21 August 2020

Mr Stavros Yallouridis
Chief Executive
Motor Traders' Association of New South Wales

By e-mail: mail@mtansw.com.au

stephen.jenkins@mtansw.com.au

Dear Mr Yallouridis

Motor Traders' Association of New South Wales
Financial Report for the year ended 31 December 2019 - FR2019/302

I acknowledge receipt of the financial report for the year ended 30 June 2019 for the Motor Traders' Association of New South Wales (**the reporting unit**). The financial report was lodged with the Registered Organisations Commission (**ROC**) on 1 July 2020.

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

Whilst the 2019 report has been filed the following should be addressed in the preparation of the next financial report.

1. Operating report

Trustee of superannuation entity

Subsection 254(2)(d) of the RO Act requires details of any officer or member of the reporting unit who is a trustee, or a director of a company that is a trustee, of a superannuation entity or an exempt public sector superannuation scheme.

If no officers or a member of the reporting unit is a trustee of a superannuation entity, the preferred wording to satisfy the subsection 254(2)(d) is:

> 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.

2. General Purpose Financial Report (GPFR)

Property, plant and equipment valuation

It is noted that the freehold land and buildings at Note 12 to the GPFR have been valued at cost since 2011. Carrying an asset at cost for an extended period may not fairly present to users the financial position of the reporting unit.

In this regard *AASB 101 Presentation of Financial Statements* paragraph 15 requires that "Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. …".

For the 31 December 2020 financial statements the reporting unit is required to undertake a revaluation of freehold land and building or to clearly disclose to users of the statements the reasons for continuing to value these assets at cost.

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

Yours faithfully

KEN MORGAN
Financial Reporting Specialist
Registered Organisations Commission

Certificate of Secretary or Other Authorised Officer

S268 *Fair Work (Registered Organisations) Act 2009*

I, **David Keats**, being the elected **President** of the **Motor Traders' Association of New South Wales** Certify:

- That the document lodged herewith is a copy of the full financial report for the **Motor Traders' Association of New South Wales** for the period ended, **31 December 2019,** referred to in section 268 of the *Fair Work (Registered Organisations) Act, 2009.* ; and

- That the full financial report was provided to members on **28 May, 2020**; and

- That the full financial report was presented and made available at the Annual General Meeting held on the **19 June, 2020** in accordance with section 266(1) of the *Fair Work (Registered Organisations) Act 2009.*

Signature of Prescribed designated officer: ______________

Name of prescribed designated officer: **DAVID KEATS**

Title of prescribed designated officer: **PRESIDENT**

Date: 18 August 2020

Motor Traders' Association of New South Wales
ABN 63 000 008 088

Consolidated general purpose financial report for the year ended 31 December 2019

Contents

Operating report

Your officers submit their report on Motor Traders' Association of New South Wales (the "Association") and its controlled entities (the "Group") for the year ended 31 December 2019.

Executive board members

The following persons were board members of the unincorporated association during the whole of the financial year and up to the date of this report, unless otherwise stated:

David Keats (President)	
Adrian Carlson (Honorary Treasurer)	(Resigned: 31 January 2019)
Mark Beard	(Resigned: 4 February 2019; reappointed: 18 December 2019)
Ray Beekman	
Brian Cowan	
Geoffrey Lowe	
Lindsay Vidler	
John Young	
Robert Garland	
Donna Axiak (Honorary Treasurer)	(Appointed: 18 December 2019)
Sandy Massina (Secretary)	(Appointed: 18 December 2019)

Principal activities

Founded in 1910, the Motor Traders' Association of New South Wales (MTA NSW) is an employers' Association dedicated to representing owners and business principals in the NSW automotive industry. MTA NSW is also a Registered Training Organisation (RTO) delivering a broad range of training qualifications for the training of apprentices and trainees.

The Association's aim is to help the motor industry across all its divisions. We achieve this by assisting our Members in the daily running of their businesses, as well as lobbying governing bodies to ensure a long and viable automotive industry in NSW. MTA NSW is well-placed to represent the interests of our Members, being in constant contact with politicians and Government officials. Our Association regularly offers advice on matters affecting the industry and MTA is proud to be the principal consultative party and a leader in industrial relations issues influencing the retail motor industry. MTA NSW lobbies State and Federal Government on behalf of Members and the industry. Our policy interests are varied and designed to ensure a strong automotive industry in NSW. Our policies cover taxation, fair trading, vehicle repair standards, employment relations, the environment, industry skilled training, and more.

The Association also works to ensure the public has confidence in dealing with MTA Members through our Code of Ethics. MTA NSW's Code of Ethics is a landmark statement that sets out the standard of behaviour MTA NSW Members must follow in their dealings with the public. The framework of principles under which its Members trade with the public is to protect consumers and safeguard the reputation of legitimate motor traders. It concerns the relationship between customers and suppliers of goods and services - the code addresses acceptable standards, not just legal obligations.

Training delivered by MTA NSW occurs at the workplace through qualified trainers facilitating one-on-one theory and practical sessions. This allows the employer to become actively involved in the training of their learners. Employers also benefit from the exchange of feedback with the MTA NSW trainers during the workplace visits. MTA NSW delivers training and assessment at regular intervals throughout the entire duration of the qualification.

The MTA NSW trainers are constantly monitoring and guiding the learners throughout the delivery of their training. As the training is taking place within the workplace, employers and learners have a far greater choice in terms of how to engage with the learning and assessment resources, order of delivery and unit selection within the qualification.

Operating report (continued)

Principal activities (continued)

There have been no other significant changes in the nature of these activities during the year.

Operating results for the year

The surplus after tax of the Group for year ended 31 December 2019 was $1,294,262 (2018: $606,699).

Objectives

The short-term objectives of the Association are to represent the best interests of the Members of MTA NSW to the Government, the corporate sector, the media and the public at large and to provide a range of services to the Members that will enhance their individual businesses. Our goal is to continue to develop and grow and be recognised as the industry Association for providing knowledge, education, services and solutions for a sustainable future of the motor industry.

The long-term objective is to become a leading Association, providing innovative business services of superior values and to facilitate the creation and sustainability of an industry sector that is prosperous and which provides a high level of service to Members, trainees, businesses and the motoring public in this country.

Strategy for achieving the objectives

The strategy for achieving these objectives is to build lasting and beneficial relationships with all stakeholders and to progressively increase the business and thus income of the Association so as to be able to provide the widest range of quality services to the membership. We have developed an effective sustainability strategy for our Association and carefully plan on how to implement the strategy into practice. We will continue to invest in people and develop on workforce skills focussing on training and having the right people in realising our goals. We will constructively establish a culture of sustainability in the workplace and encourage our staff to contribute unitedly to the planning for the future of the Motor Traders' Association of New South Wales.

