



FAIR WORK
AUSTRALIA

29 February 2012

Mr. J. de Bruyn
National Secretary-Treasurer
Shop, Distributive and Allied Employees Association
Email: general@sda.org.au

Dear Mr de Bruyn

Financial report for the Shop, Distributive and Allied Employees Association for the year ended 30 June 2011 (FR2011/2704)

I acknowledge receipt of the financial report of the Shop, Distributive and Allied Employees Association for the year ended 30 June 2011. The documents were lodged with Fair Work Australia on 7 November 2011.

I also acknowledge receipt of your letter of 24 February 2012 in response to our letter dated 18 January 2012.

The financial report has now been filed.

I make the following comments to assist you when you next prepare a financial report. You are not required to take any further action in respect of the report lodged.

1. National Office and NSW Deductions Account Office: Auditors' Reports

Regulation 4 of the Fair Work (Registered Organisations Regulations) 2009 defines an approved auditor as a person, who is a member of CPA Australia, The Institute of Chartered Accountants in Australia or the National Institute of Accountants, and holds a current Public Practice Certificate. In all likelihood the auditor of the national office financial report and the auditor of the NSW Deductions Account Office financial report are such persons. However, it is our preference that this is made explicit in future auditor's reports.

2. National Office and NSW Deductions Account Office: Timescale

It should be noted that the financial report, accompanied by a Designated Officer's Certificate, must be lodged with Fair Work Australia within 14 days of its presentation to an appropriate meeting.

3. National Office: reproduction of s.272

I note that the Operating Report reproduces the required subsections of section 272 of the RO Act. However item 8(c) of the Reporting Guidelines requires the *notes* to the financial statements to reproduce these subsections. In future years please ensure the notes to the financial statements draw attention to subsections (1), (2) and (3) of section 272 of the RO Act.

4. National Office: Certificate by National Executive

The title of this document should read Committee of Management Statement as provided in the Financial Reporting Guidelines.

5. New South Wales Deductions Account Office: Operating Report

Principal activities results

Subsection 254(2)(a) of the RO Act requires an operating report to contain a review of the principal activities of the reporting unit, the results of those activities and any significant changes in the nature of those activities. I note that the operating report provides a review of the principal activities and explains that there were no significant changes, but does not explain the results of these activities. Please note that subsection 254(2)(a) does not require a financial result, but instead a description of the results from representing the interests of members. In future years please ensure that the Operating Report describes the results of the principal activities of the Branch.

Significant changes to financial affairs:

The report must contain among other things any significant changes to the financial affairs during the year – refer s254(2)(b) of the RO Act.

6. New South Wales Deductions Account Office: Committee of Management statement

Date of resolution

Item 26 of the Reporting Guidelines (the Guidelines) requires that the Committee of Management's statement must be made in accordance with such resolution as is passed by the Committee of Management. Such statement must also specify the date of passage of the resolution. I note that the date of the resolution was not provided.

Recovery of Wages

I note that the accounts do not provide any information in relation to any recovery of wages activity. Items 16 – 23, 25(f) and 27(b) of the Reporting Guidelines govern the financial reporting of recovery of wages activity.

In circumstances where the reporting unit has not undertaken any recovery of wages activity for the financial year, a declaration in the Committee of Management Statement to the effect that there was no recovery of wages activity for the financial year would be sufficient.

7. New South Wales Deductions Account Office: Auditor's Independence Declaration

I note that this document is undated and unsigned. All documents should be dated as signed as a matter of course.

Should you wish to discuss this letter or if you require further information on the financial reporting requirements of the Act, I may be contacted on (03) 8661 7929 or by email at

eve.anderson@fwa.gov.au.

