign from the Branch is set out in the Rules of the CEPU – Electrical Division. A member may resign membership by written notice addressed and delivered to the Branch Secretary.

Number of Employees

The number of persons who were, at the end of the period to which the report relates, employees of the Branch, where the number of employees includes both full-time employees and part-time employees measured on a full-time equivalent basis is 0.00.

Number of Members

Total number of members at 31 December 2019: 17,364.

Officer or Members who are superannuation Fund Trustees/ Directors of a Company that is a Superannuation fund Trustee

No officer or member of the Branch hold a position of trustee or director of an entity, scheme or company as described in s.254 (2)(d) of the *Fair Work (Registered Organisations) Act 2009*, where a criterion of such entity is that the holder of such position must be a member or official of a registered organisation.

Members of the Committee of Management

The name of each person who has been a member of the Committee of Management of the Branch at any time during the reporting period, and the period for which he or she held such as position is as follows:

Name	Position	Period of Office
Glen Potter	Branch President	01/01/19 – 31/12/19
Justin Page	Branch Secretary	02/01/19 – 31/12/19
David McKinley	Branch Secretary	01/01/19 – 02/01/19
Malcom Hoy	Branch Treasurer	01/01/19 – 31/12/19
Phillip Oswald	Branch Vice-President	01/01/19 – 31/12/19
Colin Harris	Committee Member	01/01/19 – 31/12/19
Peter Henne	Committee Member	01/01/19 – 31/12/19
Mary Stylli	Committee Member	01/01/19 – 26/07/19
Peter Woods	Committee Member	13/08/19 – 31/12/19
Martin McAuliffe	Committee Member	13/08/19 – 31/12/19
Ellen McNally	Committee Member/ Affirmative Action (Women)	26/07/19 – 31/12/19

Auditor's Independence Declaration

A copy of the auditor's independence declaration is set out on page 6.

This report is made in accordance with a resolution of the Committee of Management and is signed for and on behalf of the Committee of Management by:

……………………………….

Justin Page
Branch Secretary

11 May 2020

Sydney

accountants + auditors

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE COMMITTEE OF MANAGEMENT OF THE

COMMUNICATIONS, ELECTRICAL, ELECTRONIC, ENERGY, INFORMATION, POSTAL, PLUMBING AND ALLIED SERVICES UNION OF AUSTRALIA – ELECTRICAL, ENERGY AND SERVICES DIVISION – NEW SOUTH WALES BRANCH

As lead auditor for the audit of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Electrical, Energy and Services Division – New South Wales Branch for the year ended 31 December 2019; I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

MGI Audit Pty Ltd

G I Kent

Director – Audit & Assurance

Brisbane
11 May 2020

Registration number (as registered by the RO Commissioner under the RO Act): AA2017/2

COMMUNICATIONS, ELECTRICAL, ELECTRONIC, ENERGY, INFORMATION, POSTAL, PLUMBING AND ALLIED SERVICES UNION OF AUSTRALIA – ELECTRICAL, ENERGY AND SERVICES DIVISION – NEW SOUTH WALES BRANCH

COMMITTEE OF MANAGEMENT STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

On 11 May 2020, the Committee of Management of the Branch passed the following resolution to the General Purpose Financial statements (GPFR) of the reporting unit for the financial year ended 31 December 2019.

The Committee of Management declares in relation to the GPFR 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 and

ii. the financial affairs of the reporting unit have been managed in accordance with the rules of the organisation;

iii. the financial records of the reporting unit have been kept and maintained in accordance with the *RO Act;*

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 to each of the other reporting units of the organisation;

v. where information has been sought in any request of a member of the reporting unit or the Commissioner duly made under section 272 of the RO Act, that information has been provided to the member or the Commissioner; and

vi. where any order for inspection of financial records made by the Fair Work Commission under section 273 of the RO Act during the year, 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.

Name of Designated Officer: Justin Page

Title of Designated Officer: Branch Secretary

Signature: Just Page ....

Date: 11 May 2020

accountants + auditors
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Independent Audit Report to the Members of Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Electrical, Energy and Services Division – New South Wales Branch

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Electrical, Energy and Services Division – New South Wales Branch (the Branch), which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, notes to the financial statements, including a summary of significant accounting policies; and the Committee of Management Statement, the subsection 255(2A) report and the Officers Declaration Statement.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Electrical, Energy and Services Division – New South Wales Branch as at 31 December 2019, and its financial performance and its cash flows for the year ended on that date in accordance with:

a) the Australian Accounting Standards; and

b) any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009* (the RO Act).

We declare that management's use of the going concern basis in the preparation of the financial statements of the Branch is appropriate.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Branch 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 also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The Committee of Management is responsible for the other information. The other information obtained at the date of this auditor's report is in the Operating Report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Committee of Management for the Financial Report

The Committee of Management of the Branch is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the RO Act, and for such internal control as the Committee of Management determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Committee of Management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee of Management either intend to liquidate the Branch 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, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee of Management.

- Conclude on the appropriateness of the Committee of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Branch to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Branch's audit. We remain solely responsible for our audit opinion.

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

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

MGI Audit Pty Ltd

G I Kent

Director – Audit & Assurance

Brisbane
11 May 2020

Registration number (as registered by the RO Commissioner under the RO Act): AA2017/2

COMMUNICATIONS, ELECTRICAL, ELECTRONIC, ENERGY, INFORMATION, POSTAL, PLUMBING AND ALLIED SERVICES UNION OF AUSTRALIA – ELECTRICAL, ENERGY AND SERVICES DIVISION – NEW SOUTH WALES BRANCH

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 $	2018 $
Revenue			
Membership subscription		**6,656,770**	6,045,449
Levies	4A	**101,617**	85,260
Investment income	4B	**282,121**	287,435
Rental income	4C	**47,359**	46,558
Other revenue	4D	**8,962**	-
Total revenue		**7,096,829**	6,464,702
Expenses			
Service agreement expense	5A	**(5,885,704)**	(4,859,681)
Sustentation fees	5B	**(818,384)**	(891,671)
Audit and accounting fees	13	**(22,000)**	(21,000)
Legal costs	5C	**(131,777)**	(21,175)
Grants or donations	5D	**-**	(505,000)
Depreciation	5E	**-**	(23)
Administration expenses	5F	**(103,232)**	(102,845)
Other operating expenses	5G	**(61,200)**	(59,511)
Total expenses		**(7,022,297)**	(6,460,906)
Operating surplus/ (deficit)		**74,532**	3,796
Fair value loss on revaluation of investments		**401,271**	(231,132)
Surplus/ (deficit) for the year		**475,803**	(227,336)
Other comprehensive income			
Revaluation of land and buildings (net of income tax)		**2,825,000**	-
Total comprehensive income for the year		**3,300,803**	(227,336)

The above statement should be read in conjunction with the notes.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 $	Revised 2018 $	Revised 2017 $
ASSETS				
Current Assets				
Cash and cash equivalents	6A	**3,395,739**	2,638,609	3,836,574
Trade and other receivables	6B	**16,601**	-	330
Total current assets		**3,412,340**	2,638,609	3,836,904
Non-Current Assets				
Financial assets	7A	**5,702,588**	5,111,773	5,152,497
Land and buildings	7B	**8,625,000**	6,450,000	6,450,000
Investment properties	7C	**650,000**	-	-
Office equipment	7D	**87**	87	110
Total non-current assets		**14,977,675**	11,561,860	11,602,607
Total assets		**18,390,015**	14,200,469	15,439,511
LIABILITIES				
Current Liabilities				
Trade payables	8A	**932,295**	71,678	1,334,663
Other payables	8B	**578,865**	532,240	291,276
Total current liabilities		**1,511,160**	603,918	1,625,939
Non-Current Liabilities				
Other payables	8B	**-**	18,499	8,184
		-	18,499	8,184
Total liabilities		**1,511,160**	622,417	1,634,123
Net assets		**16,878,855**	13,578,052	13,805,388
EQUITY				
Reserves	9	**7,416,713**	4,591,713	4,591,713
Retained earnings		**9,462,142**	8,986,339	9,213,675
Total equity		**16,878,855**	13,578,052	13,805,388

The above statement should be read in conjunction with the notes.