Performance measures

The Association measures its performance through the engagement of its Members, whereby seeking feedback during visits on the level of the Member’s satisfaction, the performance of the Association and the success in meeting the set objectives. The Executive Board provides the strategy to the Management, which it then implements, follows and monitors its performance. At each Board Meeting, business operations are discussed in detail and financial performance is reviewed, therefore, providing transparency and proper governance.

Significant changes in financial affairs

There were no significant changes in financial affairs of the Association during the year.

Significant events after the balance date

Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

We have not seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak’s near-term and longer effects or Governments’ varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

Operating report (continued)

Significant events after the balance date (continued)

There have been no other significant events occurring after the balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

Right of members to resign

In accordance with the requirements under the *Fair Work (Registered Organisations) Act 2009,* members are advised that in accordance with Rule 18 of the Association's Constitution and Rules, members may resign by tendering their resignation in writing to the Chief Executive Officer.

Number of members

As at 31 December 2019 the number of members of the Association was 3,109 (2018: 3,036).

Number of employees

The number of full-time equivalent employees employed by the Association as at 31 December 2019 was 62 (2018: 53).

Likely developments and expected results

Likely developments in the operations of the Association and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Association.

Environmental regulation and performance

The Association is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

Indemnification and insurance of officers

No indemnities have been given or insurance premiums paid during, or since the end of the financial year for any person who is, or has been an officer of the Association.

Indemnification of auditor

To the extent permitted by law, the Association has agreed to indemnify its auditor, Ernst & Young (Australia), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young (Australia) during or since the financial year.

Signed in accordance with a resolution of the officers.

David Keats
President of the Executive Board
Sydney
25 May 2020

Report under subsection 255(2A)

For the year ended 31 December 2019

The Executive Board presents the Expenditure Report in accordance with subsection 255(2A) of the *Fair Work (Registered Organisations) Act 2009* for the Group for the year ended 31 December 2019.

	2019	**2018**
	$	**$**
Categories of expenditure:		
Remuneration and other employment-related costs and expenses - employees	6,119,938	5,187,918
Advertising	243,612	242,845
Operating costs	3,162,329	2,418,126
Donations to political parties	53,792	2,000
Legal costs	34,551	115,299
	9,614,222	**7,966,188**

For and on behalf of the Executive Board of Motor Traders' Association of New South Wales Group

David Keats
President of the Executive Board
Sydney
25 May 2020

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Notes	2019 $	2018 $
Revenue from contracts with customers	5.1	10,588,707	8,345,074
Expenses	5.2	(9,584,773)	(7,853,067)
Reversal/(impairment) of receivables		4,337	(90,530)
Operating surplus		**1,008,271**	**401,477**
Finance income		191,284	234,124
Share of profit/(losses) on associates		217,312	(1,308)
Finance costs		(33,786)	(27,594)
Surplus before tax		**1,383,081**	**606,699**
Income tax expense	6	-	-
Surplus for the year		**1,383,081**	**606,699**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Fair value loss on investments	17	(88,819)	-
Other comprehensive loss for the year		**(88,819)**	**-**
Total comprehensive income for the year		**1,294,262**	**606,699**

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

Consolidated statement of financial position

As at 31 December 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	7	3,297,670	10,526,975
Trade and other receivables	8	1,009,088	630,869
Inventories	9	66,144	82,117
Investments	10	6,988,956	12,775
Total current assets		**11,361,858**	**11,252,736**
Non-current assets			
Investment in associates	11	217,312	-
Property, plant and equipment	12	7,224,831	6,852,070
Right-of-use assets	13	8,060	-
Total non-current assets		**7,450,203**	**6,852,070**
Total assets		**18,812,061**	**18,104,806**
Liabilities			
Current liabilities			
Trade and other payables	14	2,726,244	2,762,170
Borrowings	15	-	596,415
Employee provisions	16	469,622	427,510
Lease liabilities	13	8,337	-
Total current liabilities		**3,204,203**	**3,786,095**
Non-current liabilities			
Employee provisions	16	28,622	33,737
Total non-current liabilities		**28,622**	**33,737**
Total liabilities		**3,232,825**	**3,819,832**
Net assets		**15,579,236**	**14,284,974**
Members' funds			
Reserves	17	(88,819)	-
Accumulated funds		15,668,055	14,284,974
Total members' funds		**15,579,236**	**14,284,974**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in members' funds

For the year ended 31 December 2019

	Accumulated funds	Revaluation reserve (Note 17)	Total members' funds
	$	$	$
At 1 January 2019	**14,284,974**	**-**	**14,284,974**
Surplus for the year	1,383,081	-	1,383,081
Other comprehensive income	-	(88,819)	(88,819)
Total comprehensive income/(loss) for the year	1,383,081	(88,819)	1,294,262
At 31 December 2019	**15,668,055**	**(88,819)**	**15,579,236**
As at 1 January 2018	**13,322,097**	**24,085**	**13,346,182**
Correction of errors from prior periods	332,093	-	332,093
At 1 January 2018	**13,654,190**	**24,085**	**13,678,275**
Transfer to accumulated funds at 1 January 2018 for assets reclassified upon transition to AASB 9	24,085	(24,085)	-
At 1 January 2018 after adoption of AASB 9	**13,678,275**	**-**	**13,678,275**
Surplus for the year	606,699	-	606,699
Other comprehensive income	-	-	-
Total comprehensive income for the year	606,699	-	606,699
At 31 December 2018	**14,284,974**	**-**	**14,284,974**

The above consolidated statement of changes in members' funds should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 31 December 2019

	Notes	2019 $	2018 $
Operating activities			
Receipts from customers		10,608,975	8,760,127
Payments to suppliers and employees		(9,287,931)	(7,634,842)
Payments related to controlled entities		-	(14,686)
Interest received		191,284	207,046
Interest paid		(33,786)	(27,594)
Net cash flows from operating activities		**1,478,542**	**1,290,051**
Investing activities			
Purchase of property, plant and equipment	12	(982,150)	(735,847)
Purchase of investment		(7,065,000)	-
Proceeds from sale of investments		-	11,220
Net cash flows used in investing activities		**(8,047,150)**	**(724,627)**
Financing activities			
(Repayment of)/proceeds from borrowings		(596,415)	283,075
Payment of principal portion of lease liabilities		(64,282)	-
Net cash flows (used in)/from financing activities		**(660,697)**	**283,075**
Net (decrease)/increase in cash and cash equivalents		(7,229,305)	848,499
Cash and cash equivalents at 1 January		10,526,975	9,678,476
Cash and cash equivalents at 31 December	7	**3,297,670**	**10,526,975**

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

Notes to the consolidated financial statements

For the year ended 31 December 2019

1. Corporate information

The consolidated financial statements of Motor Traders' Association of New South Wales (the "Association") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the officers on 22 May 2020.

