



25 October 2019

Peter Daly  
Secretary  
Master Plumbers' and Mechanical Services Association of Australia  
Sent via email: [info@plumber.com.au](mailto:info@plumber.com.au)  
CC: [mfensome@mcdcb.com.au](mailto:mfensome@mcdcb.com.au)

Dear Peter Daly,

**Master Plumbers' and Mechanical Services Association of Australia, The  
Financial Report for the year ended 30 June 2019 – (FR2019/160)**

I acknowledge receipt of the financial report of the Master Plumbers' and Mechanical Services Association of Australia (**the reporting unit**). The documents were lodged with the Registered Organisations Commission (**the ROC**) on 1 October 2019.

The financial report has now been filed.

The financial report was filed based on a primary review. This involved confirming that the financial reporting timelines required under s.253, s.265, s.266 and s.268 of the *Fair Work (Registered Organisations) Act 2009 (RO Act)* have been satisfied, all documents required under s.268 of the RO Act were lodged and that various disclosure requirements under the Australian Accounting Standards, RO Act and reporting guidelines (**RGs**) have been complied with. A primary review does not examine all disclosure requirements.

Please note that the financial report for the year ending 30 June 2020 may be subject to an advanced compliance review.

You are not required to take any further action in respect of the report lodged, except for the requirements under the heading *Statement of Loans, Grants and Donations*. The ROC will confirm these concerns have been addressed prior to filing next year's report.

**Statement of loans, grants and donations**

Difference in figure reporting in LGD statement and financial report

A loans, grants and donations statement for the reporting unit was lodged with the ROC under subsection 237(1) of the RO Act on 10 July 2019. A figure for donations that exceeded \$1,000 was also disclosed in the financial report, however this figure for donations is different to the total of the figures disclosed in the loans, grants and donations statement.

Please provide an explanation for the difference in the figure reported. If items reported in the loans, grants and donations statement are incorrect or incomplete please lodge an amended statement.

**Operating report**

Prescribed information in operating report

Regulation 159(c) requires an operating report to contain the name of each person who has been a member of the committee of management of the reporting unit at any time during the reporting

period, and the period for which he or she held such a position. The ROC takes the words “at any time” to mean that all persons, whether they held their position for the full year or for part of the year, must be included.

I note that the name of Ken Gardner appeared in this year’s operating report but his appointment date relates to the following reporting period, i.e. 1 July 2019 – 30 June 2020.

### **General purpose financial report**

#### Inconsistency in disclosure of financial information

The statement of changes in equity discloses a balance of retained earnings of \$17,939,846 for the 2019 financial year (2018: \$17,490,151). The officer’s declaration statement includes a nil disclosure in relation to a balance in the general fund. It would appear that retained earnings is the reporting unit’s general fund.

In future years, please ensure that items within the financial report are disclosed consistently.

#### Recovery of wages disclosure

Please note that under the 5<sup>th</sup> edition of the RGs made under section 255 of the RO Act issued 4 May 2018 a statement in regard to recovery of wages activity in the committee of management statement is no longer required.

In place of the former requirements, item 13(e) of the 5<sup>th</sup> edition RGs requires the disclosure of any revenue derived from undertaking recovery of wages activity in either the statement of comprehensive income or the notes to the financial statements. RG 21 states that if any activity described within items 10-20 of the RGs have not occurred in the reporting period, a statement to this effect must be included in the financial statements, the notes or in an officer’s declaration statement.

#### Officer’s declaration statement

I note that the following nil activity is disclosed in the officer’s declaration statement twice:

- Agree to receive financial support from another reporting unit to continue as a going concern

Please note that nil activities only need to be disclosed once either in the financial statements, the notes or in the officer’s declaration statement.

### **Reporting Requirements**

The ROC website provides a number of factsheets in relation to the financial reporting process and associated timelines. The website also contains the s.253 RGs and a model set of financial statements.

The ROC recommends that reporting units use these model financial statements to assist in complying with the RO Act, the s.253 RGs and Australian Accounting Standards. Access to this information is available via [this link](#).

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

Yours sincerely,



**Kylie Ngo**  
**Registered Organisations Commission**

1 October 2019

Registered Organisations Commission  
GPO Box 2983  
MELBOURNE VIC 3001

**The Master Plumbers and Mechanical Services Association of Australia  
Financial report for the year ended 30 June 2019**

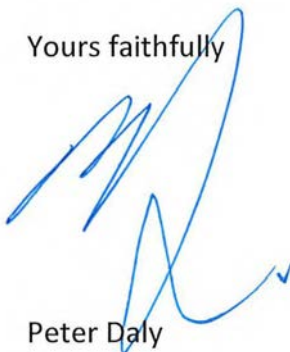
Designated Officers Certificate

s268 Fair Work (*Registered Organisations*) Act 2009

I, Peter Daly, being the Secretary of the Master Plumbers' and Mechanical Services Association of Australia certify:

- that the document lodged herewith is a copy of the full report for the Master Plumbers and Mechanical Services Association of Australia for the period ended 30 June 2019 referred to in s268 of the Fair Work (Registered Organisations) Act 2009; and
- that the full report was provided to members on 1 October 2019; and
- that the full report was presented to a meeting of the committee of management of the reporting unit on 30 September 2019 in accordance with section 266 of the Fair Work (Registered Organisations) Act 2009.

Yours faithfully



Peter Daly  
Secretary

**MASTER PLUMBERS' & MECHANICAL SERVICES  
ASSOCIATION OF AUSTRALIA**

**ABN 56 296 473 997**

**FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2019**

**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA**  
**ABN 56 296 473 997**

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**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA**  
**ABN 56 296 473 997**

**OPERATING REPORT**

The Executive Board members submit the financial report of the Master Plumbers' & Mechanical Services Association of Australia and controlled entity for the financial year ended 30 June 2019.

**Members of Executive Board**

The names of executive board members throughout the year and at the date of this report are:

Scott Dowsett	(President)
Norm Anderson	(Vice President)
Kevin Shinnars	(Vice President)
Grant Donald	(Board Member, Treasurer)
Rob Hansen	(Board Member)
Daniel Smolenaars	(Board Member)
Greg Tink	(Board Member)
Michael Tomlinson	(Board Member)
Ken Gardner	(Board Member, appointed on 23 July 2019)
Peter Daly	(Secretary)

**Officers or Members – Trustee or Director of a Superannuation Entity**

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

**Number of Members**

As at 30 June 2019, the Association had 929 members (2018: 897).

**Number of Employees**

As at 30 June 2019, the total number of employees of the Association was 134 (2018: 180).

**Principal Activities**

The principal activities of the Association during the financial year were to provide services, training and advice on industrial law to the membership and the Australian plumbing sector. The Association achieved results in the following areas:

- Delivered training to the Australian plumbing sector including Pre-apprenticeship and Apprenticeship training and post qualification training
- Ongoing operation of a Group Training Scheme for plumbing apprentices
- High level Federal and State Government lobbying on plumbing related issues.

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

**Significant Changes in Financial Affairs**

No significant changes in the Association's financial affairs occurred during the financial year.

**Operating Result**

The operating profit for the consolidated entity and parent entity for financial year after providing for income tax amounted to \$449,695 and \$450,526 respectively.

**Events Subsequent to the End of the Reporting Period**

No other matters or circumstances have arisen since the end of the financial year which may significantly affect the operations of the Association, the results of those operations, or the statement of affairs of the Association in subsequent years.

**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA  
ABN 56 296 473 997**

**OPERATING REPORT**

**Manner of Resignation**

- (1) A member of the Association or an affiliate member may resign from membership by written notice addressed and delivered to the Secretary or Executive Director.
- (2) A notice of resignation from membership of the Association takes effect;
  - (a) where the member ceases to be eligible to become a member of the Association;
    - (i) on the day on which the notice is received by the Association; or
    - (ii) on the day specified in the notice, which is a day not earlier than the day when the member ceases to be eligible to become a member;whichever is later; or
  - (b) in any other case:
    - (i) at the end of 14 days after the notice is received by the Association; or
    - (ii) on the day specified in the notice;
- (3) Any dues payable but not paid by a former member of the Association, in relation to a period before the member's resignation from the Association took effect, may be sued for and recovered in the name of the Association, in a court of competent jurisdiction, as a debt due to the Association.
- (4) A notice delivered to the person mentioned in subsection (1) shall be taken to have been received by the Association when it was delivered.
- (5) A notice of resignation that has been received by the Association is not invalid because it was not addressed and delivered in accordance with subsection (1).
- (6) A resignation from membership of the Association is valid even if it is not effected in accordance with this section if the member is informed in writing by or on behalf of the Association that the resignation has been accepted.



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Scott Dowsett  
President

Dated in Melbourne on this 30<sup>th</sup> day of September 2019.

**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA  
ABN 56 296 473 997**

**REPORT REQUIRED UNDER SUBSECTION 255 (2A)  
FOR THE YEAR ENDED 30 JUNE 2019**

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

Descriptive form:

<b>Categories of expenditures</b>	<b>2019 \$</b>	<b>2018 \$</b>
Remuneration and other employment-related costs and expenses - employees	10,839,071	11,170,408
Advertising	19,981	132,019
Operating costs	2,581,122	2,588,668
Donations to political parties	-	-
Legal costs	4,165	11,159



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Scott Dowsett  
President

Dated in Melbourne on this 30<sup>th</sup> day of September 2019.