COMMUNICATIONS, ELECTRICAL, ELECTRONIC, ENERGY, INFORMATION, POSTAL, PLUMBING AND ALLIED SERVICES UNION OF AUSTRALIA – ELECTRICAL, ENERGY AND SERVICES DIVISION – NEW SOUTH WALES BRANCH

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Asset Revaluation Reserve	Distress & Mortality Fund	Sustenance Assistance Fund	General Fund	Total equity
	$	$	$	$	$
Balance as at 1 January 2018	4,591,713	116,881	406,967	8,742,774	13,858,335
Prior period error	-	-	-	(52,947)	(52,947)
Deficit for the year	-	-	-	(227,336)	(227,336)
Other comprehensive income	-	-	-	-	-
Closing balance as at 31 December 2018	4,591,713	116,881	406,967	8,462,491	13,578,052
Surplus for the year	**-**	**-**	**-**	**475,803**	**475,803**
Other comprehensive income	**2,825,000**	**-**	**-**	**-**	**2,825,000**
Closing balance as at 31 December 2019	**7,416,713**	**116,881**	**406,967**	**8,938,294**	**16,878,855**

The above statement should be read in conjunction with the notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

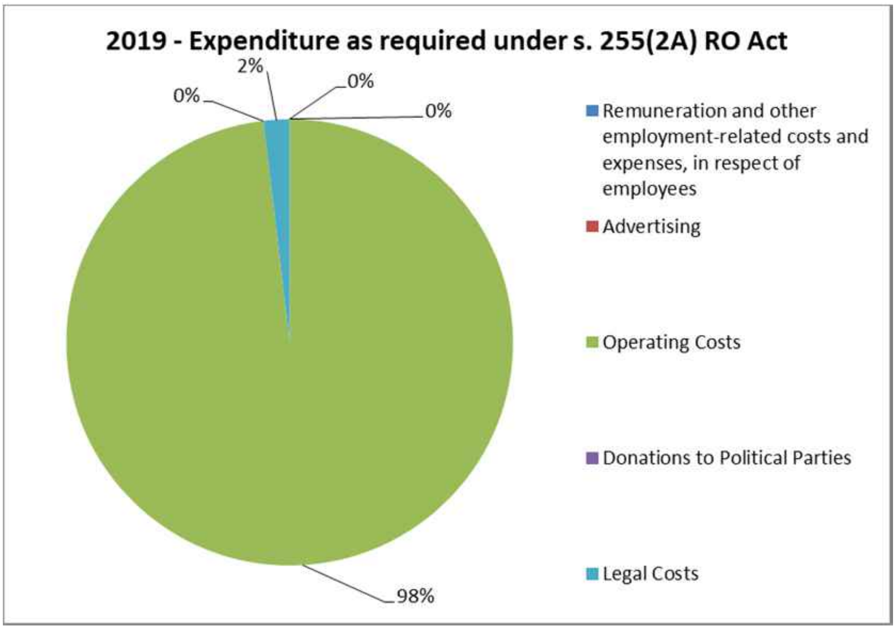
	Notes	2019 $	2018 $
OPERATING ACTIVITIES			
Cash received			
Receipts from customers		**7,512,110**	5,997,513
Investment income received		**282,121**	287,435
Cash used			
Payments to employees and suppliers		**(5,924,841)**	(6,291,047)
Payments to other reporting units	10B	**(922,716)**	(1,001,458)
Net cash provided by/ (used in) operating activities		**946,674**	(1,007,557)
INVESTING ACTIVITIES			
Purchase of financial assets		**(189,544)**	(190,408)
Net cash used in investing activities		**(189,544)**	(190,408)
FINANCING ACTIVITIES		**-**	-
Net increase/ (decrease) in cash held		**757,130**	(1,197,965)
Cash & cash equivalents at the beginning of the reporting period		**2,638,609**	3,836,574
Cash & cash equivalents at the end of the reporting period	10A	**3,395,739**	2,638,609

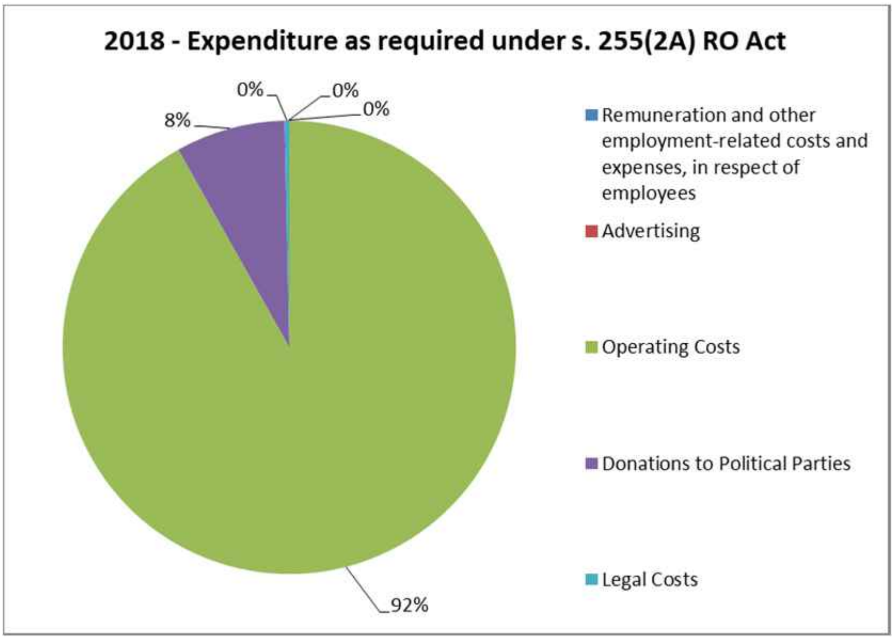
The above statement should be read in conjunction with the notes.

COMMUNICATIONS, ELECTRICAL, ELECTRONIC, ENERGY, INFORMATION, POSTAL, PLUMBING AND ALLIED SERVICES UNION OF AUSTRALIA – ELECTRICAL, ENERGY AND SERVICES DIVISION – NEW SOUTH WALES BRANCH

REPORT REQUIRED UNDER SUBSECTION 255(2A) OF THE FAIR WORK (REGISTERED ORGANISATIONS) ACT 2009

FOR THE YEAR ENDED 31 DECEMBER 2019





Just Page
…………………………………
Justin Page
Branch Secretary

11 May 2020

Sydney

Index to the Notes of the Financial Statements

Note 1 Summary of significant accounting policies

1.1 Basis of preparation of the financial statements

The financial statements are 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 Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Electrical, Energy and Services Division – New South Wales Branch (the Branch) is a not-for-profit entity.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements are in Australian dollars and have been rounded to the nearest dollar.