Motor Traders' Association of New South Wales is an unincorporated association registered under the *Fair Work (Registered Organisations) Act 2009.* These consolidated financial statements are for Motor Traders' Association of New South Wales and the entities it controlled during the year ("MTA NSW" or the "Group").

The Governing Council has the vested power, authority and discretion to manage the business and control the affairs of the Association on behalf of its members. All of the powers, authorities and discretions vested in the Governing Council are also conferred on and vested in the Executive Board, save always that the Executive Board does not have power or authority to rescind, alter or vary any previous resolution or decision of the Council. No regulations prescribed by the Association in general meeting or by the Council shall invalidate any prior act of the Executive Board which would have been valid if that regulation had not been made. In the event of a vacancy occurring on the Executive Board, the Executive Board does not have the power to elect a replacement.

The registered office and principal place of business of the Association is 214 Parramatta Road, Burwood, NSW 2134.

The nature of the operations and principal activities of the Association are described in the operating report.

2. Significant accounting policies

2.1 Basis of preparation

These general purpose financial statements 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, the *Associations Incorporation Act 2009 (New South Wales)* and the *Fair Work (Registered Organisations) Act 2009.* For the purposes of preparing the general purpose financial statements, MTA NSW is a not-for-profit entity.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments.

The financial report is presented in Australian dollars ($).

2.2 Changes in accounting policies, standards and interpretations

New and amended standards and interpretations

The Group applied AASB 16 *Leases* and AASB 15 *Revenue From Contracts with Customers* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 supersedes AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

2. Significant accounting policies (continued)

2.2 Changes in accounting policies, standards and interpretations (continued)

New and amended standards and interpretations (continued)

AASB 15 *Revenue from Contracts with Customers (continued)*

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted AASB 15 using modified retrospective method of adoption. There was no significant impact on recognition or measurement in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position or consolidated statement of cash flows as a result of the adoptions but there has been a change in the required disclosures to reflect the requirements of the new accounting standard.

AASB 16 *Leases*

AASB 16 replaces AASB 117 Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease, AASB Interpretation 115 Operating Lease-Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the consolidated statement of financial position.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 did not have an impact for leases where the Group is the lessor.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The Group has lease contracts for various items of motor vehicles and other equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

• *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

2. Significant accounting policies (continued)

2.2 Changes in accounting policies, standards and interpretations (continued)

New and amended standards and interpretations (continued)

AASB 16 *Leases (continued)*

The Association also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- Right-of -use assets of $72,619 were recognised and presented separately in the consolidated statement of financial position.
- Additional lease liabilities of $72,619 were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	$
Assets	
Operating lease commitments as at 31 December 2018	**85,515**
Weighted average incremental borrowing rate as at 1 January 2019	3.44%
Discounted operating lease commitments as at 1 January 2019	**72,619**
Lease liabilities as at 1 January 2019	**72,619**

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Association and its subsidiaries as at 31 December. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

2. Significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.4 Summary of significant accounting policies

a) Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

a) Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

b) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

c) Trade and other receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

d) Inventories

Finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

e) Financial assets and financial liabilities

(i) Recognition

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

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

e) Financial assets and financial liabilities (continued)

(ii) Financial assets at fair value through profit or loss

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

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

(iii) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its YCM equity investments under this category.

(iv) Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(v) Financial liabilities at amortised cost

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(vi) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss, except where the financial assets are considered low risk as the ECL related to these assets is zero. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

e) Financial assets and financial liabilities (continued)

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

f) Property, plant and equipment

Land and buildings are stated at cost. Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	1% Straight line
Furniture, fittings and equipment	10% to 40% Reducing balance
Motor vehicles	25% Straight line

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

g) Investments in associate

Investments in associate held by the Group are accounted for at cost in the statement of financial position less any impairment charges.

h) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

h) Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

i) Leases

For the year ended 31 December 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Motor vehicles and other equipment	3-5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.4(h) Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

i) Leases (continued)

For the year ended 31 December 2019 (continued)

(ii) Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of xx months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

j) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

k) Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

l) Provisions and employee benefit liabilities

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

l) Provisions and employee benefit liabilities (continued)

Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave and annual leave

The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

m) Revenue from contract with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

The specific recognition criteria described below must be met before revenue is recognised.

Sale of stationery and merchandise

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

Rendering of services

The Group recognises revenue from services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefit provided by the Group.

n) Finance income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

o) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

2. Significant accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

o) Taxes (continued)

Tax consolidation legislation

Motor Traders' Association of New South Wales, the parent entity, is an employer's association registered under the *Fair Work (Registered Organisations) Act 2009.* The Association therefore qualifies for exemption from income tax under section 50-15 of the *Income Tax Assessments Act 1997.* The subsidiary entities within the Group are not exempt from income tax so have losses carried forward.

Goods and services tax (GST)

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

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable;
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

p) Parent entity financial information

The financial information for the parent entity, Motor Traders' Association of New South Wales, disclosed in Note 24, has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries and associates are accounted for at cost in the financial statements of MTA NSW.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation charge for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Provision for expected credit losses of trade receivables

Included in accounts receivable at 31 December 2019 is a provision of doubtful debts of $75,609 (2018: $95,617). Such estimates are evaluated by the officers based on best available information and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

4. Notice to members

Notice required under Fair Work (Registered Organisations) Act 2009

In accordance with the requirements of section 272 (5) of the Fair Work (Registered Organisations) Act 2009, the attention of the members is drawn to the provisions of sub-section (1), (2) and (3) of section 272, which reads as follows:

(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 subscription (1).

5. Revenue and expenses

5.1 Revenue

a) Disaggregated revenue information

Set out below is the disaggregation of the Association's revenue from contracts with customers:

	2019 $	2018 $
Type of goods or service		
Training services	6,604,270	4,525,002
Membership subscriptions	2,963,310	3,068,308
Stationery and merchandise sales	311,991	320,408
Sponsored advertising income	235,175	139,545
Project management revenue	218,546	-
Commission income	23,646	63,387
Rental income	85,451	87,970
Other revenue	129,718	125,524
Vehicle inspection fees	16,600	14,930
Total revenue from contracts with customers	**10,588,707**	**8,345,074**
Timing of revenue recognition		
Goods transferred at a point in time	311,991	320,408
Services transferred over time	10,276,716	8,024,666
Total revenue from contracts with customers	**10,588,707**	**8,345,074**

