



Australian Government
Registered Organisations Commission

5 December 2019

Mr Mark Carroll
President
Police Federation of Australia

By e-mail: pfa@pfa.org.au

c.c. debbie@pfa.org.au

Dear Mr Carroll

Police Federation of Australia
Financial Report for the year ended 30 June 2019 - FR2019/56

I acknowledge receipt of the financial report for the year ended 30 June 2019 for the Police Federation of Australia (**the reporting unit**). The financial report was lodged with the Registered Organisations Commission (**ROC**) on 29 November 2019.

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

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'K. Morgan'.

KEN MORGAN
Financial Reporting Specialist
Registered Organisations Commission



Police Federation of Australia

The National Voice of Policing

ABN 31 384 184 778

Level 1, 21 Murray Crescent
GRIFFITH ACT 2603

Tel: (02) 6239 8900
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29 November 2019

David Vale
Principal Adviser
Financial Reporting
Registered Organisations Commission
GPO Box 2983
MELBOURNE VIC 3001

Dear Mr Vale

Designated Officer's Certificate
s.268 Fair Work (Registered Organisations) Act 2009

I, Mark Carroll, being the President of the Police Federation of Australia, certify:

- that the documents lodged herewith are copies of the full report for the Police Federation of Australia for the period ended 30 June 2019 referred to in s.268 of the *Fair Work (Registered Organisations) Act 2009*; and
- that the full report was presented to a meeting of the Committee of Management of the reporting unit on 18 October 2019;
- that the full report was provided to members of the reporting unit on 30 October 2019; and
- that the audited full report was presented to a meeting of the Committee of Management of the reporting unit on 28 November 2019, in accordance with s.266 of the *Fair Work (Registered Organisations) Act 2009*.

Yours sincerely

Mark Carroll
President

Police Federation of Australia

ABN 31 384 184 778

Financial Statements

For the Year Ended 30 June 2019

Police Federation of Australia

ABN 31 384 184 778

Financial Statements

For the year ended 30 June 2019

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Police Federation of Australia

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Operating Report

For the year ended 30 June 2019

The Committee of Management presents its operating report of the Police Federation of Australia ("the Federation") for the year ended 30 June 2019.

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

The names of each person who has been on the Committee of Management during the financial year are:

Name	Position	Period of Appointment
Mark Carroll	President	1/7/18 to 30/6/19
Ian Leavers	Vice President	1/7/18 to 30/6/19
Paul McCue	Vice President	16/1/19 to 30/6/19
Scott Weber	Vice President	1/7/18 to 13/8/18
George Tilbury	Vice President	20/9/18 to 1/1/19
John Laird	Treasurer	1/7/18 to 30/6/19
Harry Arnott	Executive	16/1/19 to 30/6/19
Pat Allen	Executive	1/7/18 to 20/9/18
Gavin Cashion	Executive	12/9/18 to 1/1/19
Angela Smith	Executive	1/7/18 to 30/6/19
Tony King	Executive	20/9/18 to 30/6/19

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

Whilst the Federation has undertaken a large number of activities that are detailed in the annual report available at https://pfa.org.au/wp-content/uploads/2019/10/PFA_AnnualReport2019-Final.pdf, by far the largest was the finalisation of the work on the National Awareness Campaign on Police Officer Mental Well-being which is a key component of the Federations strategic plan.

Another key activity was the establishment of the *National Police Bravery Awards*. The inaugural dinner took place in September 2018 as one of the highlights of the *Police Week* activities – also a key task in the strategic plan. Other *Police Week* events included the annual *Wall to Wall and Century Bike Rides*, *PFA Executive*, *Womens' Committee* and *Federal Council Meetings*, and finally, hosting of the biennial *International Council of Police Representative Associations Conference*.

The Federation continued to work with both sides of politics in the lead up to the 2019 Federal Election with key issues raised being the mental health and well-being of police; the issuing of a national Health Card to police for the treatment of 'specific conditions'; and superannuation issues that specifically affect police officers. The Federation also made submissions to and appeared before a number of parliamentary Inquiries including:

- 'My Health Record System',
- 'Economic Security for Women in Retirement',
- 'Intelligence and Security',
- 'High Rates of Mental Health Conditions Experienced by First Responders, Emergency Service Workers and Volunteers'; and
- 'Australian Citizenship Amendment'.

