



Australian Government
Registered Organisations Commission

4 December 2018

Mr Lloyd Williams
Branch Secretary
Health Services Union, Victoria No. 2 Branch

By e-mail: hacsu@hacsu.asn.au

Dear Mr Williams

Health Services Union, Victoria No. 2 Branch
Financial Report for the year ended 30 June 2018 - FR2018/140

I acknowledge receipt of the financial report for the year ended 30 June 2018 for the Health Services Union, Victoria No. 2 Branch. The financial report was lodged with the Registered Organisations Commission (ROC) on 14 November 2018.

The financial report has now been filed. You are not required to take any further action in respect of the report lodged.

Whilst the 2018 report has been filed the following should be addressed in the preparation of the next financial report.

Timescale requirements

As you are aware, an organisation is required under the RO Act to undertake certain steps in accordance with specified timelines. Information about these timelines can be found on the ROC website.

I note that the following timescale requirements were not met:

Documents must be lodged with ROC within 14 days after general meeting

Section 268 of the RO Act requires a copy of the full report and the designated officer's certificate to be lodged with the ROC within 14 days after the general meeting of members referred to in section 266. The designated officer's certificate indicates that this meeting occurred on 18 October 2018. If this is correct the documents should have been lodged with the ROC by 1 November 2018. The full report was not lodged with the ROC until 14 November 2018.

In this regard, I acknowledge receipt of your letter of 14 November 2018 outlining the reasons for the late submission and your assurance that procedures have been put in place to ensure that all timelines are met in future.

Should you wish to discuss the matters raised in this letter, or if you require further information on the financial reporting requirements of the Act, I may be contacted on (03) 9603 0707 or by email at ken.morgan@roc.gov.au

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ken Morgan', is positioned above the printed name.

KEN MORGAN
Financial Reporting Specialist
Registered Organisations Commission

14 November 2018

lw180285

Registered Organisations Commission
GPO Box 2983
Melbourne VIC 3001

email: regorgs@roc.gov.au

“Without Prejudice”

Dear Sir / Madam,

**Re: *Designated Officers Certificate - s268 Fair Work (Registered Organisations)
Health Services Union of Australia Victoria No.2 Branch.
Financial Statement for Year Ending 30 June 2018***

The Health Services Union of Australia, Victoria No. 2 Branch recognise that the Full Financial Report for the year ending 30th June 2018 referred to in s265 of the *Fair Work (Registered Organisations) Act 2009*, is being submitted to the ROC today, and is therefore thirteen (13) days late.

The Health Services Union of Australia, Victoria No. 2 Branch deeply apologise for the late submission.

The late submission was due to a key member of staff taking leave and failing to delegate the work before she commenced her leave. We have now established a new protocol in order to ensure that the Health Services Union of Australia, Victoria No. 2 Branch, will not submit any documentation required by the ROC, late again.

The new protocol involves

- Delegating the work to another member of staff, who is highly skilled in Finance.
- Ensuring that all filing dates are placed in the responsible Officer's and several employee's diaries, along with reminders a month before the documents are due, a fortnight before the documents are due and a week before the documents are due.
- Ensuring that internal meetings regarding the Financial Statements are held more frequently and that staff leave is always on that agenda.

We recognise the important work of the ROC, and we recognise the importance of submitting all documents, including Financial documents on time.

We again apologise for the late submission and advise that it will not occur again.

Please find attached the formal certification and documentation.

If you have any questions, please do not hesitate to contact me.

Regards



Lloyd Williams
Branch Secretary



14 November 2018

lw180284

Registered Organisations Commission
GPO Box 2983
Melbourne VIC 3001

email: regorgs@roc.gov.au

Dear Sir / Madam,

**Re: *Designated Officers Certificate - s268 Fair Work (Registered Organisations)
Health Services Union of Australia Victoria No.2 Branch.
Financial Statement for Year Ending 30 June 2018***

I, Lloyd Williams, being the Branch Secretary of the Victoria No. 2 Branch of the Health Services Union, certifies:

1. That the document lodged herewith is a copy of the Full Financial Report for the year ending 30th June 2018 referred to in s265 of the Fair Work (Registered Organisations) Act 2009; and.
2. That this document was presented to and accepted by our Branch Committee of Management meeting on the 23rd August 2018 [*the first meeting*].
3. That the Financial Report was published to members on the 30th August 2018; and
4. That the Financial Report was presented to and accepted at a General Meeting of members of the Branch on the 18th October 2018 [*the second meeting*] in accordance with section 266 (1) (2).

If you have any queries please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Lloyd Williams', written in a cursive style.

**Lloyd Williams
Branch Secretary**

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018**



**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

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This financial report covers the Health Services Union Victorian No. 2 Branch as an individual entity. The financial report is presented in the Australian currency.

The Health Services Union Victorian No. 2 Branch is a registered trade union under the *Fair Work (Registered Organisations) Act 2009*. The purpose of the entity is to protect and improve conditions and entitlements for members. Its principle activities are the pursuit of the Objects of the Union's Rules. Specifically, the main activities of the Branch are to regulate and protect the employment conditions of its members, including: negotiating certified agreements and award variations; upholding members' rights as employees, taking all necessary steps to advance the health and safety of members in the workplace and representing members individually and collectively in the Australian Industrial Relations Commission, the Equal Opportunity Commission and the Victorian Civil and Administrative Tribunal in relation to employment matters

The principal place of business is:
Health Services Union Victorian No. 2 Branch
7 Grattan Street
CARLTON VIC 3053

The financial report was authorised for issue by the Committee of Management on 23 August 2018.

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

OPERATING REPORT

Your Branch committee of Management present their report on the union for the financial year ended 30 June 2018.

Members of branch committee

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

| <i>Name</i> | <i>Position</i> | |
|-------------------|-------------------------------|---------------------------|
| Debbie Gunn | President ** | Elected 10 July 2018 |
| Melissa Urie | Senior Vice President | Elected 10 July 2018 |
| Roslyn Young | Senior Vice President ** | Term expired 10 July 2018 |
| Jane Kim | Junior Vice President ** | Elected 10 July 2018 |
| Brian Addison | Junior Vice President | Term expired 10 July 2018 |
| Bella Anderson | Trustee ** | Elected 10 July 2018 |
| Lloyd Williams | Branch Secretary** | Elected 10 July 2018 |
| Paul Healey | Assistant Branch Secretary ** | Elected 10 July 2018 |
| Kimberlee Lindsay | Trustee ** | Elected 10 July 2018 |
| David Brophy | Ordinary Member | Elected 10 July 2018 |
| Ben Coombes | Ordinary Member | Elected 10 July 2018 |
| Debra Cogo | Ordinary Member | Term expired 10 July 2018 |
| Jennifer Fitt | Ordinary Member | Elected 10 July 2018 |
| Roslyn Young | Ordinary Member | Elected 10 July 2018 |
| Jane Kim | Ordinary Member ** | Term expired 10 July 2018 |
| Kerrie Oldham | Ordinary Member | Term expired 10 July 2018 |
| Matthew Osborne | Ordinary Member | Resigned 8 Feb 2018 |
| Jodie Portelli | Ordinary Member | Elected 10 July 2018 |
| Catherine Kanizay | Ordinary Member | Elected 10 July 2018 |
| Sandra Jensen | Ordinary Member | Elected 10 July 2018 |
| Melissa Urie | Ordinary Member | Term expired 10 July 2018 |
| Wayne Watts | Ordinary Member | Elected 10 July 2018 |

The following persons are Branch Delegate National Council:

Betty Bletas
Brendan Cox
Jane Dowling
Debbie Gunn
Paul Healey
Kate Marshall
John Murphy
Patrick Nuzum
Joanne Tomlins

** - members of the Finance, Audit and Compliance Committee

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

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

OPERATING REPORT (Continued)

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

Health Services Union Victorian No. 2 Branch is a member based, federally registered trade union. The principal activity of the union during the financial year was the protection and improvement of employment conditions for its members who are employed as mental health and disability workers in Victoria.