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

5. Revenue and expenses (continued)

5.2 Expenses

	2019	2018
	$	$
Cost of goods sold	145,069	165,005
Employee related expenses - Employees other than office holders:		
- Wages and salaries	5,179,536	4,015,656
- Superannuation	432,319	357,135
- Leave and other entitlements	340,894	332,169
- Other employee expenses	167,190	117,544
Occupancy and equipment expenses	644,229	486,220
Operating lease expense	12,623	137,582
Depreciation expense	483,407	314,380
Right-of-use assets depreciation expense	64,559	-
Travel expenses	361,705	279,328
Affiliation fees:		
- MTAA subscriptions and expenses	187,500	172,500
Marketing expenses	584,608	573,425
Administration expenses	218,447	208,721
Training expenses	109,932	84,369
Legal expenses:		
- Related to litigation and compensation	34,551	88,359
- Related to other matters	-	26,940
Members meetings	28,625	30,265
Member services	28,011	24,005
Loss on revaluation of listed equities	-	90
Loss on disposal of property, plant and equipment	-	27,507
Professional fees	246,304	135,148
Impairment - investment in associate	-	745
Contractor costs	169,198	137,850
Donations:		
- Total paid that were $1,000 or less	3,792	-
- Total paid that exceeded $1,000	50,000	18,000
Other expenses	92,274	120,124
	9,584,773	**7,853,067**

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

6. Income tax

Reconciliation of tax expense and the accounting surplus multiplied by Australia's domestic tax rate for 2018 and 2019:

	2019	2018
	$	$
Accounting surplus before income tax	**1,383,081**	**606,699**
At Australia's statutory income tax rate of 27.5% (2018: 27.5%)	380,347	166,842
Surplus exempt from income tax	(372,447)	(170,467)
Current period deficit not brought to account as deferred tax (liabilities)/asset	(7,900)	3,625
Income tax expense/(benefit) reported in the consolidated statement of profit or loss	-	-
The amount of deferred tax assets attributable to revenue losses incurred by subsidiary undertakings not brought to account	**323,079**	**326,039**

The potential deferred tax assets arising from unused tax losses will only be recognised where it is probable that future tax surpluses will be available against which tax losses can be utilised.

7. Cash and cash equivalents

	2019	2018
	$	$
Cash at bank and on hand	2,270,313	888,644
Short-term deposits	1,027,357	9,638,331
	3,297,670	**10,526,975**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the above.

	2019	2018
Cash flow reconciliation		
Surplus for the year	1,383,081	606,699
Adjustments for:		
Depreciation expense	547,966	314,380
(Reversal)/impairment of receivables	(4,337)	90,530
(Gain)/loss on disposal of property, plant and equipment	(26,128)	27,507
Share of (profit)/losses on associates	(217,312)	1,308
Fair value loss on investments	99,349	745
Changes in operating assets and liabilities:		
Increase in trade and other receivables	(373,882)	(84,341)
Decrease in inventories	15,973	33,106
Increase in trade and other payables	58,947	245,805
Decrease/(increase) in employee provisions	(5,115)	54,312
Net cash flows from operating activities	**1,478,542**	**1,290,051**

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

7. Cash and cash equivalents (continued)

7.1 Changes in liabilities arising from financing activities

	1 January 2019	Cash flows	31 December 2019
	$	$	$
Borrowings	596,415	(596,415)	-
Lease liabilities	72,619	(64,282)	8,337
Total liabilities from financing activities	**669,034**	**(660,697)**	**8,337**

	1 January 2018	Cash flows	31 December 2018
	$	$	$
Borrowings	313,340	283,075	596,415
Total liabilities from financing activities	**313,340**	**283,075**	**596,415**

8. Trade and other receivables

	2019	2018
	$	$
Current		
Trade receivables	944,257	618,476
Allowance for expected credit losses	(75,609)	(95,617)
	868,648	522,859
Receivables from other related parties	5,472	-
Prepayments	134,968	108,010
	1,009,088	**630,869**

9. Inventories

	2019	2018
	$	$
Current		
Stationery and merchandise	**66,144**	**82,117**

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

10. Investments

	2019	2018
	$	$
Current		
Listed shares - at fair value	14,395	12,775
YCM Investment	6,974,561	-
	6,988,956	**12,775**

Listed shares - at fair value comprise listed shares in Insurance Australia Group Limited (IAG). These were acquired from the demutualisation of National Roads and Motorists' Association (NRMA), of which MTA was a member, and the associated spin-off of NRMA Insurance which was sold to IAG in August 2000.

Yarra Capital Management is investment fund made of two components which are Income Plus Fund and Real Assets investment. The Yarra Australian Real Assets Securities fund is an Australian domiciled registered managed investment scheme which pools the money of individual investors. This pool of money is then used in the fund to buy assets according to the Fund's Investment policy. The Fund seeks to invest in Australian infrastructure, utilities and real estate investment trusts securities. The Yarra Income Plus Fund is an Australian domiciled managed investment scheme. The Fund is substantially invested in Yarra Income Plus Pooled Fund ARSN 090 047 448 of which YCM is also the responsible entity. To gain exposure to the relevant asset classes, the Income Plus Pooled Fund may invest in other managed investment schemes or products, or hold assets directly.

Reconciliation

Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

	2019	2018
	$	$
Opening fair value	12,775	24,085
Revaluation decrements	-	(90)
Purchase of YCM investments	6,976,181	-
Disposal of investment	-	(11,220)
Closing fair value	**6,988,956**	**12,775**

The final settlement of MTAA House Unit Trust sold in 2017 and was received in 2018 amounting to $11,220.

11. Investment in associates

	2019	2018
	$	$
Non-current		
Investments accounted for using the equity method	**217,312**	**-**

MTA has a 52.5% (2018: 50%) interest in Motor Trades Cover Pty Ltd (MTC) and holds 1/3 of the board composition. MTC has an industry alliance agreement with icare providing consulting services for motor traders industry WHS/workplace injury prevention and return to work initiatives.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

11. Investment in associates (continued)

Movement in carrying amount of investments in associates:

	2019	2018
	$	$
Balance at the beginning of year	-	2,053
Aggregate share of net surplus after income tax	217,312	(1,308)
Impairment	-	(745)
Balance at the end of the year	**217,312**	**-**

12. Property, plant and equipment

	Freehold land and buildings*	Furniture, fittings and equipment	Motor vehicles	Total
	$	$	$	$
Cost				
At 1 January 2018	5,612,184	2,148,594	349,242	8,110,020
Additions	-	210,260	525,587	735,847
Disposals	-	(983,673)	-	(983,673)
Transfer	69,820	(69,820)	-	-
At 31 December 2018	**5,682,004**	**1,305,361**	**874,829**	**7,862,194**
At 1 January 2019	5,682,004	1,305,361	874,829	7,862,194
Additions	-	277,272	704,878	982,150
Disposals	-	(65,404)	(283,189)	(348,593)
At 31 December 2019	**5,682,004**	**1,517,229**	**1,296,518**	**8,495,751**
Accumulated depreciation				
At 1 January 2018	169,329	1,340,127	32,273	1,541,729
Depreciation charge for the year	32,727	117,419	164,234	314,380
Disposals	-	(845,985)	-	(845,985)
Transfers	36,241	(36,241)	-	-
At 31 December 2018	**238,297**	**575,320**	**196,507**	**1,010,124**
At 1 January 2019	238,297	575,320	196,507	1,010,124
Depreciation charge for the year	34,437	181,528	267,442	483,407
Disposals	-	(65,340)	(157,271)	(222,611)
At 31 December 2019	**272,734**	**691,508**	**306,678**	**1,270,920**
Net book value				
At 31 December 2019	**5,409,270**	**825,721**	**989,840**	**7,224,831**
At 31 December 2018	5,443,707	730,041	678,322	6,852,070