**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA**  
**ABN 56 296 473 997**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	Group		Parent	
		2019 \$	2018 \$	2019 \$	2018 \$
Revenue	2	14,491,126	14,357,466	13,894,865	14,087,685
Employee related expenses		(11,392,396)	(11,417,172)	(10,839,071)	(11,170,408)
Marketing and advertising expenses		(22,438)	(154,383)	(22,438)	(154,383)
Occupancy expenses		(119,396)	(118,857)	(119,396)	(118,857)
Members services expenses		(100,292)	(116,208)	(100,292)	(116,208)
Professional services fees		(688,711)	(474,730)	(688,711)	(474,730)
Insurance expenses		(142,477)	(149,620)	(142,477)	(149,620)
Computer expenses		(84,038)	(75,108)	(84,038)	(75,108)
Motor vehicle expenses		(39,419)	(46,468)	(39,419)	(46,468)
Printing, postage and stationery expenses		(223,024)	(291,990)	(223,024)	(291,990)
Legal expenses		(4,165)	(11,159)	(4,165)	(11,159)
Subscriptions to industrial bodies		(52,699)	(41,342)	(52,699)	(41,342)
Other expenses		(1,170,341)	(1,273,857)	(1,128,609)	(1,251,981)
<b>Total expenses</b>		<b>(14,039,396)</b>	<b>(14,170,894)</b>	<b>(13,444,339)</b>	<b>(13,902,254)</b>
<b>Profit before income tax</b>	3	<b>451,730</b>	<b>186,572</b>	<b>450,526</b>	<b>185,431</b>
Income tax expense	1(c)	(2,035)	(252)	-	-
<b>Profit from operations</b>		<b>449,695</b>	<b>186,320</b>	<b>450,526</b>	<b>185,431</b>
<b>Other comprehensive income</b>					
Gain/(loss) on revaluation of land & buildings		291,306	-	291,306	-
Gain on financial asset		21,377	3,857	21,377	3,857
<b>Total comprehensive income for the year</b>		<b>762,378</b>	<b>190,177</b>	<b>763,209</b>	<b>189,288</b>

The accompanying notes form part of these financial statements.

**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA**  
**ABN 56 296 473 997**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

	Notes	Group		Parent	
		2019 \$	2018 \$	2019 \$	2018 \$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6	2,059,115	3,059,587	2,011,114	2,994,319
Trade and other receivables	7	1,484,856	1,768,189	1,471,067	1,781,560
Other assets	8	300	24,707	300	24,707
Financial assets	11	224,084	218,216	224,084	218,216
<b>TOTAL CURRENT ASSETS</b>		<b>3,768,355</b>	<b>5,070,699</b>	<b>3,706,565</b>	<b>5,018,802</b>
<b>NON-CURRENT ASSETS</b>					
Financial assets	11	4,459,858	3,933,525	4,459,858	3,933,525
Property, plant and equipment	9	2,582,343	1,319,703	2,582,343	1,319,703
Investments	10	9,278,468	9,410,058	9,278,528	9,410,118
Intangibles	12	210,442	23,350	210,442	23,350
<b>TOTAL NON-CURRENT ASSETS</b>		<b>16,531,111</b>	<b>14,686,636</b>	<b>16,531,171</b>	<b>14,686,696</b>
<b>TOTAL ASSETS</b>		<b>20,299,466</b>	<b>19,757,335</b>	<b>20,237,736</b>	<b>19,705,498</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	13	1,376,782	1,408,616	1,322,703	1,360,392
Provisions	14	597,768	809,404	590,412	806,917
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,974,550</b>	<b>2,218,020</b>	<b>1,913,115</b>	<b>2,167,309</b>
<b>NON-CURRENT LIABILITIES</b>					
Provisions	14	69,520	46,297	69,520	46,297
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>69,520</b>	<b>46,297</b>	<b>69,520</b>	<b>46,297</b>
<b>TOTAL LIABILITIES</b>		<b>2,044,070</b>	<b>2,264,317</b>	<b>1,982,635</b>	<b>2,213,606</b>
<b>NET ASSETS</b>		<b>18,255,396</b>	<b>17,493,018</b>	<b>18,255,101</b>	<b>17,491,892</b>
<b>EQUITY</b>					
Retained earnings		17,939,846	17,490,151	17,939,551	17,489,025
Reserves	15	315,550	2,867	315,550	2,867
<b>TOTAL EQUITY</b>		<b>18,255,396</b>	<b>17,493,018</b>	<b>18,255,101</b>	<b>17,491,892</b>

The accompanying notes form part of these financial statements.

**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA**  
**ABN 56 296 473 997**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Retained Earnings \$	Reserves \$	Total \$
<b>Group</b>			
Balance at 1 July 2017	17,303,831	(990)	17,302,841
Profit for the year	186,320	-	186,320
Other comprehensive income	-	3,857	3,857
Balance at 30 June 2018	17,490,151	2,867	17,493,018
Profit for the year	449,695	-	449,695
Other comprehensive income	-	312,683	312,683
<b>Balance at 30 June 2019</b>	<b>17,939,846</b>	<b>315,550</b>	<b>18,255,396</b>
<b>Parent</b>			
Balance at 1 July 2017	17,303,594	(990)	17,302,604
Profit for the year	185,431	-	185,431
Other comprehensive income	-	3,857	3,857
Balance at 30 June 2018	17,489,025	2,867	17,491,892
Profit for the year	450,526	-	450,526
Other comprehensive income	-	312,683	312,683
<b>Balance at 30 June 2019</b>	<b>17,939,551</b>	<b>315,550</b>	<b>18,255,101</b>

The accompanying notes form part of these financial statements.

**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA**  
**ABN 56 296 473 997**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	Group		Parent	
		2019 \$	2018	2019 \$	2018 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Receipts from members and customers		15,948,796	14,739,697	15,310,370	14,399,942
Interest received		191,389	249,625	191,389	249,625
Payments to suppliers and employees		(15,366,622)	(15,041,720)	(14,711,715)	(14,759,145)
Income taxes paid		(785)	(252)	-	-
Receipts from controlled entity	16(b)	-	-	-	20,365
Payments to controlled entity	16(b)	-	-	-	(10,000)
Net cash (used in)/provided by operating activities	16(a)	<u>772,778</u>	<u>(52,650)</u>	<u>790,044</u>	<u>(99,213)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(138,411)	(63,327)	(138,411)	(63,327)
Proceeds/(payment) from sale of property, plant and equipment		63,078	222,651	63,078	222,651
Purchase of investment property		(1,000,000)	(4,969,775)	(1,000,000)	(4,969,775)
Purchase of Intangible asset		(187,092)	-	(187,092)	-
Proceeds from/ (purchase of) financial assets		(510,825)	991,841	(510,825)	991,841
Adjustment upon change in accounting policy		-	-	-	-
Net cash used in investing activities		<u>(1,773,250)</u>	<u>(3,818,610)</u>	<u>(1,773,250)</u>	<u>(3,818,610)</u>
<b>Net (decrease)/increase in cash held</b>		<b>(1,000,472)</b>	<b>(3,871,260)</b>	<b>(983,206)</b>	<b>(3,917,823)</b>
Cash at beginning of financial year		<u>3,059,587</u>	<u>6,930,847</u>	<u>2,994,319</u>	<u>6,912,142</u>
<b>Cash at end of financial year</b>	6	<b><u>2,059,115</u></b>	<b><u>3,059,587</u></b>	<b><u>2,011,113</u></b>	<b><u>2,994,319</u></b>

The accompanying notes form part of these financial statements.

**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA**  
**ABN 56 296 473 997**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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

The financial statement includes the consolidated financial statements and notes of Master Plumbers' & Mechanical Services Association of Australia (MPMSAA) and Controlled Entity (the "consolidated group or "group"), and the separate financial statements and notes of MPMSAA as an individual parent entity ("parent entity" or "parent"). MPMSAA is an Association registered under the Fair Work (Registered Organisations) Act 2009 ("RO Act"). The Association is not divided into branches and accordingly, the reporting unit is the whole of the organisation

**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 Organisation) Act 2009. For the purpose of preparing the general purpose financial statements, MPMSAA is a not-for-profit entity.

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

**Accounting Policies**

**(a) Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent entity ("the parent"), MPMSAA, and its subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Details of the subsidiary are provided in Note 17.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

**(b) Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**(c) Income Tax**

MPMSAA is exempt from income tax in accordance with Section 50-15 of the Income Tax Assessment Act 1997.

**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA**  
**ABN 56 296 473 997**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(d) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Property**

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers.

In the periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct directors' valuation to ensure the land and buildings' carrying amount is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of profit or loss and other comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant and equipment**

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

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

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line or reducing balance basis over their useful lives to the Association commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<b>Class of fixed asset</b>	<b>Depreciation rates</b>	<b>Method</b>
Buildings	2 %	Prime Cost
Furniture and Fittings	7.5 – 20 %	Reducing Balance
Office Equipment	5 – 66.67 %	Reducing Balance
Motor Vehicles	25 %	Reducing Balance

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**(e) Investment Property**

Investment properties, comprising freehold complexes, are held to generate rental yields. All tenant leases are on an arm's length basis. Investment property is carried at cost less accumulated depreciation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**(f) Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods that they are incurred or on a straight line basis where the lease agreement includes fixed rate increases.

Lease incentives received under operating leases are accounted for on a straight line basis over the life of the lease.

**(g) Financial Instruments**

**Initial recognition and measurement**

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

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

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

**Classification and subsequent measurement**

*Financial liabilities*

Financial liabilities are subsequently measured at:

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

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

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

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

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

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

A financial liability is held for trading if it is:

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial Instruments (cont'd)

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

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

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

A financial liability cannot be reclassified.