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

Significant changes in financial affairs

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

Union Details

Number of employees

As at 30 June 2018, the Branch has full time equivalent 26.8 (2017: 24.4) employees.

Number of members

As at 30 June 2018, the total number of financial members was 8,304 (2017: 7,867) members.

Right of members to resign

Pursuant to Rules 10(b)-(h) of the HSU and s174 of the *Fair Work (Registered Organisations) Act 2009*, a member may resign from membership of the Union by notice in writing addressed and delivered to the Secretary of the member's Branch.

A notice of resignation from membership of the Union shall take effect:-

- (i) where the member ceases to be eligible to become a member of the Union -
 - A. on the day upon which the notice is received by the Union, or
 - B. on the day specified in the notice, which is a day not earlier than the day when the member ceased to be eligible to become a member,whichever is the later; or
- (ii) in any other case -
 - A. at the end of two weeks after the notice is received by the Union, or
 - B. on the day specified in the notice,whichever is the later.

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

OPERATING REPORT (Continued)

Remuneration and Disclosures

In terms of the Rules of the HSU, the Branch Committee of Management is required provided additional disclosures.

(a) Rule 85 – Disclosure of remuneration and non-cash benefits received by officers

| Name of officer | Position held | Board | Payment | Amount | Paid to |
|------------------------|--|---------------------------|---------------------------------------|-----------------------------------|---|
| Lloyd Williams | Branch Secretary, National President | H.E.S.T. Australia Ltd | Director fee | \$63,770 (GST inclusive) | HSU Victoria No. 2 Branch |
| Lloyd Williams | Branch Secretary, National President | H.E.S.T. Australia Ltd | Mandatory Superannuation (9.5%) | \$5,507.40 | Lloyd William's super account - HESTA |
| Lloyd Williams | Branch Secretary, National President | HESTA/ IFM | Director fee | \$15,912.32 (GST inclusive) | HSU Victoria No. 2 Branch |
| Lloyd Williams | Branch Secretary, National President | HESTA/ IFM | Mandatory Superannuation (9.5%) | \$1,511.68 | Lloyd William's super account - HESTA |

(b) Rule 86 – Remuneration paid to the 5 highest paid officers

| Name of officer | Position held | Payment | Amount | Payment by |
|------------------------|---|---|---------------|------------------------------|
| Lloyd Williams | Branch Secretary, National President, Member National Executive, National Councillor | Wages | \$151,061 | HSU Victoria No. 2 Branch |
| Lloyd Williams | As above | Superannuation | \$22,176 | HSU Victoria No. 2 Branch |
| Lloyd Williams | As above | Private use of union supplied motor vehicles – employment entitlement | \$1,104 | HSU Victoria No. 2 Branch |
| Lloyd Williams | As above | Mandatory Superannuation paid to officer in his capacity as HSU nominated director | \$5,507.4 | HESTA |
| Lloyd Williams | As above | Mandatory Superannuation paid to officer in his capacity as HSU nominated director | \$1,511.68 | HESTA / IFM |
| Paul Healey | Branch Assistant Secretary, National President, Member National Executive, National Councillor | Wages | \$135,118 | HSU Victoria No. 2 Branch |
| Paul Healey | As above | Superannuation | \$18,590 | HSU Victoria No. 2 Branch |
| Paul Healey | As above | Private use of union supplied motor vehicles– employment entitlement | \$1,104 | HSU Victoria No. 2 Branch |

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

OPERATING REPORT (Continued)

Remuneration and Disclosures (Continued)

In terms of the Rules of the HSU, the Branch Committee of Management is required provided additional disclosures.

(b) Rule 86 – Remuneration paid to the 5 highest paid officers (Continued)

| | | | | |
|------------|---------------------|--|---------|---------------------------|
| Debra Gunn | Branch President | Honorarium | \$2,000 | HSU Victoria No. 2 Branch |
| Debra Gunn | National Councillor | | | |
| Debra Gunn | As above | Superannuation on President compensation payment | \$190 | HSU Victoria No. 2 Branch |

c) Rule 87 – Officers' Material Personal Interests

None of the Branch Officers have disclosed any material personal interests in a matter that the officer has or acquires; or a relative of the officer has or acquires; that relates to the affairs of the Branch.

d) Rule 88 – Payments to declared person or body of the Union

No payments were made by the Branch to a declared person or body of the Branch.

Officers & employees who are superannuation fund trustee(s) (include position details) or director of a company that is a superannuation fund trustee

To the best of our knowledge and belief, the following officers and employees of the Branch are superannuation fund trustee(s) or a director of a company that is a superannuation fund trustee:

| Name of Officer | Trustee Company | Name of Superannuation Fund | Position | Whether position held because nominated for by a registered organisation |
|-----------------|------------------------|-----------------------------|----------|--|
| Lloyd Williams | H.E.S.T. Australia Ltd | HESTA | Director | YES |

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

Signature of designated officer: 

Name of designated officer: **LLOYD WILLIAMS**

Title of designated officer: **BRANCH SECRETARY**

Dated: **23 AUGUST 2018**

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

| | Note | 2018 \$ | 2017 \$ |
|--|------|--------------------|--------------------|
| Revenue from continuing operations | 4 | 4,187,381 | 3,982,582 |
| Other income | 4 | 555,766 | 442,403 |
| Expenses | | | |
| Administration expenses | 6 | (777,903) | (764,309) |
| Affiliation and capitation fees | 7 | (311,760) | (293,359) |
| Communication expenses | | (42,310) | (47,236) |
| Depreciation and amortisation expenses | | (126,521) | (106,440) |
| Employee benefits expense | 8 | (2,741,909) | (2,813,026) |
| Legal and professional fees | | (67,121) | (64,442) |
| Loss on disposal of fixed assets | | (6,240) | (15,211) |
| Members benefit expenses | | (96,478) | (159,098) |
| Occupancy expenses | | (91,863) | (91,245) |
| Borrowing costs | | (5,642) | (8,592) |
| | | <u>(4,267,747)</u> | <u>(4,362,958)</u> |
| Surplus for the year | | 475,400 | 62,027 |
| Surplus attributable to members of the entity | | 475,400 | 62,027 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Gain on revaluation of land and buildings | | - | 873,672 |
| | | <u>475,400</u> | <u>935,699</u> |
| Total comprehensive income for the year attributable to the members | | 475,400 | 935,699 |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580