*On 15 October 2019, a property valuation was conducted by an independent property valuer for the purpose of mortgage security which supported a valuation of $7,750,000.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

13. Leases

Group as a lessee

The Group has lease contracts for various items of motor vehicles and other equipment used in its operations. Leases of motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Motor vehicles and other equipment
As at 1 January (effect of adopting AASB 16)	**72,619**
Depreciation expense	(64,559)
As at 31 December	**8,060**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2019
	$
As at 1 January (effect of adopting AASB 16)	**72,619**
Accretion of interest	2,499
Payments	(66,781)
At 31 December	**8,337**
Current	8,337

The following are the amounts recognised in profit or loss:

	2019
	$
Depreciation expense of right-of-use assets	64,559
Interest expense on lease liabilities	2,499
At 31 December	67,058

Group as a lessor

The Group leases part of its owner-occupied premises at 214 Parramatta Road, Burwood to a third-party tenant. There is an option to renew at the end of the current lease term.

Rental income recognised by the Group during the year is $85,451 (2018: $87,970).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

13. Leases (continued)

Group as a lessor (continued)

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2019	2018
	$	$
Within one year	7,838	91,789
After one year but not more than five years	-	1,538
	7,838	**93,327**

14. Trade and other payables

	2019	2018
	$	$
Current		
Trade payables	216,075	257,750
Other payables and accruals	308,555	216,634
Legal payables:		
- Related to litigation and compensation	-	111,000
GST payable	125,582	205,427
Subscriptions received in advance	1,781,258	1,743,126
Statutory payables	126,458	158,289
Sponsored advertising received in advance	68,636	69,944
SWAAT income in advance	99,680	-
	2,726,244	**2,762,170**

15. Borrowings

	2019	2018
	$	$
Current		
Bank loans	**-**	**596,415**

The bank loan is secured over the Group’s premises at 214 Parramatta Road, Burwood. The Group has access to a total facility of $1.0m (2018: $1.0m).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

16. Employee provisions

	2019	2018
	$	$
Current		
Employees other than office holders:		
Provision for annual leave	305,675	268,678
Provision for long service leave	163,947	158,832
Total current provisions	**469,622**	**427,510**
Non-current		
Employees other than office holders:		
Provision for long service leave	28,622	33,737
Total non-current provisions	**28,622**	**33,737**
Total employee provisions	**498,244**	**461,247**

	2019	2018
Average number of employees throughout the year	**58**	**51**

17. Reserves

	2019	2018
	$	$
Revaluation reserve	**(88,819)**	**-**

	2019	2018
	$	$
Balance at 1 January	-	24,085
Transfer to accumulated funds at 1 January 2018 for assets reclassified upon transition to AASB 9	-	(24,085)
Balance at 1 January after adoption of AASB 9	**-**	**-**
Revaluation at fair value NRMA shares	14,395	-
Transfer of realised revaluation increments from reserves to accumulated funds	(12,775)	-
Fair value loss on investments	(90,439)	-
Balance at 31 December	**(88,819)**	**-**

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

18. Financial instruments

The Group holds the following financial instruments:

	2019	2018
	$	$
Current financial assets		
Trade receivables	868,648	522,859
Cash and cash equivalents		
Cash at bank and on hand	2,270,313	888,644
Short-term deposits	1,027,357	9,638,331
Investments		
Listed shares - at fair value	14,395	12,775
YCM Investment	6,974,561	-
	11,155,274	**11,062,609**

	2019	2018
Current financial liabilities		
Trade and other payables		
Trade payables	216,075	257,750
Other payables and accruals	308,555	216,634
Legal payables	-	111,000
Borrowings		
Bank loans	-	596,415
	524,630	**1,181,799**

Financial risk management objectives

The Group's activities do not expose it to many financial risks, with only credit risk on trade receivables balances and liquidity risk on payables balances needing to be actively managed.

Market risk

Foreign currency risk

The Group has no foreign currency exposures.

Interest rate risk

As the Group holds significant short-term deposit balances at short-term fixed interest rates and the bank loan is at a floating rate, the Group's profit and members' funds are exposed to risk from changes in interest rate. Management has considered the impact of an estimated reasonably likely movement in interest rates of +/-0.5% on the Group profit or loss and members' funds and has determined the impact to be insignificant.

Other price risk

The Association’s equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Investment committee manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Association's investment committee for review and recommendation prior to obtaining approval from the Governing Council regarding all equity investment decisions.

At the reporting date, the exposure to equity investments at fair value was $6,988,956. Given that the changes in fair values of the equity investments held are strongly positively correlated with changes of the market index, the Association has determined that an increase/(decrease) of 5% on the market index could have an impact of approximately $180,000 increase/(decrease) on the income and equity attributable to the Association.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

18. Financial instruments (continued)

Credit risk

The Group is exposed to credit risk on the financial assets it holds. At the reporting date, the maximum exposure to credit risk on these assets is considered to be their carrying values, net of any expected credit losses as disclosed in the consolidated statement of financial position and notes to the financial statements.

Impairment of financial assets

The following types of financial assets are subject to the expected credit loss model:

- trade receivables for sales of stationery, merchandise, employment related products, and training services provided.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, due to the short-term or on-demand nature of the deposits and the high credit quality of the counterparty banks, the credit risk on these balances has been assessed as low risk. Therefore no loss allowance has been provided on these balances.

The expected loss rates are based on the payment profiles of sales and services delivered over the preceding 12 month period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on changes to collection process and the expected timing for issue of completed training certification.

On that basis, the loss allowance as at 31 December 2019 and 1 January 2019 (on adoption of AASB 9) was determined as follows for trade receivables:

31 December 2019	**Current**	**30 days**	**31-180 days**	**More than 180 days**	**Total**
	$	**$**	**$**	**$**	**$**
Expected credit loss rate	-%	-%	20%	62%	
Gross carrying amount	359,637	91,296	130,910	132,832	714,675
Loss allowance	-	-	(9,388)	(66,222)	(75,610)

1 January 2019	**Current**	**30 days**	**31-180 days**	**More than 180 days**	**Total**
	$	**$**	**$**	**$**	**$**
Expected credit loss rate	-%	-%	22%	71%	
Gross carrying amount	419,112	50,141	21,471	127,750	618,474
Loss allowance	-	-	(4,644)	(90,974)	(95,618)

Balances are considered uncollectible and are written-off when all avenues of recovery have been exhausted.