1.2 Comparative amounts

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

1.3 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.

Key Estimates

Impairment – general
The Branch assesses impairment at each reporting period by evaluation of conditions and events specific to the Branch that may be indicative of impairment triggers. Recoverable amounts of relevant assets are assessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of the current year.

Note 1 Summary of significant accounting policies (Continued)

1.3 Significant accounting judgements and estimates (Continued)

Key Judgements

Useful lives of plant and equipment
Plant and equipment are depreciated over the useful life of the asset and the depreciation rates are assessed when the asset are acquired or when there is a significant change that affects the remaining useful life of the asset.

Provision for impairment of receivables
The value of the provision for impairment of receivables is estimated by considering the ageing of receivables, communication with the debtors and prior history.

On-cost for employee entitlement provision
The Branch revised its estimate for on-costs for employee provision during the year to include superannuation, workers compensation and payroll tax.

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard requirements

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 16 Leases

The adoption of this standard has not had a material impact on the Branch for the 2019 financial.

AASB 15 Revenue from Contracts from Customers
The adoption of this standard has not had a material impact on the Branch for the 2019 financial year.

AASB 1058 Income of Not for Profit Entities
The adoption of this standard has not had a material impact on the Branch for the 2019 financial year.

Future Australian Accounting Standards Requirements

At the date of authorisation of these financial statements, no new Standards and amendments to existing Standards, and Interpretations have been published by the Australian Accounting Standards Board (AASB).

Note 1 Summary of significant accounting policies (Continued)

1.5 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.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

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

1.6 Gains

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

1.7 Capitation fees and levies

Capitation fees and levies are recognised on an accrual basis and recorded as a revenue and/ or expense in the year to which it relates.

1.8 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.

Note 1 Summary of significant accounting policies (Continued)

1.9 Leases

Accounting Policy for Leases – 2019 Financial Year
For any new contracts entered into on or after 1 January 2019, the Branch considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'

To apply this definition the Branch assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Branch;

- The Branch has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;

- The Branch has the right to direct the use of the identified asset throughout the period of use.

- The Branch assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee
At lease commencement date, the Branch recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Branch, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Branch depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Branch also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Branch measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Branch's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Note 1 Summary of significant accounting policies (Continued)

1.9 Leases (continued)

The Branch has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

Accounting Policy for Leases – 2018 Financial Year
Leases of property, plant and equipment, where substantially all the risks and benefits incidental to:

- Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that are transferred to the Branch are classified as finance leases.

- Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased asset or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

- Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Branch will obtain ownership of the asset or over the term of the lease.

- Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

1.10 Financial instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Branch becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Branch commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Note 1 Summary of significant accounting policies (Continued)

1.10 Financial instruments (Continued)

Classification and Subsequent Measurement of Financial Assets

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Note 1 Summary of significant accounting policies (Continued)

1.10 Financial instruments (continued)

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially measured at fair value (if not designated as at fair value through profit or loss and do not arise from a transfer of a financial asset) and subsequently measured at the higher of:

- the amount of loss allowance determined in accordance to AASB 9.3.25.3; and
- the amount initially recognised less accumulative amount of income recognised in accordance with the revenue recognition policies.

Note 1 Summary of significant accounting policies (Continued)

1.10 Financial instruments (continued)

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss

on the basis of the two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and the fair value through other comprehensive income's measurement condition are subsequently measured at fair value through profit or loss.

The Branch initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance to the documented risk management or investment strategy and information about the groupings was documented appropriately, so as the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

Note 1 Summary of significant accounting policies (Continued)

1.10 Financial instruments (continued)

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or is not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the Branch made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investments will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Branch's accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Branch no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Note 1 Summary of significant accounting policies (Continued)

1.10 Financial instruments (continued)

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The Branch recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (e.g. amount due from customers under contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Branch use the following approaches to impairment, as applicable under AASB 9:
- the general approach;
- the simplified approach;
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

General approach

Under the general approach, at each reporting period, the Branch assessed whether the financial instruments are credit impaired, and if:

- the credit risk of the financial instrument increased significantly since initial recognition, the Branch measured the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- there was no significant increase in credit risk since initial recognition, the Branch measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Note 1 Summary of significant accounting policies (Continued)

1.10 Financial instruments (continued)

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that results from transactions that are within the scope of AASB 15: Revenue from Contracts with Customers, that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (i.e. diversity of its customer base, appropriate groupings of its historical loss experience, etc.).

Purchased or originated credit impaired approach

For a financial asset that is considered to be credit impaired (not on acquisition or originations), the Branch measured any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- a breach of contract (e.g. default or past due event);
- where a lender has granted to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- it is probable the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for the financial asset because of financial difficulties.

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the Branch assumed that the credit risk has not increased significantly since initial recognition and, accordingly, can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such determination that the financial asset has low credit risk, the Branch applied its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Note 1 Summary of significant accounting policies (Continued)

1.10 Financial instruments (continued)

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a lower risk of default than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

Recognition of expected credit losses in financial statements

At each reporting date, the Branch recognised the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

1.11 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.

Note 1 Summary of significant accounting policies (Continued)

1.12 Property, 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.

Revaluations—Land and Buildings

Following initial recognition at cost, land and buildings are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient frequency such that the carrying amount of assets do not differ materially from those that would be determined using fair values as at the reporting date.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the profit or loss except to the extent that they reverse a previous revaluation increment for that class. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

Office Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Branch Executive to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with that item will flow to the Branch and the costs of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Note 1 Summary of significant accounting policies (Continued)

1.12 Property, Plant and Equipment

Depreciation

Depreciable 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:

	2019	**2018**
Buildings	40 years	40 years
Investment properties	40 years	40 years
Office equipment	4 years	4 years

Derecognition

An item of 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.

1.13 Impairment of 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 Branch were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Note 1 Summary of significant accounting policies (Continued)

1.14 Taxation

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

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

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

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

Cash flows are included in the 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.

1.15 Fair value measurement

The Branch measures financial instruments, such as, financial asset as at fair value through the profit and loss, available for sale financial assets, and non-financial assets such as land and buildings and investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 15.

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 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.

Note 1 Summary of significant accounting policies (Continued)

1.15 Fair value measurement (continued)

The 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 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 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.

1.16 Investment Property

Investment properties are initially recognised at cost including any acquisition costs and subsequently stated at fair value at each balance date. Fair value is based on the latest independent valuation adjusting for capital expenditure and capitalisation and amortisation of lease incentives since the date of the independent valuation report. Any gain or loss arising from a change in fair value is recognised in the profit or loss in the period. The valuation of investment properties is a key area of accounting estimation and judgement for the Branch.

Subsequent costs

Subsequent costs are recognises in the carrying amount of an investment property if it is probable that the future economic benefits embodied within the item will flow to the Branch and the cost can be measured reliably. All other costs are recognised in the profit or loss as an expense as incurred.

Derecognition of investment property

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 the profit or loss in the period in which the property is derecognised.