BALANCE SHEET
AS AT 30 JUNE 2018

| | Note | 2018 \$ | 2017 \$ |
|--------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 953,646 | 713,557 |
| Trade and other receivables | 10 | 162,990 | 166,758 |
| Inventories | 11 | 21,593 | 44,343 |
| Total current assets | | 1,138,229 | 924,658 |
| Non-current assets | | | |
| Financial assets | 12 | 252,089 | 2,089 |
| Property, plant and equipment | 13 | 3,419,675 | 3,383,429 |
| Total non-current assets | | 3,671,764 | 3,385,518 |
| Total assets | | 4,809,993 | 4,310,176 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 14 | 304,433 | 269,670 |
| Employee benefit obligations | 15 | 514,107 | 517,850 |
| Borrowings | 16 | 11,000 | 11,400 |
| Total current liabilities | | 829,540 | 798,920 |
| Non-current liabilities | | | |
| Borrowings | 16 | 96,237 | 102,440 |
| Total non-current liabilities | | 96,237 | 102,440 |
| Total liabilities | | 925,777 | 901,360 |
| Net assets | | 3,884,216 | 3,408,816 |
| MEMBERS' FUND | | | |
| Reserves | 17 | 1,029,269 | 1,029,269 |
| Accumulated surplus | 18 | 2,854,947 | 2,379,547 |
| Total members' fund | | 3,884,216 | 3,408,816 |

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

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

| | Accumulated surplus \$ | Other funds \$ | Reserves | Total \$ |
|---|------------------------------|-------------------|-------------------------|-------------------------|
| Balance at 1 July 2016 | 2,317,520 | - | 155,597 | 2,473,117 |
| Revaluation of property | - | - | 873,672 | 873,672 |
| Total comprehensive income for the year | <u>62,027</u> | - | - | <u>62,027</u> |
| Balance at 30 June 2017 | <u>2,379,547</u> | - | <u>1,029,269</u> | <u>3,408,816</u> |
| | | | | |
| Balance at 1 July 2017 | 2,379,547 | - | 1,029,269 | 3,408,816 |
| Revaluation of property | - | - | - | - |
| Total comprehensive income for the year | <u>475,400</u> | - | - | <u>475,400</u> |
| Balance at 30 June 2018 | <u>2,854,947</u> | - | <u>1,029,269</u> | <u>3,884,216</u> |

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

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

| | Note | 2018 \$ | 2017 \$ |
|---|------|------------------|-----------------|
| Cash flows from operating activities | | | |
| Subscriptions receipts | | 4,622,529 | 4,328,147 |
| Merchandise income | | 91,724 | 156,819 |
| Grants received | | 295,407 | - |
| Directors fees received | | 80,506 | 77,082 |
| Sundry receipts | | 33,020 | 66,619 |
| Receipts from other reporting units | | | |
| - HSU National Office | | 99,899 | 5,529 |
| Receipts from controlled entities | | - | - |
| Payments to suppliers and employees | | (4,283,847) | (4,336,324) |
| Payments to other reporting units | | | |
| - HSU National Office | | (273,792) | (256,549) |
| - HSU Tas Branch | | - | (10,076) |
| - HSU Vic No 3 Branch | | (2,586) | (4,970) |
| - HSU Vic No 1 Branch | | (5,169) | (2,381) |
| Payments to controlled entities | | - | - |
| Interest received | | 13,650 | 13,064 |
| Interest paid | | (5,642) | (8,592) |
| Net cash inflow from operating activities | 23 | <u>665,699</u> | <u>28,368</u> |
| Cash flows from investing activities | | | |
| Proceeds from sales of assets | | 10,909 | 53,637 |
| (Payments) receipts from financial assets | | (250,000) | 250,605 |
| Payments for property, plant and equipment | | (179,916) | (185,012) |
| Cash (outflow) inflow from Investing activities | | <u>(419,007)</u> | <u>119,230</u> |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (6,603) | (74,686) |
| Net cash (outflow) from financing activities | | <u>(6,603)</u> | <u>(74,686)</u> |
| Net increase in cash and cash equivalents | | 240,089 | 72,912 |
| Cash and cash equivalents at beginning of financial year | | 713,557 | 640,645 |
| Cash and cash equivalents at end of financial year | 9 | <u>953,646</u> | <u>713,557</u> |

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

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

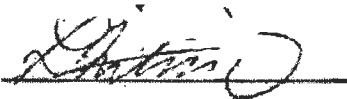
**REPORT REQUIRED UNDER SUBSECTION 255(2A)
FOR YEAR ENDED 30 JUNE 2018**

The Committee of Management presents the expenditure report as required under subsection 255(2A) of the *Fair Work (Registered Organisations) Act 2009* on the Reporting Unit for the year ended 30 June 2018.

| | 2018 | 2017 |
|--|-----------|-----------|
| | \$ | \$ |
| Categories of expenditure | | |
| Remuneration and other employment-related costs and expenses - employees | 2,741,909 | 2,813,026 |
| Advertising | 81,075 | 60,048 |
| Operating costs | 236,138 | 239,907 |
| Donations to political parties | - | - |
| Legal costs | 16,895 | 13,811 |

Due to the specific requirements under subsection 255(2A) of the *Fair Work (Registered Organisations) Act 2009*, there will likely be some other costs incurred by the reporting unit which do not fall within the above categories. Accordingly the expenditure reported in this report may not represent 100% of the expenditure actually incurred by the reporting unit.

Signature of designated officer:



Name and title of designated officer:

LLOYD WILLIAMS

Title of designated officer:

BRANCH SECRETARY

Dated:

23 AUGUST 2018

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

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

1: Summary of significant accounting policies

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

The financial statement covers the Health Services Union Victorian No. 2 Branch (The Branch).

(a) Basis of preparation

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 Organisations) Act 2009*. The Health Services Union Victorian No. 2 Branch (The Branch) is a not-for-profit entity for the purpose of preparing the financial statements.

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

New and amended standards adopted by the Branch

The Branch adopts all the new and revised Standards and interpretation issued by the Australian Accounting Standards Board (AASB) that are relevant to the operations and effective for the current annual reporting period. The adoption of these standards has not had a material impact on the Branch.

Early adoption of standards

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

Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- available-for-sale financial assets, financial assets and liabilities (including derivative instruments) certain classes of property, plant and equipment and investment property – measured at fair value
- assets held for sale – measured at fair value less cost of disposal, and
- retirement benefit obligations – plan assets measured at fair value.

Critical accounting estimates

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

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

1: Summary of significant accounting policies (Continued)

(b) Revenue recognition

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

The Branch recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Branch's activities as described below. The Branch bases its estimates on historical results, taking into consideration the type of member, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major operating activities as follows:

Membership subscriptions

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

Grants, Donations, Contribution and Funding

Revenue is recognised when the Branch obtains control over the assets comprising the contributions. Control over granted assets is normally obtained upon when their receipt or upon prior notification that a grant has been secured, and the timing of commencement of control depends upon the arrangements that exist between the contributors and the Branch.