The closing loss allowances for trade receivables reconcile to the opening loss allowances as follows:

	2019	**2018**
	$	**$**
Opening loss allowance as at 1 January	**95,618**	**24,398**
Increase in loss allowance recognised in profit or loss during the year	-	90,529
Receivables written off during the year as uncollectible	(15,671)	(19,309)
Unutilised provision reversed	(4,337)	-
Closing loss allowance at 31 December	**75,610**	**95,618**

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

18. Financial instruments (continued)

Liquidity risk

Prudent liquidity risk management requires management to ensure sufficient liquid assets are available to meet the Group's financial obligations as they fall due.

Management manages liquidity risk by continuously monitoring actual and forecast cash flows, ensuring sufficient cash balances are available through managing the maturity profiles of the Group's short-term deposits, and utilising the bank loan to fund non-current asset purchases.

Financing arrangements

Unused borrowing facilities at the reporting date:

	2019	2018
	$	$
Bank loans	1,000,000	403,585

Remaining contractual maturities

The following table details the Group's contractural maturity profile for its financial instrument liabilities. The table shows the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are or could be required to be paid (on-demand facilities). The table includes cash flows of both principal and interest and therefore these totals may differ from the carrying amounts of the financial liabilities recognised in the statement of financial position.

	Interest rate	30 days	2019
	%	$	$
Non-interest bearing			
Trade payables	-	216,075	216,075
Other payables and accruals	-	308,555	308,555
Total non-derivatives		**524,630**	**524,630**

	Interest rate	30 days	2018
	%	$	$
Non-interest bearing			
Trade payables	-	257,750	257,750
Other payables and accruals	-	216,634	216,634
Legal payables	-	111,000	111,000
Interest-bearing - Floating rate			
Bank loan	4.7%	596,415	596,415
Total non-derivatives		**1,181,799**	**1,181,799**

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

19. Fair value measurement

The following tables detail the Group's assets and liabilities measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Unobservable inputs for the asset or liability based on observable data. This is the case for the unlisted units in MTAA House Unit Trust

	2019	2018
	$	$
Investments		
Level 1		
Listed shares - at fair value	14,395	12,775
YCM investment - at fair value	6,974,561	-
	6,988,956	**12,775**

Due to their short-term nature, the carrying values of trade receivables, trade payables, other payables and accruals, and legal payables are considered to be the same as their fair values. The carrying values of cash and cash equivalents (including short-term bank deposits) and the bank loan are considered to be the same as their fair values due to their short-term or on demand maturity profiles and the high credit quality of the counterparty banks.

20. Related party disclosures

The following are the total amount of transactions that have been entered into with related parties for the relevant financial year.

During the year, Motor Traders' Association of New South Wales (MTA) recognised current year membership subscriptions totalling $6,751 (2018: $8,591) for motor traders entities associated with the Executive Board Members.

Total cash received by MTA from these entities for 2019 subscriptions paid in advance of the 2020 subscription year was $4,099 (received 2018 for 2019 subscriptions: $2,845).

Sales of stationery, merchandise, and employment related products from MTA to these entities during the year totalled $759 (2018: $1,576). Trade receivables balances at reporting date relating to these transactions totalled $nil (2018: $36).

Reimbursement of out-of-pocket expenses owed by MTA to individual Executive Board Members as at 31 December 2019 totalled $nil (2018: $152).

MTA provides project management services to MTC which generated $218,546 as project management revenue for the year (2018: $nil).

Terms and conditions of transactions with related parties

All transactions with related parties are undertaken on the basis of normal member pricing, terms and conditions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. All amounts receivable or payable are due within 30 days of the reporting date. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the Association recognised provision for expected credit losses of $nil relating to amounts owed by related parties (2018: $nil).

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

20. Related party disclosures (continued)

Compensation of key management personnel of the Group

During the year, the Executive Board Members provided all Board governance services to the Parent and subsidiaries for $nil remuneration (2018: $nil).

Employee key management personnel compensation

	2019	2018
	$	$
Short-term employee benefits	423,413	361,679
Post-employment benefits	22,100	20,049
Other long-term benefits	5,693	2,084
Total compensation paid to key management personnel	**451,206**	**383,812**

21. Commitments and contingencies

Capital commitments

At 31 December 2019, the Group had no capital commitments (2018: nil).

Contingencies

There are no contingent assets or contingent liabilities as at the reporting date which would have a material effect on the Group's consolidated financial statements as at 31 December 2019 (2018: $nil).

22. Events after the reporting period

The Association's Investment Committee took a decision to withdraw the funds in YCM investment due to the declining market condition impacted by COVID-19, the fair value on the date of withdrawal was $6,901,203.

Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

We have not seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak’s near-term and longer effects or Governments’ varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

There have been no other significant events occurring after the balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

23. Auditor's remuneration

The auditor of Motor Traders' Association of New South Wales is Ernst & Young (Australia).

	2019	2018
	$	$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
An audit of the financial report of the entity	61,600	101,000
Other services	9,150	24,500
	70,750	**125,500**

Auditors remuneration is included in professional fees disclosed in Note 5.2.

24. Information relating to Motor Traders' Association of New South Wales (the Parent)

	2019	2018
	$	$
Current assets	11,343,789	11,245,858
Non-current assets	7,450,403	6,852,901
Total assets	18,794,192	18,098,759
Current liabilities	3,195,992	3,775,995
Non-current liabilities	28,622	33,737
Total liabilities	3,224,614	3,809,732
Revaluation reserve	(306,131)	-
Accumulated funds	15,875,709	14,289,027
	15,569,578	**14,289,027**
Surplus of the Parent	1,155,046	624,669
Total comprehensive income of the Parent	**1,155,046**	**624,669**

Contingent liabilities and commitments of the Parent

The parent entity had no contingent liabilities as at 31 December 2019 (2018: $nil).

The future minimum lease payments due under non-cancellable operating leases as at 31 December 2019 amounts to $8,624 (2018: $85,515).