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Operating Report

For the year ended 30 June 2019

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

Finally, the issues of enhanced member benefits, a new Meritorious Service Award, Superannuation and Vehicle-Borne Attacks were also key projects during the past year. The Federations Awards and Agreements Database and Industrial Planning Committee continue to be ongoing priorities as is the ongoing work associated with compliance in relation to our obligations under the *Fair Work (Registered Organisation) Act 2009*.

No significant changes in the nature of the Federation's activities occurred during the financial year.

A review of the operations and the results of the Federation is performed in the regular meetings of the Committee of Management. The Committee of Management believe that they have furthered the interests of their members throughout the year through the conducting of the Federation's principal activities.

The deficit for the Federation for the year ended 30 June 2019 was \$30,686 (2018: surplus of \$255,596) and the Committee of Management believe that the activities of the Federation have achieved their objectives for the financial year.

Significant changes in financial affairs

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

Right of members to resign

A member may resign from the membership of the Federation by notice in writing addressed and delivered to the Secretary of the member's Branch, Zone Secretary or Chief Executive Officer, as per Rule 11(b). In accordance with Section 174(1) of the RO Act, a member of the organisation may resign from membership by written notice addressed and delivered to a person designated for the purpose in the rules of the organisation or a branch of the organisation.

Officers or members who are superannuation fund trustees or director of a company that is a superannuation fund trustee being a member or officer of a registered organisation is a criterion for them holding such position

No officer or employee of the Federation acts:

- i) as a trustee of a superannuation entity or an exempt public sector superannuation scheme; or
- ii) as a director of a company that is a trustee of a superannuation entity or an exempt public sector superannuation scheme.

Number of members

There were 63,105 members of the Federation as at 30 June 2019 (2018: 61,811).

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Operating Report

For the year ended 30 June 2019

Number of employees

As at 30 June 2019 the Federation had 4 full-time equivalent employees (2018: 5).

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



Mark Carroll
President

18 October 2019

Canberra

Police Federation of Australia

Committee of Management Statement


For the year ended 30 June 2019

On 18 October 2019 the Committee of Management of the Police Federation of Australia passed the following resolution in relation to the general purpose financial report (GPFR) for the year ended 30 June 2019:

The Committee of Management declares that in its opinion:

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

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



John Laird
Treasurer



Mark Carroll
President

18 October 2019
Canberra

Police Federation of Australia

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Capitation fees	3	1,141,288	1,140,562
Other income	3	303,358	814,270
Employee benefits expense	4	(659,543)	(588,047)
National Awareness campaign		(295,920)	(574,190)
Delegation expenses		(260,715)	(270,703)
Professional fees		(55,807)	(65,250)
Property expenses		(57,819)	(72,158)
Computer and web design costs		(39,026)	(39,320)
National Foundation expenses		(16,423)	(7,067)
Depreciation expense	7(a)	(38,351)	(10,933)
Loss on disposal of assets		(9,963)	-
Other expenses		(41,765)	(71,568)
Result for the year		(30,686)	255,596
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		(30,686)	255,596

The accompanying notes form part of these financial statements.

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Balance Sheet

As at 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	233,626	458,382
Trade and other receivables	6	126,886	47,496
Prepayments		7,595	-
TOTAL CURRENT ASSETS		368,107	505,878
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,514,072	1,548,602
TOTAL NON-CURRENT ASSETS		1,514,072	1,548,602
TOTAL ASSETS		1,882,179	2,054,480
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	67,683	59,863
Employee benefits	9	41,371	190,806
TOTAL CURRENT LIABILITIES		109,054	250,669
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		109,054	250,669
NET ASSETS		1,773,125	1,803,811
EQUITY			
Reserves		503,751	503,751
Retained earnings		1,269,374	1,300,060
TOTAL EQUITY		1,773,125	1,803,811

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity

For the year ended 30 June 2019

	Retained Earnings	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 July 2017	1,044,464	503,751	1,548,215
Result for the year	255,596	-	255,596
Balance at 30 June 2018	1,300,060	503,751	1,803,811
Balance at 1 July 2018	1,300,060	503,751	1,803,811
Result for the year	(30,686)	-	(30,686)
Balance at 30 June 2019	1,269,374	503,751	1,773,125

The accompanying notes form part of these financial statements.