Interest income

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

Other revenue

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

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

(c) Income tax

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

(d) Goods and Service Tax (GST)

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

1: Summary of significant accounting policies (Continued)

(e) Cash and cash equivalents

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

(f) Inventories

Inventory, consisting mainly of movie tickets, gift cards and clothing, is measured at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average costs. Net realisable value is the estimate of the selling price in the ordinary course of activities less the estimated costs of necessary to make the sale.

(g) Property, plant and equipment

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

Accounting for land and buildings

Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in members fund.

Depreciation

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

| Class of fixed asset | Depreciation rate | Depreciation basis |
|-----------------------------|--------------------------|---------------------------|
| Plant and equipment | 10 - 40% | Diminishing value |
| Building and improvements | 2.5 - 12.5% | Diminishing value |
| Motor vehicles | 18.75% | Diminishing value |

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1: Summary of significant accounting policies (Continued)

(h) Investment in other financial assets

Classification

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

The Branch does not hold any investments in the following categories: financial assets at fair value through profit or loss.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

ii) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category. The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

iii) Held-to-maturity investments

The Branch classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the Branch intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Recognition and derecognition

Regular purchases and sales of investments are recognised on trade-date - the date on which The Branch commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and The Branch has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Statement of Comprehensive Income as gains and losses from investment securities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1: Summary of significant accounting policies (Continued)

(h) Investment in other financial assets (Continued)

Fair value

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

Impairment

The Branch assesses at each balance date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity instruments are not reversed through the Statement of Comprehensive Income.

(i) Fair value measurements

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.

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

1: Summary of significant accounting policies (Continued)

(i) Fair value measurements (Continued)

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.

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the Branch prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(k) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave, RDO and associated leave loading expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave, RDO and associated leave loading is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

1: Summary of significant accounting policies (Continued)

(l) Functional and presentation currency

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

(m) Impairment of assets

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

(n) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1: Summary of significant accounting policies (Continued)

(o) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods. The entity's assessment of the impact of these new standards and interpretations is set out below.

| | |
|-------------------|--|
| Title of Standard | AASB 9 Financial Instruments |
| Nature of change | <p>AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:</p> <ol style="list-style-type: none"> a. Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss): Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> • the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI) • the remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <ul style="list-style-type: none"> • Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: • classification and measurement of financial liabilities; and • derecognition requirements for financial assets and liabilities. <p>AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.</p> <p>When this standard is first adopted for the year ending 31 December 2018, there will be no material impact on the transactions and balances recognised in the financial statements.</p> |
| Application date | <p>Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The entity does not intend to adopt AASB 9 before its mandatory date.</p> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1: Summary of significant accounting policies (Continued)

(o) New accounting standards and interpretations (Continued)

| | |
|--------------------------|---|
| Title of Standard | AASB 15 Revenue from Contracts with Customers |
| Nature of change | <p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p> <p>When this standard is first adopted, there will be no material impact on the transactions and balances recognised in the financial statements.</p> |
| Application date | Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption. Expected date of adoption by the entity: 1 January 2018. |
| Title of Standard | AASB 16 Leases |
| Nature of change | <p>AASB 16 was issued in February 2017. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.</p> <p>When this standard is first adopted, there will be no material impact on the transactions and balances recognised in the financial statements.</p> |
| Application date | Mandatory for financial years commencing on or after 1 January 2019. At this stage, the entity does not intend to adopt the standard before its effective date. |

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2018

1: Summary of significant accounting policies (Continued)

(o) New accounting standards and interpretations (Continued)

| Title of Standard | AASB 1058 Income of Not-for-Profit Entities |
|-------------------|---|
| Nature of change | <p>AASB 1058 clarifies and simplifies the income recognition requirements that apply to NFP entities, in conjunction with AASB 15 <i>Revenue from Contracts with Customers</i>. These Standards supersede all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contributions. Under AASB 1058, the timing of income recognition depends on whether a NFP transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.</p> <p>This standard applies when a NFP entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. In the latter case, the entity will recognise and measure the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 <i>Property, Plant and Equipment</i>). Upon initial recognition of the asset, AASB 1058 requires the entity to consider whether any other financial statement elements (called 'related amounts') should be recognised, such as:</p> <ul style="list-style-type: none"> a Contributions by owners; b Revenue, or a contract liability arising from a contract with a customer; c A lease liability; d A financial instrument; or e A provision. <p>These related amounts will be accounted for in accordance with the applicable Australian Accounting Standard.</p> <p>The entity is yet to undertake a detailed assessment of the impact of AASB 1058. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020</p> |
| Application date | Mandatory for financial years commencing on or after 1 January 2019. At this stage, the entity does not intend to adopt the standard before its effective date. |

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2: Critical Accounting Estimates and Judgements

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

(a) Critical accounting estimates and assumptions

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

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

Employee entitlements

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

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

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

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

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

Information to be provided to members or Commissioner:

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

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

4: Revenue

| | 2018 \$ | 2017 \$ |
|--|------------------|------------------|
| From continuing operation | | |
| - Membership subscriptions | 4,187,381 | 3,982,582 |
| - capitation fees – other reporting units | - | - |
| - levies | - | - |
| | <u>4,187,381</u> | <u>3,982,582</u> |
| Other income | | |
| - interest | 13,899 | 13,003 |
| - director fees | 72,438 | 69,213 |
| - grants received | 255,764 | 143,636 |
| - donation received | - | - |
| - financial support from another reporting unit | - | - |
| - merchandise income | 90,046 | 156,819 |
| - revenue derived from undertaking recovery of wage activity | - | - |
| - capitation fee refunded from HSU National Office | 65,105 | - |
| - other revenue | 58,514 | 59,732 |
| | <u>555,766</u> | <u>442,403</u> |

5: Individually significant items

| | 2018 \$ | 2017 \$ |
|--|----------------|----------------|
| The following items are significant to the financial performance of the entity, and so are listed separately here. | | |
| <i>Depreciation</i> | | |
| - plant and equipment | 34,954 | 35,361 |
| - motor vehicles | 46,815 | 40,981 |
| - building & improvement | 44,752 | 30,098 |
| | <u>126,521</u> | <u>106,440</u> |
| Consideration to employers for payroll deduction | | |
| Donations: | | |
| - Total paid that were \$1,000 or less | 3,000 | 1,300 |
| - Total paid that exceeded \$1,000 | 5,000 | 5,000 |
| Fees/allowances – meeting and conferences | - | - |
| Grants: | | |
| - Total paid that were \$1,000 or less | - | - |
| - Total paid that exceeded \$1,000 | - | - |
| Legal fees | | |
| - litigation | - | - |
| - other legal matters | 16,695 | 13,811 |
| Meeting expenses | 63,978 | 88,117 |
| Penalties – via RO Act or RO Regulations | - | - |
| Net loss on disposal of fixed assets | 6,240 | 15,211 |

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

6: Administration expenses

| | 2018 \$ | 2017 \$ |
|---------------------------------|----------------|----------------|
| Bank charges | 54,421 | 55,901 |
| Campaign expenses | 148,435 | 145,420 |
| General administration expenses | 126,975 | 126,442 |
| Insurance expenses | 111,509 | 108,876 |
| Motor vehicles expenses | 79,062 | 71,359 |
| Officials, delegates expenses | 130,619 | 152,043 |
| Other expenses | 23,057 | 30,716 |
| Postage and courier | 17,301 | 22,219 |
| Printing and stationery | 86,524 | 51,333 |
| | <u>777,903</u> | <u>764,309</u> |