The future minimum lease amounts receivable under non-cancellable operating leases as at 31 December 2019 amounts to $7,838 (2018: $93,327)

Executive Board statement

On 8 May 2020, the Executive Board of Motor Traders' Association of New South Wales passed the following resolution in relation to the general purpose financial report for the year ended 31 December 2019:

The Executive Board declares that in its opinion:

(a) the consolidated financial statements and notes comply with the Australian Accounting Standards;

(b) the consolidated financial statements and notes comply with the reporting guidelines of the Commissioner;

(c) the consolidated financial statements and the notes give a true and fair view of the financial performance, financial position and cash flows of the Association and its controlled entities for the financial year to which they relate;

(d) there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable; and

(e) during the financial year ended 31 December 2019 and since the end of that year:

  (i) meetings of the committee of management were held in accordance with the rules of the organisation including the rules of a branch concerned; and

  (ii) the financial affairs of the Association have been managed in accordance with the rules of the organisation including the rules of a branch concerned; and

  (iii) the financial records of the Association have been kept and maintained in accordance with the *RO Act;* and

  (iv) where information has been sought in any request by a member of the Association or Commissioner duly made under section 272 of the *RO Act* has been provided to the member or Commissioner; and

  (v) where any order for inspection of financial records has been made by the Fair Work Commission under section 273 of the *RO Act,* there has been compliance.

(f) before any expenditure was incurred by the Association, approval of the incurring of the expenditure was obtained in accordance with the rules of the Association;

(g) a record has been kept of all monies paid by, or collected from, members and all monies so paid or collected have been credited to the bank account to which these monies are to be credited, in accordance with the rules of the Association;

(h) with regard to funds of the Association raised by compulsory levies of voluntary contributions from members, or funds other than the General Fund operated in accordance with the rules, no payments were made out of any such fund for purposes other than those for which the fund was operated;

(i) all loans or other financial benefits granted to persons holding office in the Association were authorised in accordance with the rules;

(j) the register of members of the Association was maintained in accordance with the Act;

(k) meetings of the Executive Board were held during the year ended 31 December 2019 in accordance with the rules of the Association.

Executive Board statement (continued)

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

Donna Axiak
Honoray Treasurer
Sydney
25 May 2020

Officers' declaration

I, being the President of the Executive Board of Motor Traders' Association of New South Wales Group, declare that the activities below did not occur during the reporting periods ended 31 December 2019 and 31 December 2018:

The reporting unit did not:

- agree to receive financial support from another reporting unit to continue as a going concern;
- agree to provide financial support to another reporting unit to ensure they continue as a going concern;
- 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 from another reporting unit;
- receive any other revenue from another reporting unit;
- receive revenue via compulsory levies;
- receive donations or grants;
- receive revenue from undertaking recovery of wages activity;
- incur fees as consideration for employers making payroll deductions of membership subscriptions;
- pay capitation fees to another reporting unit;
- pay compulsory levies;
- pay a grant that was $1,000 or less;
- pay a grant that exceeded $1,000;
- pay any wages and salaries employee expenses related to holders of office;
- pay any superannuation employee expenses related to holders of office;
- pay any leave and other entitlements employee expenses related to holders of office;
- pay any separation and redundancy employee expenses related to holders of office;
- pay any other employee expenses related to holders of office;
- pay to a person fees or allowances to attend conferences or meetings as a representative of the reporting unit;
- pay a penalty imposed under the *RO Act* or the *Fair Work Act 2009;*
- have a receivable with another reporting unit;
- have a payable with another reporting unit;
- have a payable to employer as consideration for that employer making payroll deductions of membership subscriptions;
- have a payable in respect of legal costs relating to other legal matters;
- have any annual leave employee provisions in respect of holders of office;
- have any long service leave employee provisions in respect of holders of office;
- have any separation and redundancy employee provisions in respect of holders of office;
- have any other employee provisions in respect of holders of office;

Officers' declaration (continued)

- have a fund or account for compulsory levies, voluntary contributions, or as required by the rules of the organisation;
- in relation to funds or accounts for compulsory levies, voluntary contributions, or as required by the rules of the organisation, transfer to or withdraw from a fund (other than the general fund), or an account, asset or controlled entity;
- in relation to funds or accounts for compulsory levies, voluntary contributions, or as required by the rules of the organisation, 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;
- pay any separation and redundancy employee expenses related to employees (other than holders of offices);
- have any employee provisions in respect of employees (other than holders of offices) for separation and redundancy;
- have any employee provisions in respect of employees (other than holders of offices) for other employee provisions.

Signed for and on behalf of the Executive Board of Motor Traders' Association of New South Wales

David Keats
President of the Executive Board
Sydney
25 May 2020

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Independent Auditor's Report to the Members of Motor Traders' Association of New South Wales

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Motor Traders' Association of New South Wales and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in members' funds and consolidated statement of cash flows for the year ended 31 December 2019, notes to the consolidated financial statements, including a summary of significant accounting policies, the Executive Board Statement, the subsection 255(2A) report and the Officer Declaration Statement.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of Motor Traders' Association of New South Wales as at 31 December 2019, and its financial performance and its cash flows for the year ended on that date in accordance with:

(a) the Australian Accounting Standards; and

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

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

Basis for Opinion

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

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

Emphasis of Matter: Subsequent Events – Impact of the Coronavirus (COVID-19) Outbreak

We draw attention to Note 22 of the financial report which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 31 December 2019 and how this has been considered by the Executive Board in the preparation of the financial report. As set out in Note 22, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

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

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Board for the Financial Report

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

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

Building a better working world

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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. We are responsible for the direction, supervision and performance of the Reporting Unit audit. We remain solely responsible for our audit opinion.

We 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 we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is James Karekinian who is an approved auditor, a member of Chartered Accountants Australia and New Zealand and holds a current Certificate of Public Practice.

Ernst & Young

Ernst & Young

James Karekinian
Partner
Sydney, Australia
May 25, 2020
Registration number (as registered by the RO Commissioner under the RO Act): AA2019/6

Detailed income statement of the Parent entity

For the year ended 31 December 2019

	2019	2018
	$	$
Revenues		
Membership subscriptions	2,963,310	3,068,308
Commission income	7,046	63,387
Stationery and merchandise sales	311,991	320,408
Interest received	191,284	234,124
Training services	6,604,270	4,525,002
Rental income	85,451	87,970
Sponsored advertising income	235,175	139,545
Project management revenue	218,546	-
Other revenue	124,527	125,464
Total revenues	**10,741,600**	**8,564,208**
Expenses		
Cost of sales:		
Cost of stationery sales	145,061	165,005
Stock obsolescence	8	-
	145,069	165,005
Depreciation:		
Furniture, fittings and equipment	181,528	116,453
Motor vehicles	267,442	164,234
Freehold land and buildings	34,437	32,727
Right-of-use assets	64,559	-
	547,966	313,414
Employment related expense:		
Wages and salaries	4,737,875	3,588,656
Superannuation	432,319	357,135
Wages and salaries - salary sacrifice	51,686	95,394
Payroll tax	251,244	222,484
Workers compensation	11,649	25,407
Long service leave	40,257	3,569
Annual leave	300,637	328,600
Staff amenities	51,133	49,774
Staff recruitment	72,552	18,790
Staff training	43,505	48,980
Fringe benefits tax	127,082	83,715
Contractor costs	169,198	137,850
	6,289,137	4,960,354