Police Federation of Australia

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Statement of Cash Flows

For the year ended 30 June 2019

	2019	2018
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from members	1,253,632	1,251,774
Receipts from grants	220,000	770,000
Payments to suppliers and employees	(1,362,450)	(1,266,273)
Interest received	3,358	8,316
Other receipts	-	106,050
Payments to National Awareness campaign	(325,512)	(620,650)
Net cash provided by/(used by) operating activities	16(a) (210,972)	249,217
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for plant and equipment	(37,084)	-
Proceeds from sale of plant and equipment	23,300	-
Net cash used by investing activities	(13,784)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net cash provided by financing activities	-	-
Net increase/(decrease) in cash and cash equivalents held	(224,756)	249,217
Cash and cash equivalents at beginning of year	458,382	209,165
Cash and cash equivalents at end of year	5 233,626	458,382

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

For the year ended 30 June 2019

1 Summary of Significant Accounting Policies

(a) Basis of preparation

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

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

(b) Comparative figures

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

When the Federation applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a balance sheet as at the beginning of the earliest comparative period will be presented.

(c) Property, plant and equipment

Plant and equipment

Plant and equipment are measured on the cost basis. Cost includes expenditure that is directly attributable to the asset.

Under cost model, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Land and buildings

Land and buildings are measured using the revaluation model.

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

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Notes to the Financial Statements

For the year ended 30 June 2019

1 Summary of Significant Accounting Policies

(c) Property, plant and equipment

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Federation, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Buildings	2.5%
Plant, equipment and furniture	7.5 - 20%
Motor vehicles	15%

At the end of each reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

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Notes to the Financial Statements

For the year ended 30 June 2019

1 Summary of Significant Accounting Policies

(d) Financial instruments

Accounting policies applied from 1 July 2018

Financial instruments are recognised initially on the date that the Federation becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Federation classifies its financial assets into the following categories, those measured at:

- amortised cost; or
- fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Federation changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Federation's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

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Notes to the Financial Statements

For the year ended 30 June 2019

1 Summary of Significant Accounting Policies

(d) Financial instruments

Financial assets

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Federation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Federation's historical experience and informed credit assessment and including forward looking information.

The Federation uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Federation uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Federation in full, without recourse to the Federation to actions such as realising security (if any is held); or
- the financial assets is more than 6 months past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Federation in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Federation has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

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Notes to the Financial Statements

For the year ended 30 June 2019

1 Summary of Significant Accounting Policies

(d) Financial instruments

Financial assets

Where the Federation renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Federation measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Federation comprise trade payables.

Accounting policies applied prior to 1 July 2018

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Federation becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

The only financial assets of the Federation were loans and receivables which are described in detail below.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

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Notes to the Financial Statements

For the year ended 30 June 2019

1 Summary of Significant Accounting Policies

(d) Financial instruments

Financial assets

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Federation's trade and other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the Federation renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Federation does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Federation's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of Financial Assets

At the end of the reporting period the Federation assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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Notes to the Financial Statements

For the year ended 30 June 2019

1 Summary of Significant Accounting Policies

(d) Financial instruments

Impairment of Financial Assets

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(e) Cash and cash equivalents

Cash is recognised at its nominal amount. Cash and cash equivalents includes cash on hand, deposits held at call with bank, other short-term highly liquid investments with original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(f) Employee benefits

(i) Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

(ii) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

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Notes to the Financial Statements

For the year ended 30 June 2019

1 Summary of Significant Accounting Policies

(f) Employee benefits

(iii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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

(g) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

(h) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Federation and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Sale of goods

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

Capitation fees

Revenue in relation to capitation fees is recognised on an accruals basis and is recorded as revenue in the year to which it relates.

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Notes to the Financial Statements

For the year ended 30 June 2019

1 Summary of Significant Accounting Policies

(h) Revenue and other income

Grant revenue

Grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants are recognised as income as the entity satisfies the obligations of the grant.

Rendering of services

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably estimated then revenue is recognised to the extent of expenses recognised that are recoverable.

Interest revenue

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

Other income

Other income is recognised on an accrual basis when the Federation is entitled to it.

All revenue is stated net of the amount of goods and services tax (GST).

(i) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the balance sheet.

Cash flows in the statement of cash flows are included 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 operating cash flows.