Note 2 Prior period errors

A number of prior period errors have been identified in the 2018 financial statements in respect to the accounting for CEPU – Electrical Division sustentation fees as well as recording of membership income. During the current year it was identified that the Branch:

- Divisional sustentation fees were expensed at approximately 13.5% of annual membership subscriptions. However, under the Electrical Division Rules, sustentation fees are only payable at 6 monthly intervals based on audited accounts provided by the Branch Secretary. As a result, the Branch disclosed a payable owing to the Divisional Office, yet there was no amount payable at reporting date.

- The Branch raised accrued income with respect to membership fees. However, this calculation was based on an assessment of members who had not formally resigned and were deemed unfinancial (as they owed a quarter of more in outstanding membership fees the Branch) yet was recorded as a receivable at balance sheet date. Upon further review it was determined by the Committee of Management that the amounts records in previous periods were not collectable and therefore should never have been recorded. As a result, these amounts have corrected via the Branch's retained earnings accounts.

- The Branch recorded in sustentation expenses the compulsory levy issued by the CEPU National Council. This has been reallocated to administration expenses, given that the levy is paid to the CEPU National Council and Sustentation fees are paid to the CEPU – Electrical Division.

Note 2 Prior period errors (Continued)

A summary of the changes is as follows:

Statement of Comprehensive Income

	Notes	Previously audited (31 December 2018)	Adjustments	Revised (31 December 2018)
Revenue				
Membership subscription	i. ii.	5,478,065	567,384	6,045,449
Levies		85,260	-	85,260
Investment income		287,435	-	287,435
Rental revenue		46,558	-	46,558
Other income		-	-	-
Total revenue		5,897,318	567,384	6,464,702
Expenses				
Service agreement expense		(4,859,681)	-	(4,859,681)
Sustentation fees	ii	(915,067)	23,396	(891,671)
Audit and accounting fees		(21,000)	-	(21,000)
Legal costs		(21,175)	-	(21,175)
Grants or doantions		(505,000)	-	(505,000)
Depreciation and amortisation		(23)	-	(23)
Administration expenses	i. ii.	241,919	(344,764)	(102,845)
Other operating expenses		(57,900)	(1,611)	(59,511)
Total expenses		(6,137,927)	(322,979)	(6,460,906)
Operating surplus/ (deficit)		(240,609)	244,405	3,796
Fair value loss on revaluation of investments		(231,132)	-	(231,132)
Surplus/ (deficit) for the year		(471,741)	244,405	(227,336)
Other comprehensive income				
Revaluation of land and buildings		-	-	-
Total comprehensive income for the year		(471,741)	244,405	(227,336)

Notes:

i. Accrued membership income and provision for doubtful debt (on unfinancial members) were previously recognised at reporting date, however, these have been assessed as non-recoverable and therefore have been removed to reflect the actual collection of these debtors.

ii. The CEPU – National Council levy and CEPU – Electrical Division annual sustentation accrual was expensed against sustentation fees. This has now been corrected to reflect the timing of invoices as issued by both the CEPU – National Council and CEPU – Electrical Division respectively.

Note 2 Prior period errors (Continued)

Statement of Financial Position

	Note	Previously Audited (31 December 2017)	Adjustments	Revised (31 December 2017)	Previously Audited (31 December 2018)	Adjustments	Revised (31 December 2018)
ASSETS							
Current assets							
Cash and cash equivalents		3,836,574	-	3,836,574	2,638,609	-	2,638,609
Trade and other receivables	i.	528,092	(527,762)	330	286,397	(286,397)	-
Total current assets		4,364,666	(527,762)	3,836,904	2,925,006	(286,397)	2,638,609
Non-current assets							
Financial assets		5,152,497		5,152,497	5,111,773	-	5,111,773
Property, plant and equipment		6,450,000		6,450,000	6,450,000	-	6,450,000
Office equipment		110		110	87	-	87
Total non-current assets		11,602,607	-	11,602,607	11,561,860	-	11,561,860
TOTAL ASSETS		15,967,273	(527,762)	15,439,511	14,486,866	(286,397)	14,200,469
LIABILITIES							
Current liabilities							
Trade Payables	ii	2,100,754	(493,088)	1,607,666	1,081,773	(1,010,095)	71,678
Other payables		-	291,276	291,276	-	532,240	532,240
Total current liabilities		2,100,754	(201,812)	1,898,942	1,081,773	(477,855)	603,918
Non-current liabilities							
Other payables		8,184	-	8,184	18,499	-	18,499
Total non-current liabilities		8,184	-	8,184	18,499	-	18,499
TOTAL LIABILITIES		2,108,938	(201,812)	1,907,126	1,100,272	(477,855)	622,417
NET ASSETS		13,858,335	(325,950)	13,532,385	13,386,594	191,458	13,578,052
EQUITY							
Reserves		4,591,713	-	4,591,713	4,591,713	-	4,591,713
Retained earnings		9,266,622	(325,950)	8,940,672	8,794,881	191,458	8,986,339
TOTAL EQUITY		13,858,335	(325,950)	13,532,385	13,386,594	191,458	13,578,052

Notes:

i. Accrued membership income and provision for doubtful debt (on unfinancial members) were previously recorded at reporting date.

ii. Divisional sustentation fees were accrued at each reporting date at approximately 13.5% of annual membership subscriptions. However, under the Divisional Rules, sustentation fees are only payable at 6 monthly intervals based on audited accounts provided by the Branch Secretary. As a result, the Branch disclosed a payable owing to the Divisional Office, yet there was no amount payable at reporting date.

Statement of Cash flows

The above disclosed prior period error did not impact the statement of cash flows

Note 3 Events after the reporting period

Court Case

On 11 February 2020, the Federal Court of Australia handed a $445,000 penalty against the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU) for breaching the *Fair Work (Registration Organisations) Act 2009*. Specifically, the Court determined that the CEPU contravened the RO Act on 86 occasions between March 2015 and May 2017 in relation to:

- notifying the regulator of changes about offices and office holders within the prescribed 35 day timeframe; and
- maintaining a list in accordance with section 230.

The Committee of Management of the CEPU has formally appealed the decision issued by the Federal Court of Australia and therefore the following is unknown:

- whether the CEPU will be successful in its appeal, or be able to reduce some of the penalty
- on what basis the divisions or Branches will be levied for the sum of the penalty, if the appeal is unsuccessful;

Given the material level of uncertainty regarding the quantum of the penalty as well as the mechanism to fund any penalties (in the event of an unsuccessful outcome), no amount has been recognised in the financial statements at 31 December 2019.

COVID-19

On 11 March 2020, the World Health Organisation (WHO) declared COVID-19 as a pandemic. In response to this declaration, Governments around the world have introduced social distancing measures which has included shutting large sections of the economy down.

As a result, between reporting date and the date of the Committee of Management approving the financial statements, domestic and international share markets to which the Branch has investment exposure has subsequently declined. Such movements have not been reflected in the financial statements at 10 November 2019.

	2019	2018
	$	$
Note 4 Income		
Note 4A: Levies		
Distress and Morality Fund levy	**101,617**	85,260
Total levies	**101,617**	85,260

Levy Purpose

The CEPU – Electrical Division – NSW Branch maintains a Distress and Mortality Fund for the benefit of members. Payments are made to members from the fund as per the rules of the Branch.