*Financial assets*

Financial assets are subsequently measured at:

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

on the basis of the two primary criteria, being:

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

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

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

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

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

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

The entity initially designates financial instruments as measured at fair value through profit or loss if:

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

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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial Instruments (cont'd)

*Equity instruments*

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

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

**Derecognition**

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

*Derecognition of financial liabilities*

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

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

*Derecognition of financial assets*

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial Instruments (cont'd)

Impairment

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

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

Loss allowance is not recognised for:

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

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

The entity used the following approaches to impairment, as applicable under AASB 9:

- the general approach;
- the simplified approach;
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

*General approach*

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

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

*Simplified approach*

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

This approach is applicable to:

- trade receivables or contract assets that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial Instruments (cont'd)

*Purchased or originated credit impaired approach*

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

Evidence of credit impairment includes:

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

*Low credit risk operational simplification approach*

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

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

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

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

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

**Recognition of expected credit losses in financial statements**

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(h) Impairment of Assets**

At each reporting date, the Association reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Association were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

**(i) Employee Benefits**

**Short-term employee benefits**

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

**Long-term employee benefits**

The company classifies employees' long service leave and annual leave entitlements as other long-term employee benefits as they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the company's obligation for other long-term employee benefits, which are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss classified under employee benefits expense.

The company's obligations for long-term employee benefits are presented as non-current liabilities in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current liabilities.

**(j) Provisions**

Provisions are recognised when the Association has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**(k) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(l) Revenue**

The main sources of income include grants, host trainer, members' subscriptions and related services, training services, royalties and sale of magazines.

Grants revenue is recognised in the statement of profit or loss and other comprehensive income when it is controlled. When there are conditions attached to grant revenue relating to the use of those grants for specific purposes it is recognised in the statement of financial position as a liability until such conditions are met or services provided.

Host trainer and members' subscriptions and related services revenue are recognised on an accrual basis.

Training services, royalties and magazines sales are recognised on an accrual basis.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenues are recognised when the right to receive the revenue has been established or when service has been provided.

**(m) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(n) Comparative Figures**

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

**(o) Critical Accounting Estimates and Judgments**

The Board members evaluate estimates and judgments incorporated into the financial statement based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Association.

***Key estimates — Impairment***

The Association assesses impairment at each reporting date by evaluating conditions specific to the Association that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

***Key Judgments - Financial assets designated at fair value through other comprehensive income***

The Association maintains a portfolio of securities with a carrying amount of \$4,459,858 at the end of the reporting period. Certain individual investments have declined in value since the initial acquisition of those investment. The board members do not believe this decline constitutes a significant or prolonged decline below cost at this stage and hence no impairment has been recognised. Should share values decline to a level which is in excess of 30% below cost or should prices remain at levels below cost for a period in excess of 12 months, the board members have determined that such investments will be considered impaired in the future.

**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(p) New Australian Accounting Standards**

**Adoption of New Australian Accounting Standards**

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

**Future Australian Accounting Standards Requirements Accounting Standards**

**AASB 16 Leases (AASB 16)**

AASB 16 was issued in January 2016 and it replaces AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation-115 Operating Leases-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

For NFP entities, AASB 16 will commence from financial years beginning on or after 1 January 2019. Either a full retrospective application or a modified retrospective application is required for AASB 16. The Association plans to adopt AASB 16 on the required effective date 1 July 2019 of using modified retrospective method.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under AASB 16 is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The Board has assessed that there will be not material impact on the financial statements upon adoption of AASB 16.

**AASB 1058 Income of Not-for-Profit Entities (AASB 1058) and AASB 15 Revenue from Contracts with Customers (AASB 15)**

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities in conjunction with AASB 15. AASB 1058 and AASB 15 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.

For NFP entities, both AASB 1058 and 15 will commence from financial years beginning on or after 1 January 2019. Either a full retrospective application or a modified retrospective application is required for AASB 15. The Association plans to adopt AASB 15 on the required effective date 1 July 2019 of using modified retrospective method.

The Board has assessed that there will be not material impact on the financial statements upon adoption of AASB 1058 and AASB 15.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Initial application of AASB 9: Financial Instruments

The entity has adopted AASB 9: Financial Instruments with a date of initial application of 1 January 2018. As a result, the entity has changed its financial instruments accounting policies as detailed in the significant accounting policies note.

Considering the initial application of AASB 9 during the financial period, financial statement line items have been affected for the current and prior periods. Below in this note are the adjustments made to the affected financial statement line items.

AASB 9 requires retrospective application with some expectations (ie when hedge accounting in terms of the standard).

**Disclosure: Initial application of AASB 9**

There were no financial assets/liabilities which the entity had previously designated as fair value through profit or loss under AASB 139: *Financial Instruments: Recognition and Measurement* that were subject to reclassification/elected reclassification upon the application of AASB 9. There were no financial assets/liabilities which the entity has elected to designate as at fair value through profit or loss at the date of initial application of AASB 9.

The entity applied AASB 9 (as revised in July 2014) and the related consequential amendments to other AASBs. New requirements were introduced for the classification and measurement of financial assets and financial liabilities, as well as for impairment and general hedge accounting.

The date of initial application was 1 January 2018. The entity has applied AASB 9 to instruments that have not been derecognised as at 1 January 2018 and has not applied AASB 9 to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that have not been derecognised as at 1 January 2018 have been restated where appropriate.

Financial assets in terms of AASB 9 need to be measured subsequently at either amortised cost or fair value on the basis of the entity's business model and the cash flow characteristics of the financial assets, as follows:

- debt investments that are held within a business model whose goal is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- debt investments that are held within a business model whose goal is both to collect contractual cash flows and to sell it, and that have contractual cash flows that are purely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income; and
- all other debt investments and equity investments are measured at fair value through profit or loss.

Despite the issues mentioned above, the entity may make irrevocable election at initial recognition of a financial asset as follows:

- the entity may choose to present subsequent changes in fair value of an equity investment that is not held for trading and not a contingent consideration in a business combination in other comprehensive income; and
- the entity may choose to present a debt investment that meets the amortised cost or fair value through other comprehensive income criteria as measured at fair value through profit or loss if this choice significantly reduces an accounting mismatch.

When an equity investment at fair value through other comprehensive income has a gain or loss previously recognised in other comprehensive income, it is not reclassified to profit or loss. However, when a debt investment at fair value through other comprehensive income is derecognised, the gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Initial application of AASB 9: Financial Instruments (cont'd)

Debt instruments that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to impairment.

The directors of the entity determined the existing financial assets as at 1 January 2018 based on the facts and circumstances that were present and determined that the initial application of AASB 9 had the following effect:

- the entity's investments in equity instruments not held for trading that were previously classified as available-for-sale financial assets and were measured at fair value have been designated as at fair value through other comprehensive income. The movement in fair value on equity instruments is accumulated in the financial assets reserve;
- financial assets as held-to-maturity and loans and receivables that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding; and
- financial assets measured at fair value through profit or loss (AASB 139) are still measured as such under AASB 9.

As a result of the classification change in relation to investments in equity instruments, the fair value gain on available-for-sale financial assets recognised in other comprehensive income of \$66,338 (2017: \$3,857) to be designated as at fair value through other comprehensive income will not be subsequently reclassified to profit or loss.

This note contains a table that shows the effect of classification of the financial assets upon initial application.

*Impairment*

As per AASB 9, an expected credit loss model is applied, not an incurred credit loss model as per the previous standard applicable (AASB 139). To reflect changes in credit risk, this expected credit loss model requires the entity to account for expected credit losses since initial recognition.

AASB 9 also determines that a loss allowance for expected credit loss be recognised on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and financial guarantee contracts as the impairment provision would apply to them.

If the credit risk on a financial instrument did not show significant change since initial recognition, an expected credit loss amount equal to 12-month expected credit losses are used. However, a loss allowance is recognised at an amount equal to the lifetime expected credit loss if the credit risk on that financial instrument has increased significantly since initial recognition, or if the instrument is an acquired credit-impaired financial asset.

A simple approach is followed in relation to trade receivables as the loss allowance is measured at lifetime expected credit loss.

The entity reviewed and assessed the existing financial assets on 1 January 2018. The assessment was done to test the impairment of these financial assets using reasonable and supportable information that is available to determine the credit risk of the respective items at the date they were initially recognised. The assessment was compared to the credit risk as at 1 January 2017 and 1 January 2018. The assessment was done without undue cost or effort in accordance with AASB 9.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Group		Parent	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>NOTE 2: REVENUE</b>				
Revenue from operating activities				
- Government grants	258,163	274,020	258,163	274,020
- Host trainer revenue	9,997,657	9,815,140	9,304,588	9,504,968
- Members' subscriptions and related services	1,233,920	1,195,580	1,233,730	1,195,580
- Training services	1,945,939	1,948,102	1,945,940	1,948,102
- Royalties	314,737	266,589	314,737	266,589
- Magazines sales	187,110	215,902	187,110	215,904
	<u>13,937,526</u>	<u>13,715,333</u>	<u>13,244,268</u>	<u>13,405,163</u>
Other revenue				
- Rental from properties	179,266	141,769	179,266	141,769
- Interest income	189,597	239,908	189,597	239,908
- Other revenue	48,021	41,031	145,018	81,420
- WorkCover recovery	72,587	145,346	72,587	145,346
- Investment income	64,129	74,079	64,129	74,079
	<u>553,600</u>	<u>642,133</u>	<u>650,597</u>	<u>682,522</u>
<b>Total Revenue</b>	<u><u>14,491,126</u></u>	<u><u>14,357,466</u></u>	<u><u>13,894,865</u></u>	<u><u>14,087,685</u></u>