7: Affiliation and capitation fees

| | 2018 \$ | 2017 \$ |
|--|----------------|----------------|
| Affiliation fee | | |
| - Australian Labor Party | 37,571 | 31,231 |
| - APHEDA | 898 | - |
| - Australia Asia Worker Links | | - |
| - Ballarat Regional Trades & Labour Council | 3,756 | 3,756 |
| - Bendigo Trades Hall Council | 1,312 | 1,312 |
| - Geelong and Region Trades & Labour Council | 2,012 | 1,977 |
| - Gippsland Trades & Labour Council | 846 | 508 |
| - Goulburn Valley Trades & Labour Council | 211 | 158 |
| - North-East Border Trades & Labour Council | 880 | 738 |
| - South-West Trades & Labour Council | 297 | 297 |
| - Sunraysia Trades & Labour Council Inc | 177 | 237 |
| - Victorian Trades Hall Council | 24,692 | 24,249 |
| Capitation fee & levies | | |
| - Health Services Union of Australian National Council | 239,108 | 228,896 |
| Other compulsory levies | | |
| | <u>311,760</u> | <u>293,359</u> |

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

8: Employee benefits expenses

| | 2018 | 2017 |
|--|------------------|------------------|
| | \$ | \$ |
| Employees other than holders of office | | |
| - wages and salaries | 2,015,616 | 1,981,343 |
| - superannuation | 220,837 | 214,804 |
| - leave and other entitlements | (6,998) | 96,716 |
| - separation and redundancies | - | - |
| - other employee expenses | - | - |
| Holders of office | | |
| - wages and salaries | 286,179 | 272,355 |
| - superannuation | 28,051 | 28,356 |
| - leave and other entitlements | 3,255 | 20,918 |
| - separation and redundancies | - | - |
| - other employee expenses | - | - |
| Other staff costs ** | 194,969 | 198,534 |
| | <u>2,741,909</u> | <u>2,813,026</u> |

** Other staff costs primarily comprise payroll tax, fringe benefits tax and workcover

9: Current assets – Cash and cash equivalents

| | 2018 | 2017 |
|--------------|----------------|----------------|
| | \$ | \$ |
| Cash at bank | 950,596 | 461,507 |
| Term deposit | - | 250,000 |
| Cash on hand | 3,050 | 2,050 |
| | <u>953,646</u> | <u>713,557</u> |

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

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

| | | |
|--------------------------------------|----------------|----------------|
| Balances as above | <u>953,646</u> | 713,557 |
| Balances per Statement of Cash Flows | <u>953,646</u> | <u>713,557</u> |

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

10: Current assets – Trade and other receivables

| | 2018 | 2017 |
|---------------------------------------|----------------|----------------|
| | \$ | \$ |
| Trade and other receivables | 121,412 | 117,796 |
| Receivable from other reporting units | | |
| - HSU National Office | - | 2,286 |
| Less: provision for doubtful debts | - | - |
| Prepayments | 41,578 | 46,676 |
| | <u>162,990</u> | <u>166,758</u> |

(i) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The entity's impairment and other accounting policies for trade and other receivables are outlined in note 1.

(ii) Fair values of trade and other receivables

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

11: Inventories

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$ | \$ |
| Movie tickets, gift cards & clothing on hand – at cost | <u>21,593</u> | <u>44,343</u> |

(a) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs. See note 1 for the branch's other accounting policies for inventories.

(b) Amount recognised in profit and loss

Inventories recognised as expense during the year ended 30 June 2018 and included in members benefit expenses amounted to \$119,453 (2017 – \$207,238). No write-downs of inventories to net realisable value during the year.

12: Non-current assets – financial assets

| | 2018 | 2017 |
|-----------------------------|----------------|--------------|
| | \$ | \$ |
| Term deposit | 250,000 | - |
| Investments in other entity | 2,089 | 2,089 |
| | <u>252,089</u> | <u>2,089</u> |

HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

| | 2018 \$ | 2017 \$ |
|--|------------------|------------------|
| Land, Building and improvements | | |
| At valuation | 2,950,000 | 2,950,000 |
| Less accumulated depreciation | <u>(44,752)</u> | <u>-</u> |
| | <u>2,905,248</u> | <u>2,950,000</u> |
| Plant and equipment | | |
| At cost | 424,514 | 382,128 |
| Less accumulated depreciation | <u>(196,234)</u> | <u>(168,564)</u> |
| | <u>228,280</u> | <u>213,564</u> |
| Motor vehicles | | |
| At cost | 391,797 | 288,223 |
| Less accumulated depreciation | <u>(105,650)</u> | <u>(68,358)</u> |
| | <u>286,147</u> | <u>219,865</u> |
| Total property, plant and equipment | <u>3,419,675</u> | <u>3,383,429</u> |

(a) Non-current assets pledged as security

See Note 16 for security details.

(b) Movements in carrying amounts

| | Building and improvements \$ | Plant & equipment \$ | Motor Vehicles \$ | Total \$ |
|-------------------------|------------------------------------|----------------------------|----------------------|------------------|
| 2017 | | | | |
| Opening net book amount | 2,095,231 | 209,856 | 194,945 | 2,500,032 |
| Additions | 11,195 | 48,010 | 125,807 | 185,012 |
| Revaluation | 873,672 | - | - | 873,672 |
| Disposals | - | (8,941) | (59,906) | (68,847) |
| Depreciation | (30,098) | (35,361) | (40,981) | (106,440) |
| Closing net book amount | <u>2,950,000</u> | <u>213,564</u> | <u>219,865</u> | <u>3,383,429</u> |
| 2018 | | | | |
| Opening net book amount | 2,950,000 | 213,564 | 219,865 | 3,383,429 |
| Additions | - | 52,120 | 127,796 | 179,916 |
| Disposals | - | (2,450) | (14,699) | (17,149) |
| Depreciation | (44,752) | (34,954) | (46,815) | (126,521) |
| Closing net book amount | <u>2,905,248</u> | <u>228,280</u> | <u>286,147</u> | <u>3,419,675</u> |

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
ABN 48 505 905 580**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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

(c) Valuation

The Branch engaged an external, independent and qualified valuer to determine the fair value of the Branch's land and building as at 5 July 2017.

14: Current liabilities – Trade and other payables

| | 2018 \$ | 2017 \$ |
|---|----------------|----------------|
| <i>Unsecured</i> | | |
| Other payables | 201,594 | 193,949 |
| Amount payables to other reporting units | | |
| - HSU National Office | 4,675 | 8,205 |
| Income in advance | 88,324 | 67,516 |
| Consideration to employers for payroll deductions | - | - |
| Legal fee payables – other matters | 9,840 | - |
| Legal fee payables – litigation | - | - |
| | <u>304,433</u> | <u>269,670</u> |

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

15: Current liabilities – Employee benefit obligations

| | 2018 \$ | 2017 \$ |
|---|----------------|----------------|
| Employee provisions: | | |
| <i>Office holders:</i> | | |
| Annual leave | 55,554 | 59,129 |
| Long service leave | 111,351 | 104,522 |
| Separations and redundancies | - | - |
| Other | - | - |
| | <u>166,905</u> | <u>163,651</u> |
| <i>Employees other than office holders:</i> | | |
| Annual leave | 215,281 | 245,101 |
| Long service leave | 131,921 | 109,098 |
| Separations and redundancies | - | - |
| Other | - | - |
| | <u>347,202</u> | <u>354,199</u> |
| Total employee provisions | <u>514,107</u> | <u>517,850</u> |

(a) Leave obligations

The leave obligations cover the Branch's liability for long service leave and annual leave. The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Branch does not have an unconditional right to defer settlement for any of these obligations.