	2019	2018
Note 4B: Investment income		
Interest	**65,354**	66,765
Dividends	**216,767**	220,670
Total investment income	**282,121**	287,435
Note 4C: Rental income		
Rental income	**47,359**	46,558
Total rental income	**47,359**	46,558
Note 4D: Other revenue		
Sundry income	**8,962**	-
Total other revenue	**8,962**	-

	2019	2018
	$	$

Note 5 Expenses

Note 5A: Service agreement expense		
Electrical Trades Union of Australia (NSW Branch)	**5,885,704**	4,859,681
Total service agreement expense	**5,885,704**	4,859,681

Note 5B: Sustentation fees		
CEPU – Electrical, Energy and Services Division	**818,384**	891,671
Total Sustentation fees	**818,384**	891,671

Note 5C: Legal costs		
Litigation	**131,777**	14,290
Other legal matters	**-**	6,885
Total legal costs	**131,777**	21,175

Note 5D: Grants or donations:		
Donations		
Total paid that exceeded $1,000	**-**	505,000
Total grants or donations	**-**	505,000

Note 5E: Depreciation		
Depreciation		
Office equipment	**-**	23
Total depreciation	**-**	23

Note 5F: Administration expense		
Compulsory levies	**20,449**	18,745
Consideration to employers for payroll deductions	**-**	14,119
Bank charges	**29,887**	27,165
Other administration expenses	**52,896**	42,816
Total administration expense	**103,232**	102,845

Levies
The CEPU National Council issued a levy during the year to assist in funding its day to day operations.

Note 5G: Other operating expenses		
D&M entitlements paid	**61,200**	57,900
Other expenses	**-**	1,611
Other operating expenses	**61,200**	59,511

	2019	2018
	$	$
Note 6 Current Assets		
Note 6A: Cash and Cash Equivalents		
Cash at bank	**1,063,972**	306,122
Cash on hand	**100**	100
Short-term deposits	**2,331,667**	2,332,387
Total cash and cash equivalents	**3,395,739**	2,638,609
Note 5B: Trade and Other Receivables		
Other receivables:		
Other trade receivables	**16,601**	-
Total trade and other receivables (net)	**16,601**	-

	2019	2018
	$	$
Note 7 Non-current Assets		
Note 7A: Financial Assets		
IFS managed fund investment	**5,702,588**	5,111,773
Total financial asset	**5,702,588**	5,111,773
Note 7B: Land and Buildings		
Land and buildings:		
at valuation – Level 5, 370 Pitt Street, Sydney	**8,625,000**	5,800,000
at valuation – Unit 4, 63 Market Street, Wollongong	**-**	650,000
accumulated depreciation	**-**	-
Total Land and Buildings	**8,625,000**	6,450,000

Reconciliation of Opening and Closing Balances of Land and Buildings

	2019	2018
As at 1 January		
Gross book value	**6,450,000**	6,450,000
Accumulated depreciation and impairment	**-**	-
Net book value 1 January	**6,450,000**	6,450,000
Additions:		
By purchase	**-**	-
By independent valuation	**2,825,000**	
Depreciation expense	**-**	-
Disposals:		
By sale	**-**	-
By transfer to investment properties	**(650,000)**	-
Net book value 31 December	**8,625,000**	6,450,000
Net book value as of 31 December represented by:		
Gross book value	**8,625,000**	6,450,000
Accumulated depreciation and impairment	**-**	-
Net book value 31 December	**8,625,000**	6,450,000

Note 7B: Land and Buildings (Continued)

Valuation Details

Level 5, 370 Pitt Street, Sydney

On 25 March 2020 (effective 31 December 2019), the land and buildings at Level 5, 370 Pitt Street, Sydney was valued by Mr Vincent Romeo AAPI CPV of Romeo Property Valuations. The land and buildings valuation was based on a highest and best use, which was determined as commercial office building (the assets current use).

Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Branch and to market based yields for comparable properties. Key assumptions utilised in the valuation were:

- Capitalisation Rate 5.50%
- Reflective rate/ lettable m^2 \$8,775 m^2
- Lettable area 983 m^2

	2019	2018
	$	$
Note 7C: Investment Properties		
Investment properties::		
at valuation – Unit 4, 63 Market Street, Wollongong	**650,000**	-
accumulated depreciation	**-**	-
Total Investment properties	**650,000**	-

Reconciliation of Opening and Closing Balances of Investment Properties

As at 1 January		
Gross book value	**-**	-
Accumulated depreciation and impairment	**-**	-
Net book value 1 January	**-**	-
Additions:		
By purchase	**-**	-
By transfer from land and buildings[1]	**650,000**	-
Depreciation expense	**-**	-
Disposals:		
By sale	**-**	-
Net book value 31 December	**650,000**	-
Net book value as of 31 December represented by:		
Gross book value	**650,000**	-
Accumulated depreciation and impairment	**-**	-
Net book value 31 December	**650,000**	-

[1] The building was assessed during the year to meet the criteria of an investment property under AASB 140 – Investment Property. Therefore the Committee of Management has re-classified the building from property, plant and equipment to investment properties during the year.

Note 7C: Investment Properties (Continued)

Valuation Details

Unit 4, 63 Market Street, Wollongong

On 31 October 2016, the land and buildings at Unit 4, 63 Market Street, Wollongong was valued by Mr Darren Keen AAPI CPV of Keen Property Pty Ltd. The land and buildings valuation was based on a highest and best use, which was determined as commercial office building held for rental yields (the assets current use).

Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Branch and to market based yields for comparable properties. Key assumptions utilised in the valuation were:

- Capitalisation Rate 6.50%
- Reflective rate/ lettable m^2 \$350 m^2
- Lettable area 157 m^2[2]

The Committee of Management assessed the key assumptions within the valuation and determined that the fair value of the land and building remains current at 31 December 2019. Therefore the Branch had adopted this value at 31 December 2019.

[2] Lettable area includes rental area (144m^2), balcony (13m^2) and 3 car spaces

	2019	2018
	$	$
Note 7D: Office Equipment		
Office equipment:		
at cost	**366**	366
accumulated depreciation	**(279)**	(279)
Total Office Equipment	**87**	87

Reconciliation of Opening and Closing Balances of Office Equipment

As at 1 January		
Gross book value	**366**	366
Accumulated depreciation and impairment	**(279)**	(256)
Net book value 1 January	**87**	110
Additions:		
By purchase	**-**	-
Depreciation expense	**-**	(23)
Disposals:		
By sale	**-**	-
Net book value 31 December	**87**	87
Net book value as of 31 December represented by:		
Gross book value	**366**	366
Accumulated depreciation and impairment	**(279)**	(279)
Net book value 31 December	**87**	87

	2019	2018
	$	$

Note 8 Current Liabilities

Note 8A: Trade payables

Trade creditors and accrued expenses	**950**	950
Related party payable (Electrical Trades Union of Australia (NSW Branch))	**931,345**	70,728
Total trade payables	**932,295**	71,678

Settlement is usually made within 30 days.

Note 8B: Other payables

GST payable (net)	**32,197**	32,257
Deposits	**-**	18,499
Income received in advance	**546,668**	499,983
Total other payables	**578,865**	550,739

Total other payables are expected to be settled in:		
No more than 12 months	**578,865**	532,240
More than 12 months	**-**	18,499
Total other payables	**578,865**	550,739

Note 9 Reserves

Note 9A: Asset Revaluation Reserve

The asset revaluation reserve records revaluation of land and buildings held by the Branch.