**NOTE 3: PROFIT FOR THE YEAR**

**Expenses**

Depreciation – property, plant and equipment	123,560	161,564	123,560	161,564
Depreciation – investment property	97,691	77,340	93,691	77,340
Total depreciation expense	221,251	238,904	221,251	238,904
Provision for expected credit losses	45,541	-	45,541	-
Bad debts expenses/(recovered)	-	6,949	-	6,949
Loss/(gain) on sale of plant and equipment	14,338	(97,389)	14,338	(97,389)
Loss on sale of financial assets	-	34,745	-	34,745
Legal costs				
- Litigation	-	-	-	-
- Other legal matters	4,165	11,159	4,165	11,159
Donations				
- paid that were \$1,000 or less	-	-	-	-
- paid that exceeded \$1,000 or more	1,316	4,000	1,316	4,000

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Group		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>NOTE 3: PROFIT FOR THE YEAR (Cont'd)</b>				
<b>Expenses (cont'd)</b>				
Employees benefits – other employees:				
Wages and salaries	9,197,537	9,070,415	8,730,528	8,866,778
Superannuation	829,986	829,468	792,106	811,851
Leave and other entitlements	680,858	834,817	650,275	821,952
Separation and redundancies	17,853	9,707	-	-
Other employee expenses	221,167	288,294	221,167	285,356
Employees benefits – holders of office:				
Wages and salaries	259,965	317,868	259,965	317,868
Superannuation	27,603	34,666	27,603	34,666
Leave and other entitlements	156,297	23,647	156,297	23,647
Separation and redundancies	-	-	-	-
Other employee expenses	1,130	8,290	1,130	8,290
Fees/allowances for attending meeting and conferences	-	-	-	-
Conference and meeting expenses	41,732	28,423	41,732	28,423
Affiliation fees/ subscriptions paid:				
- Australian Chamber of Commerce and Industry	32,607	30,880	32,607	30,880

**NOTE 4: KEY MANAGEMENT PERSONNEL COMPENSATION**

Group and parent	Short-Term Benefits	Post-employment benefit		Total
	\$	Non-Cash Benefits \$	Superannuation \$	
<b>2019</b>				
Total compensation	1,098,667	-	65,736	1,164,403
<b>2018</b>				
Total compensation	751,466	-	72,463	823,929

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	Group		Parent	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>NOTE 5: AUDITORS REMUNERATION</b>				
Remuneration of the auditor of the Group for:				
- auditing or reviewing the financial report	28,435	27,739	28,435	27,739
- other services	-	-	-	-
	<u>28,435</u>	<u>27,739</u>	<u>28,435</u>	<u>27,739</u>

**NOTE 6: CASH AND CASH EQUIVALENTS**

Cash at bank and on hand	2,059,115	2,251,328	2,011,114	2,186,060
Short-term bank deposits	-	808,259	-	808,259
	<u>2,059,115</u>	<u>3,059,587</u>	<u>2,011,114</u>	<u>2,994,319</u>

The effective interest rate on short-term bank deposits was 2.38% (2018: 2.56%).

**(a) Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	<u>2,059,115</u>	<u>3,059,587</u>	<u>2,011,114</u>	<u>2,994,319</u>
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**NOTE 7: TRADE AND OTHER RECEIVABLES**

**CURRENT**

Trade debtors	1,081,236	1,250,220	1,023,612	1,226,191
Less allowance for expected credit losses	(145,541)	(100,000)	(145,541)	(100,000)
Trade debtors, net	935,695	1,150,220	878,071	1,126,191
Other receivables	549,161	616,177	542,995	603,577
Loan to subsidiary company - Plumbing Staff Solutions Pty Ltd	-	-	50,000	50,000
Interest receivable	-	1,792	-	1,792
	<u>1,484,856</u>	<u>1,768,189</u>	<u>1,471,067</u>	<u>1,781,560</u>

The movement in the allowance for expected credit losses of trade and other receivables is as follows:

	Group 2019	Parent 2019
At 1 July	100,000	100,000
Provision for expected credit losses	45,541	45,541
Write-off	-	-
At 30 June	<u>145,541</u>	<u>145,541</u>

Current trade debtors are non-interest bearing and generally are receivable within 30 days.

Loan to subsidiary company - Plumbing Staff Solutions Pty Ltd is interest free.

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**NOTE 7: TRADE AND OTHER RECEIVABLES (CONT'D)**

**Credit risk**

The Association has no significant concentration of credit risk with respect to any single counterparty or Association of counterparties other than those trade debtors specifically provided for and mentioned within Note 7. The main source of credit risk to the Association is considered to relate to the class of assets described as trade debtors.

The following table details the group and parent's trade debtors exposed to credit risk 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 Association and the member or counterparty to the transaction. Trade debtors that are past due are assessed for impairment by ascertaining their willingness to pay and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Association.

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

	Gross amount	Past due and impaired	Past due but not impaired			Within initial trade terms
			Days (overdue)			
			31-60	61-90	> 90	
	\$	\$	\$	\$	\$	\$
<b>Group</b>						
<b>2019</b>						
Trade receivables	1,081,236	145,541	239,925	120,973	-	574,797
Other receivables	549,162	-	-	-	-	549,162
<b>Total</b>	<b>1,630,398</b>	<b>145,541</b>	<b>239,925</b>	<b>120,973</b>	<b>-</b>	<b>1,123,959</b>
<b>2018</b>						
Trade receivables	1,250,220	100,000	381,850	94,602	-	673,768
Other receivables	617,969	-	-	-	-	617,969
<b>Total</b>	<b>1,868,189</b>	<b>100,000</b>	<b>381,850</b>	<b>94,602</b>	<b>-</b>	<b>1,291,737</b>
<b>Parent</b>						
<b>2019</b>						
Trade receivables	1,023,613	145,541	185,747	120,973	-	571,352
Other receivables	592,995	-	-	-	-	592,995
<b>Total</b>	<b>1,616,608</b>	<b>145,541</b>	<b>185,747</b>	<b>120,973</b>	<b>-</b>	<b>1,164,347</b>
<b>2018</b>						
Trade receivables	1,226,191	100,000	381,850	94,602	-	649,739
Other receivables	655,369	-	-	-	-	655,369
<b>Total</b>	<b>1,881,560</b>	<b>100,000</b>	<b>381,850</b>	<b>94,602</b>	<b>-</b>	<b>1,305,108</b>

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Note	Group		Parent		
	2019	2018	2019	2018	
	\$	\$	\$	\$	
<b>NOTE 7: TRADE AND OTHER RECEIVABLES (CONT'D)</b>					
<b>Financial assets classified as trade and other receivables</b>					
Trade and other receivables:					
- total current	18	<u>1,484,856</u>	<u>1,768,189</u>	<u>1,471,067</u>	<u>1,781,560</u>
 <b>Collateral Pledged or Held as Security</b>					
No collateral has been pledged or held as security for any of the trade and other receivable balances.					
 <b>NOTE 8: OTHER ASSETS</b>					
Current					
Prepayments		<u>300</u>	<u>24,707</u>	<u>300</u>	<u>24,707</u>
 <b>NOTE 9: PROPERTY, PLANT AND EQUIPMENT</b>					
Freehold land - at independent valuation 2019		578,242	-	578,242	-
Freehold land - at independent valuation 2015		<u>-</u>	<u>227,000</u>	<u>-</u>	<u>227,000</u>
Buildings - at independent valuation 2019		1,661,758	-	1,661,758	-
Buildings - at independent valuation 2015		-	748,000	-	748,000
Less accumulated amortisation		<u>-</u>	<u>(45,154)</u>	<u>-</u>	<u>(45,154)</u>
		<u>1,661,758</u>	<u>702,846</u>	<u>1,661,758</u>	<u>702,846</u>
Buildings - at directors valuation		200,000	200,000	200,000	200,000
Less accumulated amortisation		<u>(93,117)</u>	<u>(79,995)</u>	<u>(93,117)</u>	<u>(79,995)</u>
		<u>106,883</u>	<u>120,005</u>	<u>106,883</u>	<u>120,005</u>
Total buildings		<u>1,768,641</u>	<u>822,851</u>	<u>1,768,641</u>	<u>822,851</u>
Plant and equipment - at cost		396,824	502,280	396,824	502,280
Less accumulated depreciation		<u>(285,820)</u>	<u>(361,795)</u>	<u>(285,820)</u>	<u>(361,795)</u>
		<u>111,004</u>	<u>140,485</u>	<u>111,004</u>	<u>140,485</u>
Motor Vehicles - at cost		174,305	208,176	174,305	208,176
Less accumulated depreciation		<u>(49,849)</u>	<u>(78,809)</u>	<u>(49,849)</u>	<u>(78,809)</u>
		<u>124,456</u>	<u>129,367</u>	<u>124,456</u>	<u>129,367</u>
Total property, plant and equipment		<u>2,582,343</u>	<u>1,319,703</u>	<u>2,582,343</u>	<u>1,319,703</u>

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**NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

**Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment

	Land	Buildings	Plant and Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$
<b>Group and parent</b>					
Balance at 30 June 2017	227,000	852,483	302,902	160,817	1,543,202
Additions	-	-	24,464	38,863	63,327
Disposals	-	-	(95,055)	(30,207)	(125,262)
Depreciation expense	-	(29,632)	(91,826)	(40,106)	(161,564)
Balance at 30 June 2018	<u>227,000</u>	<u>822,851</u>	<u>140,485</u>	<u>129,367</u>	<u>1,319,703</u>
Additions	-	-	34,527	103,884	138,411
Transfers from investments	281,194	752,705	-	-	1,033,899
Disposals	-	-	(6,952)	(70,464)	(77,416)
Depreciation expense	-	(28,173)	(57,056)	(38,331)	(123,560)
Revaluations	70,048	221,258	-	-	291,306
Balance at 30 June 2019	<u>578,242</u>	<u>1,768,641</u>	<u>111,004</u>	<u>124,456</u>	<u>2,582,343</u>

An independent valuation of the Association's land and buildings was performed by a Certified Practising Valuer in 2019. The valuations, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transactions. The valuation was based on independent assessments.