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

16: Borrowings

| | 2018 \$ | 2017 \$ |
|------------------|----------------|----------------|
| Current | | |
| Bank loan | <u>11,000</u> | <u>11,400</u> |
| Non-current | | |
| Bank loan | <u>96,237</u> | <u>102,440</u> |
| Total borrowings | <u>107,237</u> | <u>113,840</u> |

Security for the bank loan includes a first registered mortgage over the property located at 1 – 7 Grattan Street Carlton Victoria, shown in the financial statement under Note 13 Building and improvement with a carrying amount of \$2,905,248 at 30 June 2018.

17: Reserve

| | 2018 \$ | 2017 \$ |
|----------------------------------|------------------|------------------|
| Asset revaluation reserve | | |
| Balance 1 July | 1,029,269 | 155,597 |
| Revaluation of land and building | - | 873,672 |
| Balance 30 June | <u>1,029,269</u> | <u>1,029,269</u> |

18: Accumulated surplus

| | 2018 \$ | 2017 \$ |
|---|------------------|------------------|
| Movements in the accumulated surplus were as follows: | | |
| Balance 1 July | 2,379,547 | 2,317,520 |
| Net surplus for the year | <u>475,400</u> | <u>62,027</u> |
| Balance 30 June | <u>2,854,947</u> | <u>2,379,547</u> |

No specific funds or accounts have been operated in respect of compulsory levies or voluntary contributions.

19: Events occurring after the reporting period

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

20: Contingencies

There are no known contingent assets or liabilities at 30 June 2018.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

21: Commitments

Non-cancellable operating leases

The Branch leases office equipment under non-cancellable operating leases expiring within 5 years.

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$ | \$ |
| Lease commitments | | |
| Later than one year but less than five years | 128,410 | 128,410 |
| Later than five years | - | 32,102 |
| | <u>128,410</u> | <u>160,512</u> |

Other commitments

The Branch has committed for a new membership database

| | 2018 | 2017 |
|--|----------------|----------|
| | \$ | \$ |
| Later than one year but less than five years | 180,000 | - |
| Later than five years | - | - |
| | <u>180,000</u> | <u>-</u> |

22. Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor and non-related audit firms:

| | 2018 | 2017 |
|---|---------------|---------------|
| | \$ | \$ |
| (a) Audit and other assurance services | | |
| Audit of the financial report | 12,840 | 12,350 |
| Other audit services | 410 | 405 |
| Other service | 2,900 | 3,600 |
| | <u>16,150</u> | <u>16,355</u> |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

23: Cash flow information

| | 2018 | 2017 |
|--|----------------|---------------|
| | \$ | \$ |
| (a) Reconciliation of cash flow from operations with surplus for the year | | |
| Surplus for the year | 475,400 | 62,027 |
| <i>Non cash flows in surplus</i> | | |
| Depreciation | 126,521 | 106,440 |
| Net loss on disposal of fixed assets | 6,240 | 15,211 |
| <i>Changes in assets and liabilities</i> | | |
| Decrease (Increase) in receivables | 3,768 | (60,364) |
| Decrease in inventories | 22,750 | 13,798 |
| Increase (Decrease) in payables | 34,763 | (226,379) |
| (Decrease) Increase in provisions | (3,743) | 117,635 |
| Cash flows from operations | <u>665,699</u> | <u>28,368</u> |

(b) Liabilities from Financing Activities

| | 1 July 2017 | Cash flows | Other | 30 June 2018 |
|---|----------------|-----------------|----------|----------------|
| | \$ | \$ | \$ | \$ |
| Current interest-bearing loans and borrowings | 11,400 | (6,603) | 6,203 | 11,000 |
| Non-current interest-bearing loans and borrowings | 102,440 | - | (6,203) | 96,237 |
| Total liabilities from financing activities | <u>113,840</u> | <u>(6,603)</u> | <u>-</u> | <u>107,237</u> |
| | 1 July 2016 | Cash flows | Other | 30 June 2017 |
| | \$ | \$ | \$ | \$ |
| Current interest-bearing loans and borrowings | 52,787 | (74,686) | 33,299 | 11,400 |
| Non-current interest-bearing loans and borrowings | 135,739 | - | (33,299) | 102,440 |
| Total liabilities from financing activities | <u>188,526</u> | <u>(74,686)</u> | <u>-</u> | <u>113,840</u> |

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

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

24: Related party transactions

(a) The members of the Branch Committee of Management during the year were:

| <i>Name</i> | <i>Position</i> | |
|-------------------|-------------------------------|---------------------------|
| Debbie Gunn | President ** | Elected 10 July 2018 |
| Melissa Urie | Senior Vice President | Elected 10 July 2018 |
| Roslyn Young | Senior Vice President ** | Term expired 10 July 2018 |
| Jane Kim | Junior Vice President ** | Elected 10 July 2018 |
| Brian Addison | Junior Vice President | Term expired 10 July 2018 |
| Bella Anderson | Trustee ** | Elected 10 July 2018 |
| Lloyd Williams | Branch Secretary** | Elected 10 July 2018 |
| Paul Healey | Assistant Branch Secretary ** | Elected 10 July 2018 |
| Kimberlee Lindsay | Trustee ** | Elected 10 July 2018 |
| David Brophy | Ordinary Member | Elected 10 July 2018 |
| Ben Coombes | Ordinary Member | Elected 10 July 2018 |
| Debra Cogo | Ordinary Member | Term expired 10 July 2018 |
| Jennifer Fitt | Ordinary Member | Elected 10 July 2018 |
| Roslyn Young | Ordinary Member | Elected 10 July 2018 |
| Jane Kim | Ordinary Member ** | Term expired 10 July 2018 |
| Kerrie Oldham | Ordinary Member | Term expired 10 July 2018 |
| Matthew Osborne | Ordinary Member | Resigned 8 Feb 2018 |
| Jodie Portelli | Ordinary Member | Elected 10 July 2018 |
| Catherine Kanizay | Ordinary Member | Elected 10 July 2018 |
| Sandra Jensen | Ordinary Member | Elected 10 July 2018 |
| Melissa Urie | Ordinary Member | Term expired 10 July 2018 |
| Wayne Watts | Ordinary Member | Elected 10 July 2018 |

** - members of the Finance, Audit and Compliance Committee

The following persons are Branch Delegate National Council:

| | | |
|--------------|---------------|----------------|
| Betty Bletas | Debbie Gunn | John Murphy |
| Brendan Cox | Paul Healey | Patrick Nuzum |
| Jane Dowling | Kate Marshall | Joanne Tomlins |

HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

24: Related party transactions (Continued)

| | 2018 | 2017 |
|---|----------------|----------------|
| | \$ | \$ |
| (b) Key management personnel compensation | | |
| <i>Short-term employee benefits</i> | | |
| Salary (including annual leave taken) | 286,179 | 272,355 |
| Annual leave accrued | (3,574) | 10,290 |
| Total short-term employee benefits | <u>282,605</u> | <u>282,645</u> |
| Post-employment benefits: | | |
| Superannuation | 28,051 | 28,356 |
| Total post-employment benefits | <u>28,051</u> | <u>28,356</u> |
| Other long-term benefits: | | |
| Long-service leave | 6,829 | 10,628 |
| Total other long-term benefits | <u>6,829</u> | <u>10,628</u> |
| Termination benefits | <u>-</u> | <u>-</u> |
| Total | <u>317,485</u> | <u>321,629</u> |

(c) Other transactions

- As part of an arrangement, all director fees earned by any officers/employees who are directors of a company or trustee of superannuation scheme due to their positions of the Branch are paid to directly to the Branch with any related superannuation paid to the officer's superannuation fund.
- There were no transactions between the officers of the branch other than those relating to reimbursement by the branch in respect of expenses incurred by them in the performance of their duties. Such transactions have been on conditions no more favourable than those which is reasonable to expect would have been adopted by parties at arm's length.

(d) Loans to key management personnel

There are no loans between key management personnel and the Branch.

(e) Transactions with related parties

| | 2018 | 2017 |
|--|---------|---------|
| | \$ | \$ |
| Capitation fee paid to HSU National Office | 239,108 | 228,896 |

HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

25: Other information

(i) Going Concern

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

(ii) Financial Support

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

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

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

- an amalgamation under part 2 of Chapter 3, of the RO Act;
- a restructure of the branches of the organisation;
- a determination by the General Manager of the Fair Work Commission under s245(1) of the RO Act of an alternative reporting structure for the organisation;
- a revocation by the General Manager of the Fair Work Commission under s249(1) of the RO Act of a certificate issued to an organization under subsection 245(1);

26: Financial Risk Management

The Branch's financial instruments consist mainly of deposits with banks, receivables, payables and bank loans.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | Note | 2018 \$ | 2017 \$ |
|------------------------------------|------|------------------|----------------|
| Financial assets | | | |
| Cash on hand | 9 | 953,646 | 713,557 |
| Trade and other receivables | 10 | 121,412 | 120,082 |
| Financial assets | 12 | 252,089 | 2,089 |
| Total financial assets | | 1,327,147 | 835,728 |
| Financial liabilities | | | |
| Trade and other payables | 14 | 304,433 | 269,670 |
| Bank loan | 16 | 107,237 | 113,840 |
| Total financial liabilities | | 411,670 | 383,510 |

Financial Risk Management Policies

The committee of management is responsible for monitoring and managing the Branch's compliance with its risk management strategy. The committee's overall risk management strategy is to assist the Branch in meeting its financial targets while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the committee on a regular basis. These include credit risk policies and future cash flow requirements.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2018

26: Financial Risk Management (Continued)

Specific Financial Risk Exposures and Management

The main risks the Branch is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk.

There have been no substantive changes in the types of risks the Branch is exposed to, how these risks arise, or the committee's objectives, policies and processes for managing or measuring the risks from the previous period.

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 for the Branch.

The Branch does not have any material credit risk exposures as its major source of revenue is the receipt of membership subscription. Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the committee has otherwise assessed as being financially sound.

Credit risk exposures

The maximum exposure 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 any provisions) as presented in the statement of financial position.

There is no collateral held by the entity securing accounts receivable and other debtors

Credit Risk – Accounts receivable and other debtors

The entity has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note to account. The main source of credit risk to the entity is considered to relate to the class of assets described as "accounts receivable and other debtors".

The following table details the entity's accounts receivable and other debtors exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the entity 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 entity. The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be of high credit quality.

| | Gross amount | Past due and impaired | Past due but not impaired (Days Overdue) | | | | Within initial trade terms |
|------------------|----------------|-----------------------|--|-------|-------|-----|----------------------------|
| | | | < 30 | 31-60 | 61-90 | >90 | |
| 2018 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Trade receivable | 7,370 | - | - | - | - | - | 7,370 |
| Other receivable | 114,042 | - | - | - | - | - | 114,042 |
| Total | 121,412 | - | - | - | - | - | 121,412 |
| 2017 | | | | | | | |
| Trade receivable | 2,426 | - | - | - | - | - | 2,426 |
| Other receivable | 117,656 | - | - | - | - | - | 117,656 |
| Total | 120,082 | - | - | - | - | - | 120,082 |

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

26: Financial Risk Management (Continued)
Specific Financial Risk Exposures and Management (Continued)

Credit risk related to balances with banks and other financial institutions is managed by the branch committee in accordance with approved policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least BBB.

The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

| | Note | 2018 | 2017 |
|---------------|------|------------------|----------------|
| | | \$ | \$ |
| Cash at banks | | | |
| - AA- rated | 9 | 744,155 | 258,645 |
| - BBB | 9 | 206,441 | 452,862 |
| - BBB | 12 | 250,000 | - |
| | | <u>1,200,596</u> | <u>711,507</u> |

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 analysis in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- proactively monitoring the recovery of unpaid subscriptions.

The table below reflects 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 liability and financial asset maturity analysis

| | Within 1 Year | | 1 to 5 Years | | Over 5 Years | | Total | |
|---|----------------|----------------|---------------|----------------|--------------|----------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Financial liabilities due for payment</i> | | | | | | | | |
| Trade and other payables (excluding estimated annual leave and deferred income) | 216,109 | 202,154 | - | - | - | - | 216,109 | 202,154 |
| Bank loan | 11,000 | 11,400 | 96,237 | 102,440 | - | - | 107,237 | 113,840 |
| Total expected outflows | <u>227,109</u> | <u>213,554</u> | <u>96,237</u> | <u>102,440</u> | <u>-</u> | <u>-</u> | <u>323,346</u> | <u>315,994</u> |

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2018

26: Financial Risk Management (Continued)

b. Liquidity risk (Continued)

| | Within 1 Year | | 1 to 5 Years | | Over 5 Years | | Total | |
|---|---------------|---------|--------------|-----------|--------------|------|-----------|---------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Financial assets – cash flows realisable</i> | | | | | | | | |
| Cash on hand | 953,646 | 713,557 | - | - | - | - | 953,646 | 713,557 |
| Trade and other receivables | 121,412 | 120,082 | - | - | - | - | 121,412 | 120,082 |
| Financial assets | - | - | 252,089 | 2,089 | - | - | 252,089 | 2,089 |
| Total anticipated inflows | 1,075,058 | 833,639 | 252,089 | 2,089 | - | - | 1,327,147 | 835,728 |
| Net inflow (outflow) on financial instruments | 847,949 | 620,085 | 155,852 | (100,351) | - | - | 1,003,801 | 519,734 |

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.

The financial instruments that expose the Branch to interest rate risk are limited to fixed interest securities, cash on hand and bank loan.