Opening balance at beginning of period	**4,591,713**	4,591,713
Fair value gain on revaluation land and buildings	**2,825,000**	-
Closing balance at end of period	**7,416,713**	4,591,713

	2019	2018
	$	$

Note 10 Cash Flow

Note 10A: Cash Flow Reconciliation
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement:

	2019 $	2018 $
Cash and cash equivalents as per:		
Cash flow statement	**3,395,739**	2,638,609
Statement of financial position	**3,395,739**	2,638,609
Difference	**-**	-

	2019 $	2018 $
Reconciliation of surplus/ (deficit) to net cash from operating activities:		
Surplus/ (deficit) for the year	**475,803**	(227,336)
Adjustments for non-cash items		
Depreciation	**-**	23
Unrealised (gain)/ loss on revaluation of investments	**(401,271)**	231,132
Changes in assets/liabilities		
(Increase)/ decrease in net receivables	**(16,601)**	330
Increase/ (decrease) in trade and other payables	**888,743**	(1,011,706)
Net cash used in operating activities	**946,674**	(1,007,557)

Note 10B: Cash flow information

	2019 $	2018 $
Cash outflows to other reporting units		
CEPU – Electrical, Energy and Services Division	**(900,222)**	(980,838)
CEPU – National Council	**(22,494)**	(20,620)
Total cash outflows	**(922,716)**	(1,001,458)

Note: Cash flow information to/ from other reporting units disclosed include 10% GST on applicable transactions.

	2019	2018
	$	$

Note 10 Cash Flow (Continued)

Note 10C: Non-cash transactions
There have been no non-cash financing or investing activities during the year (2018: Nil).

Note 10D: Net debt reconciliation

	2019 $	2018 $
Cash and cash equivalents	**3,395,739**	2,638,609
Borrowings – repayable within one year	**-**	-
Borrowings – repayable after one year	**-**	-
Net debt	**3,395,739**	2,638,609

Note 10E: Reconciliation of movements of liabilities to cash flows arising from financing activities

	Other Assets	**Liabilities from financing activities**		
	Cash assets	**Borrowings – within 1 year**	**Borrowings – due after 1 year**	**Total**
Net debt at 1 January 2018	3,836,574	-	-	3,836,574
Cash flows	(1,197,965)	-	-	(1,197,965)
Net debt at 31 December 2018	2,638,609	-	-	2,638,609
Cash flows	**757,130**	**-**	**-**	**757,130**
Net debt at 31 December 2019	**3,395,739**	**-**	**-**	**3,395,739**

Note 11 Contingent Liabilities, Assets and Commitments

Note 11A: Commitments and Contingencies

Capital commitments

At 31 December 2019, the Branch did not have any capital commitments (2018: Nil).

Other contingent assets or liabilities (i.e. legal claims)

As detailed at Note 2 – Events after the reporting period, on 11 February 2020, the Federal Court of Australia handed a $445,000 penalty against the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia (CEPU) for breaching the *Fair Work (Registration Organisations) Act 2009*.

The Committee of Management of the CEPU has formally appealed the decision issued by the Federal Court of Australia and therefore the following is unknown:

- whether the CEPU will be successful in its appeal, or be able to reduce some of the penalty; and
- on what basis the Divisions or Branches of the CEPU will be levied for the sum of the penalty, if the appeal is unsuccessful;

As a result, no amount has been recognised in these financial statements at 31 December 2019.

Commitments

Property leases (as a lessor)

Non-cancellable property leases rentals are receivable as follows.

	2019	2018
	$	$
Receivable – Minimum lease receipts		
not later than 12 months	**54,060**	31,572
between 12 months and 5 years	**98,375**	-
greater than 5 years	**-**	-
Minimum lease receipts	**152,435**	31,572

The Branch leases office space at 63 Market Street, Wollongong under a non-cancellable property leases. The leases commenced on 1 September 2019 and expired on 31 August 2020 with a further 3 year option available. The rent increases by 3% each year on the anniversary of the lease commitment.

Note 12 Related Party Disclosures

Note 12A: Related Party Transactions for the Reporting Period
Holders of office and related reporting units

For financial reporting purposes, under the *Fair Work (Registered Organisations) Act 2009*, the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia is divided into the following separate reporting units (and deemed related parties):

CEPU National Council

<u>Electrical Division</u>
CEPU – Electrical, Energy and Services Division
CEPU – QLD Electrical Branch
CEPU – NSW Electrical Branch
CEPU – VIC Electrical Branch
CEPU – TAS Electrical Branch
CEPU – SA Electrical Branch
CEPU – WA Electrical Branch

<u>Plumbing Division</u>
CEPU – Plumbing Division
CEPU – QLD Plumbing Branch
CEPU – NSW Plumbing Branch
CEPU – VIC Plumbing Branch
CEPU – WA Plumbing Branch

<u>Communications Division</u>
CEPU – Communications Division
CEPU – QLD Communications Branch
CEPU – NSW Communications T&S Branch
CEPU – NSW Communications P&T Branch
CEPU – VIC Communications T&S Branch
CEPU – VIC Communications P&T Branch
CEPU – SA/ NT Communications Branch
CEPU – WA Communications Branch

<u>Other Related Parties</u>
Electrical Trades Union of Australia (NSW Branch)

The Electrical Trades Union of Australia (NSW Branch) (being a state registered trade union) has members on its Committee of Management that are consistent with that of the Branch. Further, all members of the Branch are joint members with the state registered union.

Note 12 Related Party Disclosures (Continued)

Note 12A: Related Party Transactions for the Reporting Period

Holders of office and related reporting units (Continued)

	2019	2018
	$	$
The following table provides the total amount of transactions that have been entered into with related parties for the relevant year.		
Expenses paid to CEPU – National Council includes the following:		
Levies	**20,449**	18,745
Expenses paid to CEPU – Electrical, Energy and Services Division includes the following:		
Sustentation fees	**818,384**	891,671
Expenses paid to Electrical Trades Union of Australia (NSW Branch) includes the following:		
Service agreement expenses	**5,885,704**	4,859,681

The Branch has entered into a service agreement with the Electrical Trades Union of Australia (NSW Branch) where is agrees to transfer funds in exchange for the following services:

- Provision of industrial personnel and industrial services
- Access to legal advice
- Provision of workcover advise
- Provision of recruiting services for new joint members
- Provision of all services relating to the Branch's compliance with all relevant legislation
- Provision of financial services
- Provision of membership services for joint members
- Provision of administration services relating to joint members
- Provision of accounting and auditing services
- Provisions of journals
- Provision of notices to members
- Co-ordinate facilities for holding of meetings of the Executive and/ or other bodies of the Branch
- Co-ordinate provisions of office facilities and/ or equipment
- Co-ordinate facilities for the interviewing of members
- Co-ordinate facilities for holding of meetings by and/ or officials and/ or employees and/ or agents of the Branch with members
- Co-ordinate facilities to permit attendance at worksites as necessary by officials and/ or employees and/ or agents of the Branch and
- Provision of necessary equipment, vehicles and other resources to permit the officer and/ or officials and/ or employees and/ or age nets of the Branch to perform their duties.