Refer to Note 18 for the analysis of non-financial assets (land and buildings) measured at fair value, by fair value hierarchy.

	Group		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>NOTE 10: INVESTMENTS</b>				
Investment in subsidiary company - Plumbing Staff Solutions Pty Ltd	-	-	60	60
Freehold land – at cost	<u>2,531,091</u>	<u>2,812,285</u>	<u>2,531,091</u>	<u>2,812,285</u>
Buildings – at cost	4,105,263	4,884,571	4,105,263	4,884,571
Less accumulated amortisation	<u>(357,886)</u>	<u>(286,798)</u>	<u>(357,886)</u>	<u>(286,798)</u>
	<u>3,747,377</u>	<u>4,597,773</u>	<u>3,747,377</u>	<u>4,597,773</u>
Work in progress building	<u>3,000,000</u>	<u>2,000,000</u>	<u>3,000,000</u>	<u>2,000,000</u>
Total investment properties	<u>9,278,468</u>	<u>9,410,058</u>	<u>9,278,468</u>	<u>9,410,058</u>
Total investments	<u>9,278,468</u>	<u>9,410,058</u>	<u>9,278,528</u>	<u>9,410,118</u>

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**NOTE 10: INVESTMENTS (CONT'D)**

**Movements in Carrying Amounts**

Movement in the carrying amounts for each class of investment properties between the beginning and the end of the current financial year

	Freehold Land	Buildings	Work in progress - Buildings	Total
	\$	\$	\$	\$
<b>Group and parent</b>				
Balance at the 1 July 2017	1,529,836	2,987,787	-	4,517,623
Additions	1,282,449	1,687,326	2,000,000	4,969,775
Depreciation expense	-	(77,340)	-	(77,340)
Balance at the 30 June 2018	<u>2,812,285</u>	<u>4,597,773</u>	<u>2,000,000</u>	<u>9,410,058</u>
Additions	-	-	1,000,000	1,000,000
Transfers to property, plant and equipment	(281,194)	(752,705)	-	(1,033,899)
Depreciation expense	-	(97,691)	-	(97,691)
Balance at the 30 June 2019	<u>2,531,091</u>	<u>3,747,377</u>	<u>3,000,000</u>	<u>9,278,468</u>

Note	Group		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$

**NOTE 11: FINANCIAL ASSETS**

**CURRENT**

Financial assets at amortised cost

- deposits in financial institution	18	<u>224,084</u>	<u>218,216</u>	<u>224,084</u>	<u>218,216</u>
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**NON-CURRENT**

Financial assets designated at fair value through other comprehensive income

- shares in listed corporations at fair value	18	<u>4,459,858</u>	<u>3,933,525</u>	<u>4,459,858</u>	<u>3,933,525</u>
		<u>4,459,858</u>	<u>3,933,525</u>	<u>4,459,858</u>	<u>3,933,525</u>

**NOTE 12: INTANGIBLE ASSETS**

**NON-CURRENT**

Website domain – at cost		<u>210,442</u>	<u>23,350</u>	<u>210,442</u>	<u>23,350</u>
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Website domain are recognised at cost of acquisition. They have an infinite life and are carried at cost less any impairment losses. The Executive Board have undertaken a review of the carrying value of the intangible assets at the end of the reporting period and noted that there are no impairment losses.

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Note	Group		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>NOTE 13: TRADE AND OTHER PAYABLES</b>				
<b>CURRENT</b>				
Trade and other payables	853,9877	916,515	799,908	868,291
Income received in advance	323,357	297,952	323,357	297,952
Funds held in trust	199,438	194,149	199,438	194,149
11	1,376,782	1,408,616	1,322,703	1,360,392
Financial liabilities at amortised cost classified as trade and other payables				
Trade and other payables:	1,376,782	1,408,616	1,322,703	1,360,392
Less: Income received in advance	(323,357)	(297,952)	(323,357)	(297,952)
Financial liabilities as trade and other payables	1,052,174	1,110,664	999,346	1,062,440
18				
<b>NOTE 14: PROVISIONS</b>				
<b>CURRENT</b>				
Employee benefits	597,768	809,404	590,412	806,917
<b>NON-CURRENT</b>				
Employee benefits	69,520	46,297	69,520	46,297
Total employee benefits	667,288	855,701	659,932	853,214
<b>Analysis of employee benefits</b>				
Employee benefits – other employees				
Annual leave	402,260	455,337	397,019	453,442
Long service leave	159,760	158,715	159,760	158,715
Separations and redundancies	-	-	-	-
Other – RDO's	92,777	92,592	90,662	92,000
Employee benefits – holders of office				
Annual leave	11,740	84,020	11,740	84,020
Long service leave	751	65,037	751	65,037
Separations and redundancies	-	-	-	-
Other	-	-	-	-
Total employee benefits	667,288	855,701	659,932	853,214



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	Group		Parent	
Note	2019	2018	2019	2018
	\$	\$	\$	\$

**NOTE 15: RESERVES**

Asset revaluation reserve	291,306	-	291,306	-
Financial asset reserve	24,244	2,867	24,244	2,867
Total reserves	315,550	2,867	315,550	2,867

**Asset revaluation reserve**

Balance at beginning of financial year	-	-	-	-
Movement for the year	291,306	-	291,306	-
Balance at end of financial year	291,306	-	291,306	-

The financial assets reserve records revaluation increments and decrements (that do not represent impairment write-downs) that relate to property, plant and equipment.

**Financial asset reserve**

Balance at beginning of financial year	2,867	(990)	2,867	(990)
Movement for the year	21,377	3,857	21,377	3,857
Balance at end of financial year	24,244	2,867	24,244	2,867

The financial assets reserve records revaluation increments and decrements (that do not represent impairment write-downs) that relate to financial assets that are classified as financial assets designated at fair value through other comprehensive income.

There were no compulsory levy/voluntary contribution fund balance as at the beginning or end of the financial year.

**NOTE 16: NOTES TO STATEMENT OF CASH FLOWS**

**(a) Reconciliation of cash flow from operations with profit after income tax**

Profit after income tax	449,695	186,320	450,526	185,431
Non-cash flows in profit:				
Depreciation and amortisation	221,251	238,904	221,251	238,904
(Gain)/loss on sale of plant and equipment	14,338	(97,389)	14,338	(97,389)
Increase in expected credit loss of trade and other receivables	45,541	-	45,541	-
(Gain)/loss on sale of financial assets	-	34,752	-	34,752
Changes in assets and liabilities:				
(Increase) / decrease in trade and other receivables	239,043	(454,479)	264,953	(481,035)
(Increase) / decrease in other assets	24,407	160,384	24,407	160,374
Increase / (decrease) in trade and other payables	(33,085)	(162,418)	(37,690)	(179,783)
Increase / (decrease) in provisions	(188,412)	41,276	(193,282)	39,533
Net cash (used in)/provided by operating activities	772,778	(52,650)	790,044	(99,213)

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Note	Group		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$

**NOTE 16: NOTES TO STATEMENT OF CASH FLOWS (CONT'D)**

**(b) Cash flow information**

Cash inflows – from controlled entity:

Plumbing Staff Solutions Pty Ltd	-	-	20,365	-
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Cash outflows – to controlled entity:

Plumbing Staff Solutions Pty Ltd	-	-	(10,000)	-
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**NOTE 17: RELATED PARTY TRANSACTIONS AND INFORMATION ABOUT SUBSIDIARIES**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

- Consultancy fees paid to Ken Gardner (Board Member) for \$80,000 (2018 \$nil);
- reimbursement of expenses;
- payment of membership fees and provision of membership services on the same basis as other members;
- use of Group Training Scheme on a normal commercial basis; and
- provision of plumbing services on a normal commercial basis.

As at the end of the financial year, the Association has shareholding, or is a member, in the following entities:

Entity	Percentage Controlled	
	2019 (%)	2018 (%)
Australian Plumbing Industries Educational Foundation Holdings Pty Ltd	100%	100%
Master Plumbers Victoria Pty Ltd	100%	100%
Master Plumbers Insurance Brokers Pty Ltd	100%	100%
Australian Master Plumbers Pty Ltd	100%	100%
Master Plumbers and Mechanical Services Association of Victoria Limited	100%	100%
Plumbing Staff Solutions Pty Ltd *	100%	100%
Plumbing Industry Training Pty Ltd	50%	50%
Plumbing Industry Training Limited	50%	50%

All entities listed above are incorporated in Australia.

Australian Plumbing Industries Educational Foundation Holdings Pty Ltd had transactions for the financial year which totalled \$nil (2018: \$254) and held cash at bank of \$767 (2018: \$767) as at 30 June 2019.

\* The assets, liabilities, income and expenses has been consolidated on a line-by-line basis in the consolidated financial statements of the group. Refer to Note 1(a).

Except for Plumbing Staff Solutions Pty Ltd, all other entities did not have any transactions during the financial year and had no assets or liabilities as at 30 June 2019. As these companies are not considered material to the group, they have not been consolidated into the group's financial statement.