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Notes to the Financial Statements

For the year ended 30 June 2019

1 Summary of Significant Accounting Policies

(j) Change in accounting policy

During the current year, AASB 9 Financial Instruments has become mandatory, which has not had a material impact (in the current year or retrospectively) upon the measurement of assets, liabilities, equity, income or expenses, nor upon the disclosures required in this financial report.

There was no changes required to be made to the financial report as a result of the change in accounting policy.

(k) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Federation has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Federation where the standard is relevant:

AASB 16 Leases

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

For NFP entities, AASB 16 will commence from financial years beginning on or after 1 January 2019. Either a full retrospective application or a modified retrospective application is required for AASB 16. The Federation plans to adopt AASB 16 for the year ending 30 June 2020 using the modified retrospective method.

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Notes to the Financial Statements

For the year ended 30 June 2019

1 Summary of Significant Accounting Policies

(k) New Accounting Standards and Interpretations

AASB 16 Leases

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

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

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

At this stage, the Federation is not able to estimate the impact of the new rules on the Federation's financial statements. The Federation will make more detailed assessments of the impact over the next twelve months.

AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from contracts with customers

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities in conjunction with AASB 15. AASB 1058 and AASB 15 supersede all the income recognition requirements relating to private sector NFP entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 *Contributions*.

For NFP entities, both AASB 1058 and 15 will commence from financial years beginning on or after 1 January 2019. Either a full retrospective application or a modified retrospective application is required for AASB 15. The Federation plans to adopt AASB 15 for the year ending 30 June 2020 using the modified retrospective method.

At this stage, the Federation is not able to estimate the impact of the new rules on the Federation's financial statements. The Federation will make more detailed assessments of the impact over the next twelve months.

(l) Income tax

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

Police Federation of Australia

ABN 31 384 184 778

Notes to the Financial Statements

For the year ended 30 June 2019

2 Critical Accounting Estimates and Judgments

Those charged with governance make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - impairment of property, plant and equipment

The Federation assesses impairment at the end of each reporting period by evaluating conditions specific to the Federation that may be indicative of impairment triggers.

Key estimates - useful lives of depreciable assets

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

Key estimates - employee entitlements

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

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Notes to the Financial Statements

For the year ended 30 June 2019

3 Revenue and other income

	2019	2018
	\$	\$
Revenue from continuing operations		
Capitation fees by branch:		
<i>Revenue received from other reporting units</i>		
- Australian Federal Police Association	71,574	71,271
<i>Revenue received from related parties</i>		
- Police Association of New South Wales	300,892	299,957
- Police Association of New Zealand	17,853	28,449
- Police Association of South Australia	89,423	87,824
- Police Association of Tasmania	23,083	22,600
- Police Association of Northern Territory	25,918	25,633
- Queensland Police Union	210,107	212,845
- Police Association of Victoria	283,717	273,264
- Western Australian Police Union	118,721	118,719
	1,141,288	1,140,562
Other income		
- Administration and management fees	-	105,000
- Grants and donations received	300,000	700,000
- Interest income	3,358	8,316
- Other income	-	954
	303,358	814,270

Police Federation of Australia

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Notes to the Financial Statements

For the year ended 30 June 2019

4 Result for the period

The result for the period includes the following specific expenses

	2019	2018
	\$	\$
Employee benefits expense comprises:		
<i>Employees other than office holders:</i>		
- Wages and salaries	468,552	459,230
- Superannuation	77,790	64,418
- Leave and other entitlements	87,141	39,928
- Other employee expenses (including fringe benefits taxes)	26,060	24,471
	<u>659,543</u>	<u>588,047</u>
Conference and meeting expenses	189,070	251,068
Legal costs - other legal matters	9,250	750
Legal costs - other matters in relation to the National Awareness Campaign on Police Mental Wellbeing	-	40,000
	<u>9,250</u>	<u>40,750</u>

5 Cash and cash equivalents

Cash at bank	233,626	458,288
Cash on hand	-	94
	<u>233,626</u>	<u>458,382</u>

Police Federation of Australia

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Notes to the Financial Statements

For the year ended 30 June 2019

6 Trade and other receivables

	2019	2018
	\$	\$
CURRENT		
Loans receivable	-	10,000
Grant funds receivable	110,000	-
Other receivables	16,886	37,496
	<u>126,886</u>	<u>47,496</u>

(a) Impairment of receivables

The Federation applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses incorporate forward looking information. There is no provision for impairment required at 30 June 2019 (2018: Nil).