	2019	2018
Amounts owed by Electrical Trades Union of Australia (NSW Branch) includes the following		
Service agreement expenses	**931,345**	70,728

Note 12 Related Party Disclosures (Continued)

Note 12A: Related Party Transactions for the Reporting Period
Holders of office and related reporting units (Continued)

Terms and conditions of transactions with related parties
The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances for sales and purchases at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the Branch has not recorded any impairment of receivables relating to amounts owed by related parties and declared person or body (2018: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Key Management Personnel

Key management personnel comprise those individuals who have the authority and responsibility for planning, directing and controlling the activities of the Branch. The Branch has determined key management personnel comprise of:

- Justin Page (Branch Secretary)
- Ben Lister (Assistant Branch Secretary)
- All remaining members of the Committee of Management.

During the year, key management personnel of the Branch were remunerated as follows:	**2019**	2018
	$	$
Note 12B: Key Management Personnel Remuneration for the Reporting Period		
Short-term employee benefits		
Salary (including annual leave taken)	**-**	-
Other	**-**	-
Total short-term employee benefits	**-**	-
Post-employment benefits:		
Superannuation	**-**	-
Total post-employment benefits	**-**	-
Other long-term benefits:		
Long-service leave	**-**	-
Total other long-term benefits	**-**	-
Termination benefits	**-**	-
Total	**-**	-

Note 12 Related Party Disclosures (Continued)

Note 12B: Key Management Personnel Remuneration for the Reporting Period (Continued)

No other transactions occurred during the year with elected officers, close family members or other related parties than those related to their membership or employment and on terms no more favourable than those applicable to any other member of employee.

	2019	2018
	$	$
Note 13 Remuneration of Auditors and Consultants		
Value of the services provided		
Financial statement audit services	**22,000**	21,000
Other services	**-**	-
Total remuneration of auditors	**22,000**	21,000

Note 14 Financial Instruments

Financial Risk Management Policy
The Committee of Management monitors the Branch's financial risk management policies and exposure and approves financial transactions entered into. It also reviews the effectiveness of internal controls relating to the counterparty credit risk, liquidity risk, market risk and interest rate risk. The Branch Committee of Management meets on a regular basis to review the financial exposure of the Branch.

(a) Credit Risk
Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss of the Branch. The Branch does not have any material credit risk exposures as its major source of revenue is the receipt of sustentation fees from state branches.

The maximum exposures to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of provisions) as presented in the statement of financial position.

The Branch has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Branch.

On a geographical basis, the Branch's trade and other receivables are all based in Australia.

The following table details the Branch's trade and other receivables exposed to credit risk. Amounts are considered 'past due' when the debt has not been settled, within the terms and conditions agreed between the Branch and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Branch.

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

Note 14 Financial Instruments (Continued)

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

	Within trading terms/ 0 to 30 days	**31 to 60 days**	**61 to 90 days**	**90+ days**	**Total**
	$	**$**	**$**	**$**	**$**
Trade and other receivables	**16,601**	**-**	**-**	**-**	**16,601**
Receivables from other reporting units	**-**	**-**	**-**	**-**	**-**
Total	**16,601**	**-**	**-**	**-**	**16,601**

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

	Within trading terms/ 0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	$	$	$	$	$
Trade and other receivables	-	-	-	-	-
Receivables from other reporting units	-	-	-	-	-
Total	-	-	-	-	-

The Branch has no significant concentrations of credit risk exposure to any single counterparty or group of counterparties.

Credit risk related to balances with banks and other financial institutions is managed by the Committee of Management in accordance with approved policy. Such policy requires that surplus funds are only invested with counterparties with a strong reputation and backed by the Commonwealth Government's bank guarantee. At 31 December 2019, all funds were held by financial institutions backed by the Commonwealth Government's bank guarantee.

Collateral held as security

The Branch does not hold collateral with respect to its receivables at 31 December 2019 (2018: Nil).

Note 14 Financial Instruments (Continued)

(b) Liquidity Risk

Liquidity risk arises from the possibility that the Branch might encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities. The Branch manages this risk through the following mechanisms:

- preparing forward looking cash flow estimates;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The tables below reflect an undiscounted contractual maturity analysis for non-derivative financial liabilities. The Branch does not hold directly any derivative financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates

Financial Instrument Composition and Maturity Analysis

	Within 1 Year		**1 to 5 Years**		**Over 5 Years**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	$	$	**$**	$	**$**	$	**$**	$
Financial liabilities due for payment								
Trade payables	**(932,295)**	(71,678)	**-**	-	**-**	-	**(932,295)**	(71,678)
Other payables	**(578,865)**	(532,240)	**-**	-	**-**	(18,499)	**(578,865)**	(550,739)
Total expected outflows	**(1,511,160)**	(603,918)	**-**	-	**-**	(18,499)	**(1,511,160)**	(622,417)

Note 14 Financial Instruments (Continued)

Financial Instrument Composition and Maturity Analysis (Continued)

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	$	$	**$**	$	**$**	$	**$**	**$**
Financial assets – cash flow receivable								
Cash and cash equivalents	**3,395,739**	2,638,609	**-**	-	**-**	-	**3,395,739**	2,638,609
Trade and other receivables	**16,601**	-	**-**	-	**-**	-	**16,601**	-
Financial assets	**-**	-	**5,702,588**	5,111,773	**-**	-	**5,702,588**	5,111,773
Total anticipated inflows	**3,412,340**	2,638,609	**5,702,588**	5,111,773	**-**	-	**9,114,928**	7,750,382
Net inflow on financial instruments	**1,901,180**	2,034,691	**5,702,588**	5,111,773	**-**	(18,499)	**7,603,768**	7,127,965

Note 14 Financial Instruments (Continued)

(c) Market Risk

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Branch is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is managed using a mix of fixed and floating financial instruments. The effective interest rate expenditure to interest rate financial instruments are as follows:

	Weighted Average Effective Interest Rate			
	2019	2018	**2019**	2018
	%	%	**$**	**$**
Floating rate instruments				
Cash and cash equivalents	**1.79**	2.20	**3,395,736**	2,638,609

ii. *Other price risk*

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) of securities held.

The Branch is exposed to other price risk on its investments held within a managed investment fund. Such risk is managed through diversification of investments across industries and geographical locations.

The Branch's investments are held in the following sectors at reporting date:

	2019	2018
	%	%
Cash assets	**8**	6
Fixed interest	**17**	19
International fixed interest	**20**	21
Australian equities	**24**	25
International equities	**17**	16
Property trusts	**12**	12
Other	**2**	1
	100	100

iii. Foreign exchange risk

The Branch is not exposed to direct fluctuations in foreign currencies.

Note 14 Financial Instruments (Continued)

(c) Market Risk (Continued)

iv. Price risk
The Branch is no exposed to any material commodity price risk.

v. Interest rate risk
The Branch has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

vi. Sensitivity Analysis

The following table illustrates sensitivities to the Branch's exposures to changes in interest rates and equity prices. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 31 December 2019		
+1% in interest rates	**33,957**	**33,957**
-1% in interest rates	**(23,317)**	**(23,317)**
+10% in financial assets	**570,259**	**570,259**
-10% in financial assets	**(570,259)**	**(570,259)**
Year ended 31 December 2018		
+1% in interest rates	26,035	26,035
-1% in interest rates	(25,783)	(25,783)
+10% in financial assets	511,177	511,177)
-10% in financial assets	(511,177)	(511,177)

No sensitivity analysis has been performed on foreign exchange risk as the Branch has no material direct exposures to currency risk. There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year

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Note 15 Fair Value Measurements

Fair Values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at an arm's length transaction.