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**NOTE 18: FINANCIAL RISK MANAGEMENT**

**Financial Risk Management Policies**

The Association's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, and leases.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

		Group		Parent	
		2019	2018	2019	2018
	Note	\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	6	2,059,115	3,059,587	2,011,114	2,994,319
Trade and other receivables	7	1,484,856	1,768,189	1,471,065	1,781,560
Financial assets designated at fair value through other comprehensive income:					
- shares in listed corporations at fair value	11	4,459,858	3,933,525	4,459,858	3,933,525
Financial assets at amortised cost:					
- deposits in financial institution	11	224,084	218,216	224,084	218,216
		8,227,913	8,979,517	8,166,121	8,927,620
<b>Financial liabilities</b>					
Financial liabilities at amortised cost:					
- trade and other payables	13	1,053,425	1,110,664	999,346	1,062,440
		1,053,425	1,110,664	999,346	1,062,440

**Financial Risk Management Policies**

The Association's treasurer is responsible for, among other issues, monitoring and managing financial risk exposures of the Association. The treasurer monitors the Association's transactions and reviews the effectiveness of controls relating to credit risk, financial risk, and interest rate risk. Discussions on monitoring and managing financial risk exposures are held monthly and minuted by the executive board.

The treasurer's overall risk management strategy seeks to ensure that the Association meets its financial targets, while minimising potential adverse effects of cash flow shortfalls.

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**NOTE 18: FINANCIAL RISK MANAGEMENT (CONT'D)**

**Specific Financial Risk Exposures and Management**

The main risks the Association is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and equity price risk.

**a. Interest rate risk**

The Association is not exposed to any significant interest rate risk since cash balances are maintained at variable rates and borrowings of the Association are not considered significant.

**b. Liquidity risk**

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

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- only investing surplus cash with major financial institutions; and
- proactively monitoring the recovery of unpaid subscriptions.

The tables below reflect an undiscounted contractual maturity analysis for 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 finance leases reflect the earliest contractual settlement dates.

*Financial liability and financial assets maturity analysis*

Group	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>								
Trade and other payables (excluding employee benefits and income received in advance)	1,053,425	1,110,664	-	-	-	-	1,053,425	1,110,664
<b>Total expected outflows</b>	<b>1,053,425</b>	<b>1,110,664</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,053,425</b>	<b>1,110,664</b>
<b>Financial assets — cash flows realisable</b>								
Cash and cash equivalents	2,059,115	3,059,587	-	-	-	-	2,059,115	3,059,587
Trade and other receivables	1,484,856	1,768,189	-	-	-	-	1,484,856	1,768,189
Financial assets designated at fair value through other comprehensive income	-	-	4,459,858	3,933,525	-	-	4,459,858	3,933,525
Financial assets at amortised cost	224,084	218,216	-	-	-	-	224,084	218,216
<b>Total anticipated inflows</b>	<b>3,768,055</b>	<b>5,045,992</b>	<b>4,459,858</b>	<b>3,933,525</b>	<b>-</b>	<b>-</b>	<b>8,227,913</b>	<b>8,979,517</b>

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**NOTE 18: FINANCIAL RISK MANAGEMENT (CONT'D)**

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Parent	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>								
Trade and other payables (excluding employee benefits and income received in advance)	999,346	1,062,440	-	-	-	-	999,346	1,062,440
<b>Total expected outflows</b>	<b>999,346</b>	<b>1,062,440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>999,346</b>	<b>1,062,440</b>
<b>Financial assets — cash flows realisable</b>								
Cash and cash equivalents	2,011,114	2,994,319	-	-	-	-	2,011,114	2,994,319
Trade and other receivables	1,471,065	1,781,560	-	-	-	-	1,471,065	1,781,560
Financial assets designated at fair value through other comprehensive income		-	4,459,858	3,933,525		-	4,459,858	3,933,525
Financial assets at amortised cost	224,084	218,216		-		-	224,084	218,216
<b>Total anticipated inflows</b>	<b>3,706,263</b>	<b>4,994,095</b>	<b>4,459,858</b>	<b>3,933,525</b>	<b>-</b>	<b>-</b>	<b>8,166,121</b>	<b>8,927,620</b>

*Financial assets pledged as collateral*

No financial assets have been pledged as security for any financial liability.

**c. Foreign exchange risk**

The Association is not exposed to fluctuations in foreign currencies.

**d. Credit risk**

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.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 7.

The Association has no significant concentration of credit risk exposure to any single counterparty or group of counterparties. Details with respect to credit risk of Trade and Other Receivables are provided in Note 7.

Credit risk related to balances with banks and other financial institutions is managed by the finance committee in accordance with approved Board policy. Surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA**  
**ABN 56 296 473 997**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 18: FINANCIAL RISK MANAGEMENT (CONT'D)**

	Group		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$
Cash and cash equivalents				
- AA- rated	2,059,115	3,059,587	2,011,114	2,994,319
	2,059,115	3,059,587	2,011,114	2,994,319

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 cleared as being financially sound.

**e. Price risk**

The Association is not exposed to any material commodity price risk.

*Sensitivity analysis*

The following table illustrates sensitivities to the Association's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date 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.

Change in profit				
+/- 2% in interest rates	+/- 45,664	+/- 65,556	+/- 44,704	+/- 64,251
Change in equity				
+/- 2% in interest rates	+/- 45,664	+/- 65,556	+/- 44,704	+/- 64,251

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

**Net Fair Values**

**Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Areas of judgment and the assumptions used have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded.

**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 18: FINANCIAL RISK MANAGEMENT (CONT'D)**

Group	Footnote	2019		2018	
		Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
		\$	\$	\$	\$
<b>Financial assets</b>					
Cash and cash equivalents	(i)	2,059,115	2,059,115	3,059,587	3,059,319
Trade and other receivables	(i)	1,484,856	1,484,856	1,768,189	1,768,189
Financial assets — fair value through other comprehensive income	(ii)	4,459,858	4,459,858	3,933,525	3,933,525
Financial assets — amortised cost	(iii)	224,084	224,084	218,216	218,216
<b>Total financial assets</b>		<b>8,227,913</b>	<b>8,227,913</b>	<b>8,979,517</b>	<b>8,979,249</b>
<b>Financial liabilities</b>					
Trade and other payables	(i)	1,053,425	1,052,174	1,110,664	1,110,664
<b>Total financial liabilities</b>		<b>1,053,425</b>	<b>1,052,174</b>	<b>1,110,664</b>	<b>1,110,664</b>
<b>Parent</b>					
<b>Financial assets</b>					
<b>Financial assets</b>					
Cash and cash equivalents	(i)	2,011,114	2,994,319	2,011,114	2,994,319
Trade and other receivables	(i)	1,471,065	1,781,560	1,471,065	1,781,560
Financial assets — fair value through other comprehensive income	(ii)	4,459,858	3,933,525	4,459,858	3,933,525
Financial assets — amortised cost	(iii)	224,084	218,216	224,084	218,216
<b>Total financial assets</b>		<b>8,166,121</b>	<b>8,927,620</b>	<b>8,166,121</b>	<b>8,927,620</b>
<b>Financial liabilities</b>					
Trade and other payables	(i)	999,346	1,062,440	999,346	1,062,440
<b>Total financial liabilities</b>		<b>999,346</b>	<b>1,062,440</b>	<b>999,346</b>	<b>1,062,440</b>

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

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for relating to annual leave which is not considered a financial instrument.
- (ii) For listed financial assets designated at fair value through other comprehensive income, closing quoted bid prices at reporting date are used.
- (iii) Fair values of amortised cost investments are based on quoted market prices at the end of the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 18: FINANCIAL RISK MANAGEMENT (CONT'D)**

**Financial Instruments Measured at Fair Value**

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

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

The following tables provide an analysis of financial instrument assets that are measured fair value, by fair value hierarchy:

**Group and parent**

2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets:</b>				
Fair value through other comprehensive income	4,459,858	-	-	4,459,858
Amortised cost	224,084	-	-	224,084
	<u>4,683,942</u>	<u>-</u>	<u>-</u>	<u>4,683,942</u>
<b>2018</b>				
<b>Financial assets:</b>				
Fair value through other comprehensive income	3,933,525	-	-	3,933,525
Amortised cost	218,216	-	-	218,216
	<u>4,151,741</u>	<u>-</u>	<u>-</u>	<u>4,151,741</u>

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

**Non-financial Assets Fair Value Hierarchy**

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

**Group and parent**

2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Non-financial assets:</b>				
Land	-	578,242	-	578,242
Buildings	-	1,661,758	-	1,661,758
	<u>-</u>	<u>2,240,000</u>	<u>-</u>	<u>2,240,000</u>
<b>2018</b>				
<b>Non-financial assets:</b>				
Land	-	227,000	-	227,000
Buildings	-	702,846	-	702,846
	<u>-</u>	<u>909,846</u>	<u>-</u>	<u>909,846</u>



**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA**  
**ABN 56 296 473 997**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 18: FINANCIAL RISK MANAGEMENT (CONT'D)**

**Non-financial Assets Fair Value Hierarchy (Cont'd)**

There have been no transfers between levels during the reporting period (2018: no transfer).

The fair value of land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

**NOTE 19: CAPITAL MANAGEMENT**

The Board members control the capital of the Association in order to maintain a good debt-to-equity ratio and to ensure that the Association can fund its operations and continue as a going concern. The Association's debt and capital includes financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

The Board members effectively manage the Association's capital by assessing the Association's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels.