(b) Credit risk - Trade and Other Receivables

The following table details the Federation's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Federation and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Federation.

Police Federation of Australia

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Notes to the Financial Statements

For the year ended 30 June 2019

6 Trade and other receivables

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

	Gross amount \$	Past due and impaired \$	Past due but not impaired (days overdue)		Within initial trade terms \$
			> 30 \$	> 90 \$	
2019					
Grant funds receivable	110,000	-	-	-	110,000
Other receivables	16,886	-	-	-	16,886
	126,886	-	-	-	126,886
2018					
Other receivables	37,496	-	-	-	37,496

Police Federation of Australia

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Notes to the Financial Statements

For the year ended 30 June 2019

7 Property, plant and equipment

	2019	2018
	\$	\$
Land and buildings		
At independent valuation	1,500,000	1,500,000
Accumulated depreciation	(27,273)	-
Total land and buildings	<u>1,472,727</u>	<u>1,500,000</u>
Plant, equipment and furniture		
At cost	57,863	57,863
Accumulated depreciation	(48,966)	(45,547)
Total furniture, fixture and fittings	<u>8,897</u>	<u>12,316</u>
Motor vehicles		
At cost	37,084	48,379
Accumulated depreciation	(4,636)	(12,093)
Total motor vehicles	<u>32,448</u>	<u>36,286</u>
Total property, plant and equipment	<u><u>1,514,072</u></u>	<u><u>1,548,602</u></u>

Police Federation of Australia

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Notes to the Financial Statements

For the year ended 30 June 2019

7 Property, plant and equipment

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and buildings	Plant, equipment and furniture	Motor vehicles	Total
	\$	\$	\$	\$
Year ended 30 June 2019				
Balance at the beginning of year	1,500,000	12,316	36,286	1,548,602
Additions	-	-	37,084	37,084
Disposals - written down value	-	-	(33,263)	(33,263)
Depreciation expense	(27,273)	(3,419)	(7,659)	(38,351)
Balance at the end of the year	1,472,727	8,897	32,448	1,514,072
Year ended 30 June 2018				
Balance at the beginning of year	1,500,000	15,993	43,542	1,559,535
Depreciation expense	-	(3,677)	(7,256)	(10,933)
Balance at the end of the year	1,500,000	12,316	36,286	1,548,602

(b) Valuation of land and buildings

An independent valuation of 21 Murray Crescent, Griffith, ACT, was performed on 2 March 2018. No change to previous valuation was noted. The original cost of the land and buildings was \$996,249.

8 Trade and other payables

	2019	2018
	\$	\$
Trade payables	10,090	22,948
Sundry payables and accrued expenses	57,593	36,915
	67,683	59,863

Police Federation of Australia

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Notes to the Financial Statements

For the year ended 30 June 2019

9 Employee benefits

	2019	2018
	\$	\$
CURRENT		
Annual leave	19,535	29,427
Long service leave	21,836	161,379
	<u>41,371</u>	<u>190,806</u>
(a) Total employee benefits attributable to:		
Employees other than office holders:		
Annual leave - current	19,535	29,427
Long service leave - current	21,836	161,379
	<u>41,371</u>	<u>190,806</u>

10 Financial risk management

The main risks Police Federation of Australia is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting equity price risk.

The Federation's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

Police Federation of Australia

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Notes to the Financial Statements

For the year ended 30 June 2019

10 Financial risk management

The totals for each category of financial instruments, measured in accordance with AASB 9 (2018: AASB 139) as detailed in the accounting policies to these financial statements, are as follows:

	Note	2019 \$	2018 \$
Financial Assets			
Cash and cash equivalents	5	233,626	458,382
Trade and other receivables	6	126,886	47,496
Total financial assets		360,512	505,878
Financial Liabilities			
Trade and other payables	8	67,683	59,863

The table below reflect an undiscounted contractual maturity analysis for financial liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the balance sheet due to the effect of discounting.