Fair value may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair values is extracted from the market, with more reliable information available from markets that are actively traded.

In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Branch. Most of these instruments, which are carried at amortised cost (i.e. accounts receivable), are to be held until maturity and therefore the fair value figures calculated bear little relevance to the Branch.

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

		2019		2018	
	Footnote	Carrying value	Fair value	Carrying value	Fair value
		$	$	$	$
Financial assets					
Cash and cash equivalents	(i)	**3,395,739**	**3,395,739**	2,638,609	2,638,609
Accounts receivable and other debtors	(i)	**16,601**	**16,601**	-	-
Financial assets	(i)	**5,702,588**	**5,702,588**	5,111,773	5,111,773
Total financial assets		**9,114,928**	**9,114,928**	7,750,382	7,750,382
Financial liabilities					
Trade payables	(i)	**932,295**	**932,295**	71,678	71,678
Other payables	(i)	**578,865**	**578,865**	550,739	550,739
Total financial liabilities		**1,511,160**	**1,511,160**	622,417	622,417

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, accounts receivable and other debtors, financial assets and accounts payable and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is outside the scope of AASB 139.

Note 15 Fair Value Measurements (Continued)

Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categories fair value measurement into one of the three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset of liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market date. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Note 15 Fair Value Measurements (Continued)

Fair value hierarchy – 31 December 2019

	Note	Date of Valuation	Level 1	Level 2	Level 3
		$	**$**	**$**	**$**
Assets measured at fair value					
Land and Buildings – 370 Pitt Street, Sydney	**7B**	**25 March 2020**	**-**	**8,625,000**	**-**
Investment Properties – 63 Market Street, Wollongong	**7C**	**31 Oct 2016**	**-**	**650,000**	**-**
Financial assets	**7A**	**31 Dec 2019**	**5,702,588**	**-**	**-**
Total			**5,702,588**	**9,275,000**	**-**

The Branch does not have any other assets or liabilities that are recorded using a fair value technique.

Fair value hierarchy – 31 December 2018

	Note	Date of Valuation	Level 1	Level 2	Level 3
		$	$	$	$
Assets measured at fair value					
Land and Buildings – 370 Pitt Street, Sydney	7B	10 Oct 2016	-	5,800,000	-
Investment Properties – 63 Market Street, Wollongong	7B	31 Oct 2016	-	650,000	-
Financial assets	7A	31 Dec 2019	5,111,773	-	-
Total			5,111,773	6,450,000	-

The Branch does not have any other assets or liabilities that are recorded using a fair value technique.

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 Commission:

(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).

Note 17 Branch Details

The registered office of the Branch is:

CEPU – Electrical Division – New South Wales Branch
Level 5, 370 Pitt Street
SYDNEY NSW 2000

Note 18 Segment Information

The Branch operates solely in one reporting business segment being the provision of trade union services.

The Branch operates from one reportable geographical segment being New South Wales and the Australian Capital Territory.

Note 19 Administration of Financial Affairs by a Third Party

The terms and conditions of the arrangement are that all administrative and operational costs incurred in the day to day running of the Branch and the Electrical Trades Union of Australia (NSW Branch (a trade union registered under the *Industrial Relations Act 1996 (NSW)* (ETU NSW) including affiliation fees to other organisations or associations having objects similar to the ETU NSW, other than sustentation fees to be paid by the Branch to the CEPU – Electrical Division pursuant to the Rules of the CEPU, will be met by the ETU NDSW from its own funds and thereafter reimbursed by the Branch to the ETU NSW from the funds of the Branch.

At the end each financial year, any surplus which may exist between those entrance fees or subscriptions collected from joint members and the said administrative and operations costs will be dividend equally between the Branch and the ETU NSW any deficit will be met equally by the Branch and ETU NSW.

Refer to Note 12A for additional information.

COMMUNICATIONS, ELECTRICAL, ELECTRONIC, ENERGY, INFORMATION, POSTAL, PLUMBING AND ALLIED SERVICES UNION OF AUSTRALIA – ELECTRICAL, ENERGY AND SERVICES DIVISION – NEW SOUTH WALES BRANCH

OFFICER DECLARATION STATEMENT

I Justin Page, being the Branch Secretary of the Communications, Electrical, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Electrical, Energy and Services Division – New South Wales Branch, declare that the following did not occur during the reporting period ended 31 December 2019:

The reporting unit did not:

- Agree to receive financial support from another reporting unit to continue as a going concern (refer to agreement regarding financial support not dollar amounts)
- Agree to provide financial support to another reporting unit to ensure they continued as a going concern (refer to agreement regarding financial support not dollar amounts)
- Acquired 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 of revocation by the General Manager, Fair Work Commission
- Receive capitation fees or any other revenue from another reporting unit
- Receive a donation or grants
- Receive revenue from undertaking recovery of wages activity
- Incur fees as consideration for employers making payroll deductions of membership subscriptions
- Pay affiliation fees to other entity
- Pay a grant that was $1,000 or less
- Pay a grant that exceeds $1,000
- Pay a donation that was $1,000 or less
- Pay a donation that exceeded $1,000
- Pay wages and salaries to holders of office
- Pay superannuation to holders of office
- Pay leave and other entitlements to holders of office
- Pay a separation and redundancy to holders of office
- Pay other employee expenses to holders of office
- Pay wages and salaries to holders of office (other than holders of office)
- Pay superannuation to holders of office (other than holders of office)
- Pay leave and other entitlements to holders of office (other than holders of office)
- Pay a separation and redundancy to employees (other than holders of office)
- Pay other employee expenses to holders of office (other than holders of office)
- Pay a person fees or allowances to attend conferences or meetings as a representative of the reporting unit.
- Incur expenses due to holding a meeting as required under the rules of the organisation
- Pay a penalty imposed under the RO Act or the *Fair Work Act 2009*
- Have a receivable with other reporting unit(s)
- Have a payable with other reporting unit(s)
- Have a payable to an employer for that employer making payroll deductions of membership subscriptions
- Have a payable in respect of legal costs relating to litigation
- Have a payable in respect of legal costs relating to other legal matters
- Have an annual leave provision in respect of holders of office
- Have a long service leave provision in respect of holders of office
- Have a separation and redundancy provision in respect of holders of office
- Have other employee provisions in respect of holders of office

OFFICER DECLARATION STATEMENT (CONTINUED)

- Have an annual leave provision in respect of employees (other than holders of office)
- Have a long service leave provision in respect of employees (other than holders of office)
- Have a separation and redundancy provision in respect of employees (other than holders of office)
- Have other employee provisions in respect of holders of office (other than holders of office)
- Have a fund of account for compulsory levies, voluntary contributions or required by the rules of the organisation or branch
- Transfer to or withdraw from a fund (other than the general fund), account, asset or controlled entity
- Receive cash flows from another reporting units and/ or controlled entity
- Make a payment to a former related party of the reporting unit

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Justin Page

Branch Secretary

11 May 2020