Interest rate risk is managed using a mix of fixed and floating rate debt.

The Branch also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

(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 does not expose to other price risk.

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 on 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 | |
|-----------------------------|--------|--------|--------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| Change 2% in interest rates | 24,012 | 14,230 | 24,012 | 14,230 |

No sensitivity analysis has been performed on foreign exchange risk as the Branch has no material 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.

HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
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NOTES TO THE FINANCIAL STATEMENTS
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27: Fair Value Measurements

(a) Financial assets and liabilities

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

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

- Fair values of the reporting unit's interest-bearing borrowings and loans are determined by using a discounted cash flow method. The discount rate used reflects the issuer's borrowing rate as at the end of the reporting period. The own performance risk as at 30 June 2018 was assessed to be insignificant
- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets
- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the entity based on parameters such as interest rates and individual credit worthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 30 June 2018 the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

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

| | Note | 2018 | | 2017 | |
|------------------------------------|------|------------------|------------------|-----------------|----------------|
| | | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | | \$ | \$ | \$ | \$ |
| Financial assets | | | | | |
| Cash on hand | (i) | 953,646 | 953,646 | 713,557 | 713,557 |
| Trade and other receivables | (i) | 121,412 | 121,412 | 120,082 | 120,082 |
| Financial assets | | 252,089 | 252,089 | 2,089 | 2,089 |
| Total financial assets | | 1,327,147 | 1,327,147 | 835,728 | 835,728 |
| Financial liabilities | | | | | |
| Trade and other payables | (i) | 216,109 | 216,109 | 202,154 | 202,154 |
| Bank loan | | 107,237 | 107,237 | 113,840 | 113,840 |
| Total financial liabilities | | 323,346 | 323,346 | 315,994 | 315,994 |

- (i) Cash on hand, accounts receivable and other debtors, and accounts payable and other payables are short-term instruments in nature whose carrying amount is equivalent to fair value. Accounts payable and other payables exclude amounts relating to the provision for annual leave, which is outside the scope of AASB 139.

**HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

27: Fair Value Measurements (Continued)

(b) Financial and Non-financial Assets and Liabilities Fair Value Hierarchy

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

| | Note | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|--|------|---------------|---------------|---------------|-------------|
| 2018 | | | | | |
| Financial assets | | | | | |
| Investments in other entity | | - | - | 2,089 | 2,089 |
| Total financial assets recognised at fair value | | - | - | 2,089 | 2,089 |
| Non-financial assets | | | | | |
| Land and building | | - | - | 2,905,248 | 2,905,248 |
| Total non-financial assets recognised at fair value | | - | - | 2,905,248 | 2,905,248 |
| | Note | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
| 2017 | | | | | |
| Financial assets | | | | | |
| Investments in other entity | | - | - | 2,089 | 2,089 |
| Total financial assets recognised at fair value | | - | - | 2,089 | 2,089 |
| Non-financial assets | | | | | |
| Land and building | | - | - | 2,950,000 | 2,950,000 |
| Total non-financial assets recognised at fair value | | - | - | 2,950,000 | 2,950,000 |

Fair value of the branch's land and building is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Branch Committee at each reporting date.

There were no transfers between Levels 1 and 2 for assets measured at fair value on a recurring basis during the reporting period (2017: \$NIL).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

27: Fair Value Measurements (Continued)

(c) Disclosed fair value measurements

The following assets and liabilities are not measured at fair value in the balance sheet but their fair values are disclosed in the notes:

- accounts receivable and other debtors;
- accounts payable and other payables

The following table provides the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used.

| Description | Fair Value Hierarchy Level | Valuation Technique | Inputs Used |
|---------------------------------------|----------------------------|--|---|
| Accounts receivable and other debtors | 3 | Income approach using discounted cash flow | Market interest rates for similar assets |
| Land and building | 3 | Direct comparison method | Sales values for similar assets |
| Accounts payable and other payables | 3 | Income approach using discounted cash flow | Market interest rates for similar liabilities |

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements.

28: Capital management

The Branch manages its capital to ensure that it will be able to continue as a going concern while maximising the return on investments. The Committee of Management ensure that the overall risk management strategy is in line with this objective. The capital structure of the entity consists of cash and cash equivalents and members' funds, comprising reserves and retained earnings. The Committee of Management effectively manages the Branch's capital by assessing the Branch's financial risk and responding to changes in these risks and in the market. These responses may include the consideration of debts levels. There have been no changes to the strategy adopted by Committee of Management to control capital of the entity since the previous year. No operations of the entity are subject to external imposed capital requirements.

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COMMITTEE OF MANAGEMENT STATEMENT

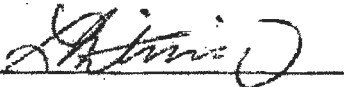
On 23 August 2018 the Committee of Management of the Health Services Union Victorian No. 2 Branch passed the following resolution in relation to the general purpose financial report (GPFR) for the year ended 30 June 2018:

The Committee of Management declares that in its opinion;

1. the financial statements and notes comply with Australian Accounting Standards;
2. the financial statements and notes comply with any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the Fair Work (Registered Organisations) Act 2009 (the RO Act);
3. the financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the reporting unit for the financial year to which they relate;
4. there are reasonable grounds to believe that the reporting unit will be able to pay its debts as and when they become due and payable;
5. during the financial year to which the GPFR relates and since the end of that year:
 - a. meetings of the committee of management were held in accordance with the rules of the organisation including the rules of the branch concerned; and
 - b. the financial affairs of the reporting unit have been managed in accordance with the rules of the organisation including the rules of a branch concerned; and
 - c. the financial records of the reporting unit have been kept and maintained in accordance with the RO Act; and
 - d. where the organisation consists of two or more reporting units, the financial records of the reporting unit have been kept, as far as practicable, in a manner consistent with each of the other reporting units of the organisation; and
 - e. where information has been sought in any request by a member of the reporting unit or Commissioner duly made under section 272 of the RO Act, that information has been provided to the member or Commissioner; and
 - f. where any order for inspection of financial records has been made by the Fair Work Commission under section 273 of the RO Act, there has been compliance

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

Signature of designated officer:



Name of designated officer:

LLOYD WILLIAMS

Title of designated officer:

BRANCH SECRETARY

Dated

23 AUGUST 2018

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH****Report on Audit of the Financial Report****Opinion**

We have audited the financial report of the Health Services Union Victorian No. 2 Branch, which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2018, notes to the financial statements, including a summary of significant accounting policies, the Committee of Management Statement and the subsection 255(2A) report.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Health Services Union Victorian No. 2 Branch as at 30 June 2018, 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).

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

Independence

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH (Continued)****Information Other than the Financial Report and Auditor's Report Thereon**

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

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

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

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 responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH (Continued)****Auditor's responsibility for the audit of the financial report (Continued)**

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause 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 statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HEALTH SERVICES UNION VICTORIAN NO. 2 BRANCH (Continued)**

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



BGL Partners
Chartered Accountants



I. A. Hinds - C.A. - Partner
(Registered Auditor number: AA2018/87)

23 August 2018
Melbourne



CHARTERED ACCOUNTANTS

Liability limited by a scheme approved under professional standards legislation