There have been no changes in the strategy adopted by management to control the capital of the Association since the prior year. This strategy is to ensure that there is sufficient cash to meet trade and other payables and borrowings.

	Consolidated		Parent	
	2019	2018	2019	2018
	\$	\$	\$	\$
Trade and other payables	(1,053,425)	(1,110,664)	(999,346)	(1,062,440)
Less cash and cash equivalents	2,059,115	3,059,587	2,011,114	2,994,319
Net (debt)/equity	1,005,115	1,948,923	1,011,768	1,931,879
Total equity	18,255,396	17,493,018	18,255,101	17,491,892
Total capital	19,261,086	19,441,941	19,266,869	19,423,771

**NOTE 20: OPERATING LEASE COMMITMENTS**

There were no operating lease commitments as at 30 June 2019.

**NOTE 21: CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets as at 30 June 2019.

**NOTE 22: EVENTS SUBSEQUENT TO REPORTING PERIOD**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the ongoing structure and financial activities of the Association.

**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA  
ABN 56 296 473 997**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**NOTE 23: ASSOCIATION DETAILS**

The registered office and principal place of business of the Association is:

Unit 15, 306 Albert Street  
Brunswick VIC 3056  
AUSTRALIA

**NOTE 24: 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 sub-sections (1) to (3), of Section 272, which reads as follows:

Information to be provided to members or Commissioner:

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

**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA**  
**ABN 56 296 473 997**

**EXECUTIVE BOARD'S STATEMENT**

On 30 September 2019, the Executive Board of Master Plumbers' & Mechanical Services Association of Australia ("reporting unit") passed the following resolution in relation to the general purpose financial report (GPFR) for the financial year ended 30 June 2019.

The Executive Board declares that in its opinion:

1. the financial statements and notes comply with the 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; and
5. during the financial year to which the GPFR relates and since the end of the year:
  - i) meetings of the Executive Board were held in accordance with the rules of the organisation; and
  - ii) the financial affairs of the reporting unit have been managed in accordance with rules of the organisation; and
  - iii) the financial records of the reporting unit have been kept and maintained in accordance with the RO Act; and
  - iv) no information has been sought in any request by a member of the reporting unit or General Manager duly made under section 272 of the RO Act; and
  - v) no orders have been made for inspection of financial records has been made by the Fair Work Commission under section 273 of the RO Act;
6. No revenue has been derived from undertaking recovery of wages activity during the reporting period.

This declaration is made in accordance with a resolution of the Executive Board.

For and on behalf of the Executive Board by:



---

Scott Dowsett

President

Dated in Melbourne on this 30<sup>th</sup> day of September 2019.

**MASTER PLUMBERS' & MECHANICAL SERVICES ASSOCIATION OF AUSTRALIA  
ABN 56 296 473 997**

**OFFICER DECLARATION STATEMENT**

I, Scott Dowsett, being the President of the Executive Board of Master Plumbers' & Mechanical Services Association of Australia, declare that the following activities did not occur during the reporting period ending 30 June 2019.

The reporting unit did not:

- agree to receive financial support from another reporting unit to continue as a going concern (refers to agreement regarding financial support not dollar amount)
- agree to receive financial support from another reporting unit to continue as a going concern (refers to agreement regarding financial support not dollar amount)
- agree to provide financial support to another reporting unit to ensure they continue as a going concern (refers to agreement regarding financial support not dollar amount)
- acquire an asset or liability due to an amalgamation under Part 2 of Chapter 3 of the RO Act, a restructure of the branches of an organisation, a determination or revocation by the General Manager, Fair Work Commission
- receive capitation fees or any other revenue amount from another reporting unit
- receive revenue via compulsory levies
- incur fees as consideration for employers making payroll deductions of membership subscriptions
- pay capitation fees or any other expense to another reporting unit
- pay compulsory levies
- pay a grant that was \$1,000 or less
- pay a grant that exceeded \$1,000
- pay a penalty imposed under the RO Act or the Fair Work Act 2009
- have a receivable with other reporting unit(s)
- have a payable with other reporting unit(s)
- have a payable to an employer for that employer making payroll deductions of membership subscriptions
- have a payable in respect of legal costs relating to litigation
- have a payable in respect of legal costs relating to other legal matters
- have a fund or account for compulsory levies, voluntary contributions or required by the rules of the organisation or branch
- transfer to or withdraw from a fund (other than the general fund), account, asset or controlled entity
- have a balance within the general fund
- have another entity administer the financial affairs of the reporting unit
- make a payment to a former related party of the reporting unit



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Scott Dowsett

President

Dated in Melbourne on this 30<sup>th</sup> day of September 2019.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF MASTER PLUMBERS' AND MECHANICAL SERVICES  
ASSOCIATION OF AUSTRALIA ("MPMSAA")**

**Opinion**

I have audited the financial report of Master Plumbers' and Mechanical Services Association of Australia ("MPMSAA"), which comprises the consolidated and parent entity statement of financial position as at 30 June 2019 and the consolidated and parent entity statement of profit or loss and other comprehensive income, consolidated and parent entity statement of changes in equity and consolidated and parent entity statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, the Executive Boards' certification and the subsection 255(2A) report and the Officer Declaration Statement of the economic entity comprising the association and the entities it controlled at years end or from time to time during the financial year.

In my opinion the accompanying financial report of MPMSAA presents fairly, in all material respects, the consolidated and parent entity's financial position as at 30 June 2019 and their financial performance and their cash flows for the year then ended in accordance with:

- (i) Australian Accounting Standards; and
- (ii) 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).

I declare that Executive Board's use of the going concern basis in the preparation of the financial statements of the Reporting Unit is appropriate.

**Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Reporting Unit in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

The Executive Board of MPMSAA 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.

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

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF MASTER PLUMBERS' AND MECHANICAL SERVICES  
ASSOCIATION OF AUSTRALIA ("MPMSAA") (CONTINUED)**

**Responsibilities of the Executive Board for the Financial Report**

The Executive Board of MPMSAA is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the RO Act, and for such internal control as the Executive Board determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Executive Board is responsible for assessing the Reporting Unit's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Executive Board either intends to liquidate the Reporting Unit or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Reporting Unit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Reporting Unit's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Reporting Unit to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Reporting Unit to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Reporting Unit's audit. I remain solely responsible for my audit opinion.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF MASTER PLUMBERS' AND MECHANICAL SERVICES  
ASSOCIATION OF AUSTRALIA ("MPMSAA") (CONTINUED)**

**Auditor's Responsibilities for the Audit of the Financial Report (Continued)**

I communicate with the Executive Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

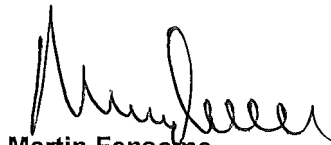
I declare that I am an auditor registered under the RO Act.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of section 257(7) of the RO Act, I am required to describe any deficiency, failure or shortcoming in respect of the matters referred to in section 252 and 257(2) of the RO Act.

I did not identify any matters to report in this regard.

  
McLean Delmo Bentleys Audit Pty Ltd

  
Martin Fensome  
Partner

Hawthorn  
30 September, 2019

Registration number (as registered by the RO Commissioner under the RO Act): AA2017/143



2 July 2019

Peter Daly  
Secretary  
Master Plumbers' and Mechanical Services Association of Australia  
Sent via email: [info@plumber.com.au](mailto:info@plumber.com.au)

Dear Peter Daly,

**Re: Lodgement of Financial Report - FR2019/160  
*Fair Work (Registered Organisations) Act 2009 (the RO Act)***

The financial year of the Master Plumbers' and Mechanical Services Association of Australia (the reporting unit) ended on 30 June 2019. This is a courtesy letter to remind you of the reporting unit's obligations regarding financial reporting.

### **Loans Grants and Donations Statement**

The reporting unit is required to lodge a statement showing the relevant particulars in relation to each loan, grant or donation of an amount exceeding \$1,000 for the reporting unit during its financial year. Section 237 of the RO Act requires this statement to be lodged with the Registered Organisations Commission (the ROC) within 90 days of the end of the reporting unit's financial year, that is on or before 28 September 2019.

The attached fact sheet *Loans Grants and Donations* (FS 009) summarises the requirements of the Loans Grants and Donations Statement. A sample statement of loans, grants or donations is available on our [website](#).

It should be noted that s.237 is a civil penalty provision. If a loan, grant or donation over \$1000 has been made, failure to lodge a statement of loans, grants and donations (including failure to lodge on time) may result in legal proceedings being issued with the possibility of a pecuniary penalty (up to \$105,000 for each contravention for a body corporate and up to \$21,000 for each contravention for an individual) being imposed upon your organisation and/or an officer whose conduct led to the contravention.

### **Financial report**

The RO Act sets out a particular chronological order in which your financial report must be prepared, audited, provided to members, presented to a meeting and then lodged with the ROC. The attached document *Summary of Financial Reporting timelines* (FS 008) summarises these requirements.

We emphasise that the reporting unit is required to present its audited financial report to a meeting (either of members or of the committee of management, depending on your rules) no later than 31 December 2019 (s.266). The full financial report must be lodged with the ROC within 14 days of that meeting (s.268).

When assessing your financial report, we will continue to focus closely on timelines as well as how loans, grants and donations are reported. The financial report must break down the amounts of grants and donations and these figures will be compared to the loans, grants and donations statement (see attached *Loans Grants and Donations* fact sheet FS 009).



You can visit our website for more information regarding [financial reporting](#), and fact sheets regarding [financial reporting processes and requirements](#). A model set of financial statements developed by the ROC is also available on our website. It is not obligatory to use this model but it is a useful resource to ensure compliance with the RO Act, the Reporting Guidelines and the Australian Accounting Standards.