Financial liability maturity analysis - Non-derivative

	Within 1 year		Total	
	2019 \$	2018 \$	2019 \$	2018 \$
Financial liabilities due for payment				
Trade and other payables	67,683	59,863	67,683	59,863

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Federation.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The Federation has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Police Federation of Australia

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Notes to the Financial Statements

For the year ended 30 June 2019

10 Financial risk management

(ii) Credit risk

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

11 Key Management Personnel Remuneration

The totals of remuneration paid to the key management personnel of Police Federation of Australia during the year are as follows:

	2019	2018
	\$	\$
Short-term employee benefits	276,133	224,723
Post-employment benefits		
Superannuation	30,766	17,880
Other long-term benefits		
Long service leave	(137,315)	14,985
Termination benefits	212,993	-
	382,577	257,588

12 Auditor's remuneration

Remuneration of the auditor of the Federation, for:

- financial statement audit services	9,000	9,000
- other services	22,200	15,500
	31,200	24,500

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Notes to the Financial Statements

For the year ended 30 June 2019

13 Fair Value Measurement

The Federation measures Land and buildings at fair value on a recurring basis:

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices 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.

The table below shows the assigned level for each asset and liability held at fair value by the federation:

	Level 1	Level 2	Level 3	Total
2019	\$	\$	\$	\$
Recurring fair value measurements				
Land and buildings	-	1,472,727	-	1,472,727
2018	\$	\$	\$	\$
Recurring fair value measurements				
Land and buildings	-	1,500,000	-	1,500,000

Fair value measurements are performed by an independent valuer.

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Notes to the Financial Statements

For the year ended 30 June 2019

14 Contingent liabilities

In the opinion of the Committee of Management, the Federation did not have any contingencies at 30 June 2019 (30 June 2018: None).

15 Related party transactions

Related Parties

In the 2018 financial report a loan receivable of \$10,000 to the National Police Foundation was incorrectly reported as a related party transaction. This has been corrected in those financial statements (refer note 6), and the amount has been fully repaid in the current financial year.

(a) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any office holder (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 11: Key Management Personnel Remuneration.

(b) Transactions with related parties

Other transactions and/or balances with related parties are disclosed at note 3.

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Notes to the Financial Statements

For the year ended 30 June 2019

16 Cash flow information

(a) Reconciliation of result for the period to cashflows from operating activities

	2019	2018
	\$	\$
Result for the year	(30,686)	255,596
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	38,351	10,933
- loss on disposal of plant and equipment	9,963	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(79,390)	(38,462)
- (increase)/decrease in other assets	(7,595)	-
- increase/(decrease) in trade payables and other operating liabilities	7,820	1,466
- increase/(decrease) in provisions	(149,435)	19,684
Cashflow from operations	<u>(210,972)</u>	<u>249,217</u>

(b) Net cash flows from Reporting Units

	2019	2018
	\$	\$
Inflows		
Australian Federal Police Association	78,732	78,398

17 Events after the end of the Reporting Period

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

Police Federation of Australia

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Notes to the Financial Statements

For the year ended 30 June 2019

18 Section 272 Fair Work (Registered Organisations) Act 2009

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

Information to be provided to members or the Commissioner:

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

Police Federation of Australia

Officer Declaration Statement

For the year ended 30 June 2019

I, Mark Carroll, being the President of the Police Federation of Australia, declare that the following activities did not occur during the reporting period ending 30 June 2019.

The reporting unit did not:

- agree to receive financial support from another reporting unit to continue as a going concern (refers to agreement regarding financial support not dollar amount)
- agree to provide financial support to another reporting unit to ensure they continue as a going concern (refers to agreement regarding financial support not dollar amount)
- acquire an asset or liability due to an amalgamation under Part 2 of Chapter 3 of the RO Act, a restructure of the branches of an organisation, a determination or revocation by the General Manager, Fair Work Commission
- receive periodic or membership subscriptions
- ~~receive capitation fees or any other revenue amount 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 or any other expense to another reporting unit
- pay affiliation fees to other entity
- pay compulsory levies
- pay a grant that was \$1,000 or less
- pay a grant that exceeded \$1,000
- pay a donation that was \$1,000 or less
- pay a donation that exceeded \$1,000
- pay wages and salaries to holders of office
- pay superannuation to holders of office
- pay leave and other entitlements to holders of office
- pay separation and redundancy to holders of office
- pay other employee expenses to holders of office
- ~~pay wages and salaries to employees (other than holders of office)~~
- ~~pay superannuation to employees (other than holders of office)~~
- ~~pay leave and other entitlements to employees (other than holders of office)~~
- pay separation and redundancy to employees (other than holders of office)
- ~~pay other employee expenses to employees (other than holders of office)~~
- pay to a person fees or allowances to attend conferences or meetings as a representative of the reporting unit
- ~~incur expenses due to holding a meeting as required under the rules of the organisation~~
- pay legal costs relating to litigation
- ~~pay legal costs relating to other legal matters~~
- pay a penalty imposed under the RO Act or the Fair Work Act 2009
- have a receivable with other reporting unit(s)
- have a payable with other reporting unit(s)
- have a payable to an employer for that employer making payroll deductions of membership subscriptions
- have a payable in respect of legal costs relating to litigation
- have a payable in respect of legal costs relating to other legal matters
- have an annual leave provision in respect of holders of office