Detailed income statement of the Parent entity (continued)

For the year ended 31 December 2019

	2019	2018
	$	$
Expenses (continued)		
Occupancy and equipment expenses:		
Office expenses	26,985	14,895
Cleaning	49,569	51,786
Waste disposal	12,817	5,925
Electricity	30,317	35,511
Rates and taxes - 214 Parramatta	14,380	17,805
R & M - 214 Parramatta	58,151	30,380
Printing and copying	25,277	13,326
Computer consumables	46,607	25,390
Expense payment - FBT - BS	2,182	2,490
Expense payment - FBT - PC	2,143	3,412
Expense payment - FBT - SY	-	278
Self storage unit rental	7,745	-
Shelf storage space	54,084	48,266
MV - Petrol	143,902	123,861
MV - Insurance	35,655	25,600
MV - R & M	71,696	41,722
MV - Rego	33,466	20,172
MV - CTP	29,253	12,610
	644,229	473,429
Operating lease expense:		
Equipment rentals	12,623	13,507
MV - Leasing	-	124,075
	12,623	137,582
Affiliation fees:		
MTAA subscriptions	187,500	172,500
Travel expenses:		
Travel/Airfares	73,759	70,494
Travel - Gov. council	6,282	10,915
Travel EB	24,346	17,466
Accommodation	164,221	117,979
Meals	67,508	46,456
Room hire	159	2,750
Entertainment - FBT - Tips	-	45
Entertainment - FBT - Meals	7,444	9,463
Entertainment - Non FBT	4,044	3,760
Toll	13,942	-
	361,705	279,328

Detailed income statement of the Parent entity (continued)

For the year ended 31 December 2019

	2019	2018
	$	$
Expenses (continued)		
Administrative and meetings expenses:		
Bank charges - Merchant fees	11,283	10,136
Bank charges - Other	4,267	4,012
Bank charges - Paypal	854	562
CVIAA subscriptions	2,500	7,810
Entertainment - FBT - Gov. council	-	126
Entertainment - FBT - Executive Board	1,063	1,362
Meetings	6,403	8,510
AGM costs	13,739	14,285
Meetings - Executive Board	6,792	2,511
Meetings - Gov. Council	628	3,471
Office stationery	20,043	16,432
Postage	72,098	56,479
Telephone - General	31,809	19,712
Telephone - Mobile	44,151	39,419
Telephone - Faxstream	117	4,613
Telephone - Internet	18,631	22,536
Website maintenance	10,318	23,324
	244,696	235,300
Marketing expenses:		
Meetings - Gov. Council	198	2,099
Conferences and seminars	1,605	3,129
Consumer campaign	100,716	76,712
Publications and subscriptions	29,882	25,298
Member services	126,121	156,844
MTA - Information nights	28,011	24,005
Magazine	42,750	40,377
E Journal	39	536
Marketing expenses	283,297	268,430
	612,619	597,430
Training expenses:		
Training exp - Air conditioning	12,579	6,717
Training exp - General	16,824	631
Training - Light vehicle app	76,938	71,813
Industrial library	3,591	4,451
Industrial training OHS	-	757
	109,932	84,369

Detailed income statement of the Parent entity (continued)

For the year ended 31 December 2019

	2019 $	2018 $
Expenses (continued)		
Professional fees:		
Audit and accounting fees	232,253	95,867
Consultancy fees	10,551	20,030
	242,804	115,897
Other expenses:		
Bad debts and collection	-	90,530
Human resources	-	45,397
Insurance	64,479	57,319
Jobready	37,983	14,886
Loss on revaluation of listed equities	-	90
(Gain)/loss on disposal of property, plant and equipment	(26,128)	27,507
Sundry	(16,796)	8,309
SWAAT Expenses	6,607	-
	66,145	244,038
Donations:		
Total paid that were $1,000 or less	3,792	-
Total paid that exceeded $1,000	50,000	18,000
	53,792	18,000
Finance costs:		
Bank charges - Line fees	15,781	12,383
Borrowing costs	15,506	15,211
Interest on lease liabilities	2,499	-
	33,786	27,594
Legal costs:		
Related to litigation and compensation	34,551	88,359
Related to other matters	-	26,940
	34,551	115,299
Total expenses	**9,586,554**	**7,939,539**
Surplus before tax	**1,155,046**	**624,669**

Detailed income statement of the Parent entity

For the year ended 31 December 2019

	2019	2018
	$	$
Revenues		
Membership subscriptions	2,963,310	3,068,308
Commission income	7,046	63,387
Stationery and merchandise sales	311,991	320,408
Interest received	191,284	234,124
Training services	6,604,270	4,525,002
Rental income	85,451	87,970
Sponsored advertising income	235,175	139,545
Project management revenue	218,546	-
Other revenue	124,527	125,464
Total revenues	**10,741,600**	**8,564,208**
Expenses		
Cost of sales:		
Cost of stationery sales	145,061	165,005
Stock obsolescence	8	-
	145,069	165,005
Depreciation:		
Furniture, fittings and equipment	181,528	116,453
Motor vehicles	267,442	164,234
Freehold land and buildings	34,437	32,727
Right-of-use assets	64,559	-
	547,966	313,414
Employment related expense:		
Wages and salaries	4,737,875	3,588,656
Superannuation	432,319	357,135
Wages and salaries - salary sacrifice	51,686	95,394
Payroll tax	251,244	222,484
Workers compensation	11,649	25,407
Long service leave	40,257	3,569
Annual leave	300,637	328,600
Staff amenities	51,133	49,774
Staff recruitment	72,552	18,790
Staff training	43,505	48,980
Fringe benefits tax	127,082	83,715
Contractor costs	169,198	137,850
	6,289,137	4,960,354

Detailed income statement of the Parent entity (continued)

For the year ended 31 December 2019

	2019	2018
	$	$
Expenses (continued)		
Occupancy and equipment expenses:		
Office expenses	26,985	14,895
Cleaning	49,569	51,786
Waste disposal	12,817	5,925
Electricity	30,317	35,511
Rates and taxes - 214 Parramatta	14,380	17,805
R & M - 214 Parramatta	58,151	30,380
Printing and copying	25,277	13,326
Computer consumables	46,607	25,390
Expense payment - FBT - BS	2,182	2,490
Expense payment - FBT - PC	2,143	3,412
Expense payment - FBT - SY	-	278
Self storage unit rental	7,745	-
Shelf storage space	54,084	48,266
MV - Petrol	143,902	123,861
MV - Insurance	35,655	25,600
MV - R & M	71,696	41,722
MV - Rego	33,466	20,172
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