It should be noted that s.268 of the RO Act is a civil penalty provision. Failure to lodge the full financial report (including failure to lodge on time) may result in legal proceedings being issued with the possibility of a pecuniary penalty (up to \$105,000 for each contravention for a body corporate and up to \$21,000 for each contravention for an individual) being imposed upon your organisation and/or an officer whose conduct led to the contravention (s.268).

### **Auditor's report**

When assessing the financial report we will also focus on the structure and content of the auditor's report to ensure that it complies with the revisions made to the Auditing Standards which came into effect from 15 December 2016. Please find [here](#) a link to guidance note *Illustrative Auditor's Report* (GN 004) relating to these requirements (which can also be located on our website).

## **REMINDER**

### **YOUR AUDITOR MUST BE REGISTERED (s.256)**

You must ensure that your auditor is registered by the Registered Organisations Commissioner. A list of registered auditors is available on our [website](#).

### **Contact**

Should you require any clarification in relation to the above, please email [regorgs@roc.gov.au](mailto:regorgs@roc.gov.au).

Yours faithfully,

**Kylie Ngo**  
**Registered Organisations Commission**



## Fact sheet

### Summary of financial reporting timelines – s.253 financial reports

#### General Information:

- The **full report** consists of the General Purpose Financial Report, Committee of Management Statement, Operating report, s.255(2A) Report and signed Auditors' Report
- For an explanation of each of the steps below see our [Fact sheet—financial reporting process](#).

**STEP 1:**  
Reporting unit must prepare the General Purpose Financial Report, Committee of Management Statement, s.255(2A) Report and Operating Report as soon as practicable after the end of the financial year:



**STEP 2:**  
Committee of Management statement – resolution to be passed by the Committee of Management in relation to the General Purpose Financial Report (**1st meeting**)



**STEP 3:**  
Registered Auditor to prepare and sign the Auditor's Report and provide to the Reporting unit **within a reasonable timeframe**

IF RULES PROVIDE FOR PRESENTATION OF FULL REPORT  
AT GENERAL MEETING OF MEMBERS  
(this is the default process in the RO Act)

**STEP 4:**  
Provide **full report** to members **at least 21 days before the General Meeting**



**STEP 5:**  
Present **full report** to a General Meeting of Members within 6 months of the reporting unit's end of financial year (**2nd meeting**)



**STEP 6:**  
Prepare and sign the designated officer's certificate then lodge **full report** and the designated officer's certificate with the ROC within 14 days of the 2nd meeting

IF RULES PROVIDE FOR PRESENTATION OF FULL REPORT AT  
COMMITTEE OF MANAGEMENT MEETING  
(Special rules must be in the rulebook to use this process)

**STEP 4:**  
Provide **full report** to members **within 5 months of the reporting unit's end of financial year**



**STEP 5:**  
Present **full report** to Committee of Management Meeting within 6 months of the reporting unit's end of financial year (**2nd meeting**)



**STEP 6:**  
Prepare and sign the designated officer's certificate then lodge **full report** and the designated officer's certificate with the ROC **within 14 days of the 2nd meeting**

## Misconceptions

Over the years, staff of the Commission have noted that there are some common misunderstandings made in relation to the Financial Reporting Process. They include:

Misconception	Requirement
<p><b>x</b> The Committee of Management statement is just copied from the Reporting Guidelines</p>	<p><b>✓</b> The Committee of Management statement must have the date of the Committee of Management resolution recorded upon it and it must be signed and dated <b>BEFORE</b> the auditor signs their report</p> <p>Further, if any of the statements within it need to be modified to suit the reporting unit (for instance not holding meetings) these changes must also be made</p>
<p><b>x</b> The Auditor's Report does not need to be signed until just before it is lodged with the ROC</p>	<p><b>✓</b> The Auditor's Report must be signed and dated <b>BEFORE</b> the full report (including the Auditor's Report) is sent to members and presented to the second meeting</p>
<p><b>x</b> The Designated Officer's Certificate must be signed before the report is sent to members</p>	<p><b>✓</b> The Designated Officer's Certificate declares what the reporting unit <b>HAS ALREADY DONE</b> to provide the report to members and present it to the meeting. It must be signed and dated <b>AFTER</b> sending the report to members and the second meeting</p>
<p><b>x</b> Documents can be dated when they should have been signed or when the events in the document occurred</p>	<p><b>✓</b> Documents must always be dated at the date they are actually signed by an officer or auditor</p>
<p><b>x</b> Any auditor can audit a financial report</p>	<p><b>✓</b> Only registered auditors can audit the financial report</p>
<p><b>x</b> The Committee of Management statement can be signed at any time</p>	<p><b>✓</b> The resolution passing the Committee of Management Statement must occur and the statement signed and dated <b>BEFORE</b> the auditor's report is signed and dated</p>
<p><b>x</b> Any reporting unit can present the Full Report to a second COM meeting</p>	<p><b>✓</b> Only reporting units with a 5% rule in their rulebook are able to present their report to a second Committee of Management Meeting. Otherwise, it must be presented to a General Meeting of members</p>
<p><b>x</b> Everything can be done at one Committee of Management meeting</p>	<p><b>✓</b> If the rules allow for presenting the report to the Committee of Management, there must still be <b>two meetings</b>. The first meeting resolves the Committee of Management statement (including signing and dating it). Between the two meetings the Auditor's report is signed and dated. Only then can the full report be presented to the second Committee of Management meeting (if the rules allow)</p>
<p><b>x</b> The reporting unit has 6 months and 14 days to lodge their financial report with the ROC</p>	<p><b>✓</b> The reporting unit must lodge the financial report within 14 days of the second meeting</p>

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This fact sheet is not intended to be comprehensive. It is designed to assist in gaining an understanding of the Registered Organisations Commission and its work. The Registered Organisations Commission does not provide legal advice.



## Fact sheet

### Loans, Grants & Donations

#### **The Loans, Grants & Donations Requirements**

The *Fair Work (Registered Organisations) Act 2009* (the RO Act) requires an organisation or branch to lodge a loans, grants and donations statement (the statement) within **90 days** of the ending of the financial year.

Under the Commissioner's Reporting Guidelines, a reporting unit's General Purpose Financial Report (the financial report) must break down the amounts of grants and donations (see below). The figures in the financial report will be compared to the loans, grants and donations statement.

#### **The Loans, Grants & Donations Statement**

Section 237 of the RO Act applies to every loan, grant and donation made by an organisation or branch during the financial year that exceeds \$1000. The following information must be supplied to the Registered Organisations Commission (the ROC) for each relevant loan, grant or donation:

- the amount,
- the purpose,
- the security (if it is a loan),
- the name and address of the person to whom it was made,\* and
- the arrangements for repaying the loan.\*

\*The last two items are not required if the loan, grant or donation was made to relieve a member of the organisation (or their dependent) from severe financial hardship.

The statement must be lodged within 90 days of the end of the financial year and the ROC has a [Template Loans, Grants and Donations Statement](#) on its website. The ROC encourages branches and organisations to lodge the statement even if all of the figures are NIL.

## Common misconceptions

Over the years, staff of the Commission have noted that there are some common misunderstandings made in relation to the Statement. They include:

Misconception	Requirement
✘ Only reporting units must lodge the Statement.	✔ All branches and organisations, regardless of whether they lodge a financial report, must lodge the statement within 90 days of the end of the financial year. An organisation cannot lodge a single statement to cover all of its branches.
✘ Employees can sign the Statement.	✔ The statement must be signed by an elected officer of the relevant branch.
✘ Statements can be lodged with the financial report.	✔ The deadline for the statement is much shorter (90 days) and if it is lodged with the financial report it is likely to be late.

## Grants & Donations within the Financial Report

Item 14(e) of the Commissioner's Reporting Guidelines requires the reporting unit to separate the line items relating to grants and donations into grants or donations that were \$1000 or less and those that exceeded \$1000.

As such, the note in the financial report relating to grants and donations will have four lines.

In the [ROC's Model Statements](#) the note appears as follows:

### Note 4E: Grants or donations\*

	2017	2016
Grants:		
Total expensed that were \$1,000 or less	-	-
Total expensed that exceeded \$1,000	-	-
Donations:		
Total expensed that were \$1,000 or less	-	-
Total expensed that exceeded \$1,000	-	-
<b>Total grants or donations</b>	-	-

The Commissioner's Reporting Guidelines requires that these line items appear in the financial statements, the notes or in the officer's declaration statement, even if the figures are NIL.

## **Implications for filing the Financial Report**

During their review of the financial report staff of the ROC may confirm that the figures in the financial report match the disclosures made in the statement. Any inconsistencies in these figures will be raised with the organisation or branch for explanation and action.

This may involve lodging an amended loans, grants or donations statement. Any failure to lodge a loans, grants or donations statement or lodging a statement that is false or misleading can attract civil penalties under the RO Act.

If a reporting unit did not fully comply with these requirements in their last financial report, its filing letter will have included a statement reminding the reporting unit of its obligations.

It is strongly recommended that all reporting units review their filing letters from the previous financial year to ensure any targeted concerns are addressed in their latest financial report. Failure to address these individual concerns may mean that a financial report cannot be filed.

Previous financial reports and filing letters are available from the website.

## **Further information**

If you have any further questions relating to the loan, grant and donation disclosure requirements in the statement or the financial report, please contact the ROC on [regorgs@roc.gov.au](mailto:regorgs@roc.gov.au)

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