Police Federation of Australia

Officer Declaration Statement

For the year ended 30 June 2019

- have a long service leave provision in respect of holders of office
- have a separation and redundancy provision in respect of holders of office
- have other employee provisions in respect of holders of office
- ~~• have an annual leave provision in respect of employees (other than holders of office)~~
- ~~• have a long service leave provision in respect of employees (other than holders of office)~~
- have a separation and redundancy provision in respect of employees (other than holders of office)
- have other employee provisions in respect of employees (other than holders of office)
- have a fund or account for compulsory levies, voluntary contributions or required by the rules of the organisation or branch
- transfer to or withdraw from a fund (other than the general fund), account, asset or controlled entity
- have a balance within the general fund
- provide cash flows to another reporting unit and/or controlled entity
- ~~• receive cash flows from another reporting units and/or controlled entity~~
- have another entity administer the financial affairs of the reporting unit
- make a payment to a former related party of the reporting unit



Mark Carroll
President

18 October 2019

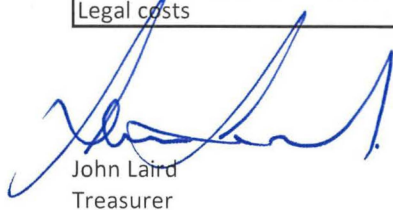
Police Federation of Australia

Report required under subsection 255(2A)

For the year ended 30 June 2019

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

	2019 \$	2018 \$
Remuneration and other employment-related costs and expenses - employees	786,107	546,644
Advertising	-	-
Operating Costs	631,661	1,140,909
Donations to political parties	-	-
Legal costs	9,250	750



John Laird
Treasurer

18 October 2019

L. K. Tsia

Telephone: 9267 6533
AH: 9344 8723
Fax: 9283 4908

Chartered Accountant B COM., F.C.A

Suite 201, 2nd Floor
309 Pitt Street
Sydney NSW 2000

INDEPENDENT AUDIT REPORT

To the members of the Police Federation of Australia

Report on the Audit of the Financial Statement

Opinion

I have audited the financial report of the Police Federation of Australia (the Reporting Unit), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2019, notes to the financial statements, including a summary of significant accounting policies, the Committee of Management Statement, the sub-section 255(2A) report and the Officer Declaration Statement.

In my opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Police Federation of Australia as at 30 June 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).

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

Basis for Opinion

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

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

Independence

In conducting my audit, I have complied with the applicable independence requirements of the Australian professional ethical pronouncements.

L. K. Tsia

Telephone: 9267 6533
AH: 9344 8723
Fax: 9283 4908

Chartered Accountant B COM., F.C.A

Suite 201, 2nd Floor
309 Pitt Street
Sydney NSW 2000

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

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

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

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

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

Committee of Management's Responsibility for the Financial Report

The Committee of Management 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 Committee of Management determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Committee of Management is responsible for assessing the 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 Committee of Management either intend to liquidate the Reporting Unit or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

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

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

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

L. K. Tsia

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Suite 201, 2nd Floor
309 Pitt Street
Sydney NSW 2000

- 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 Committee of Management.
- Conclude on the appropriateness of the Committee of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Reporting Unit's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Reporting Unit to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Reporting Unit to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Reporting Unit audit. I remain solely responsible for my audit opinion.

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

I declare that I am an auditor registered under the RO Act, the Registered Auditor Number is (AA2017/6). I am a member of Chartered Accountants Australia and New Zealand and hold a current Public Practice Certificate.

SIGNED AT SYDNEY this 22nd day of October 2019



LOI KAH TSIA, B. Com., F.C.A.
Chartered Accountant
RO Act Registered Auditor Number (AA2017/6)
Suite 201, 2nd Floor
309 Pitt Street
SYDNEY NSW 2000

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