Yours sincerely



Eve Anderson
Tribunal Services and Organisations
Fair Work Australia
Tel: 03 86617929
Email: eve.anderson@fwa.gov.au



Shop, Distributive & Allied Employees' Association

REGISTERED OFFICE: SIXTH FLOOR, 53 QUEEN STREET, MELBOURNE 3000 TELEPHONE: (03) 8611 7000 FAX: (03) 8611 7099 E-MAIL: general@sda.org.au
ABN 99 789 302 470

NATIONAL PRESIDENT

Gerard Dwyer

NATIONAL SECRETARY

Joe de Bruyn



Jdb/cr
Friday 24th February, 2012

Ms. Eve Anderson
Tribunal Services & Organisations
Fair Work Australia
GPO Box 1994
Melbourne Vic 3001

Dear Ms. Anderson,

Thank you for your letter of the 18th January, 2012 raising three issues relating to the financial report from the Shop, Distributive and Allied Employees' Association for the year ended 30th June, 2011.

The first matter was that the Auditor's Report for the SDA NSW Deductions Account Office was unsigned and undated. We have now supplied you with a copy of this report signed and dated as required. You will note that this was signed and dated prior to the distribution to the members last year, and prior to its presentation to the Committee of Management and to the lodgement with your office.

In relation to the second matter, the SDA NSW Deductions Account was established by a decision of the National Executive of the Association pursuant to the National Rules of the Organisation. There is specific provision in the National Rules of the Association for the establishment of the SDA NSW Deductions Account, and accordingly we believe that this account is entitled to be operated under the full terms of the National Rules.

We believe that the National Rules empower the SDA NSW Deductions Account to employ people as may be required to fulfill the objectives of the Association and the purposes for which the Deductions Account was established.

In relation to the third matter which involves a discrepancy between the affiliation fees received by the Association from the NSW and Victorian Branches and the fees disclosed in the accounts of each of the two Branches, the following explanation is provided to explain these differences.

It is my view that the National Rules provide for the payment of affiliation fees by the Branches to the National Office on a calendar year basis. I believe that the National Rules provide that the fees be paid by the end of March of each calendar year in respect of that particular calendar year in order for a Branch to be financial within the Association.

The Auditors of the Association, however, have treated the income that the National Office receives from the Branches in the payment of affiliation fees as attributable to the financial year commencing on 1 July of a particular year and concluding on the 30th June of the following year.

On the other hand, the Auditors of the Victorian Branch take the view that the affiliation fees paid at the end of March of each year are a part payment for the current financial year, and an advance payment of six months for the following financial year.

This different treatment of the affiliation fees explains the difference between the figures in the National Accounts and those of the Victorian Branch.

With respect to the NSW Branch, the same explanation is applicable.

In addition, the Auditor of the NSW Branch advises that he did not understand that the payment of the affiliation fee to the International Fund was part of the affiliation fee, and so he has disclosed this payment in a different part of the accounts for the NSW Branch of the Association. This explains the remainder of the difference between the figures in the National Accounts and those of the NSW Branch.

Now that this matter has been drawn to our attention, we intend to discuss this at the next ordinary meeting of the National Executive of the Association which is scheduled to be held in July to try to ensure that the treatment of the payment of the affiliation fees by the Branches to the National Office is standardised amongst all the Branches and the National Office, so that these discrepancies do not occur in the future, and that we treat them in the way that we believe the Rules of the Association are intended to operate.

Thank you for drawing all these matters to our attention. I trust that this letter will now satisfy all of the issues that you have raised in your correspondence.

Yours sincerely,



JOE DE BRUYN

National Secretary-Treasurer

Designated Officer's Certificate

s268 Fair Work (Registered Organisations) Act 2009



I, **Joseph de Bruyn**, being the **National Secretary-Treasurer** of the **Shop Distributive and Allied Employees Association**, certify:

- that the documents lodged herewith, the Shop Distributive and Allied Employees' Association N.S.W. Deductions Account Office Financial Report for the year ended 30 June, 2011 are copies of the full report, referred to in s268 of the Fair Work (Registered Organisations) Act 2009; and
- that the full report was provided to members before 23rd September, 2011.
- that the full report was presented to a meeting of the Committee of Management of the reporting unit on 17th October 2011; in accordance with section 266 of the Fair Work (Registered Organisations) Act 2009.

Signature: _____

J de Bruyn

Joseph de Bruyn

Date: _____

9th February, 2012

SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION

N.S.W. DEDUCTIONS ACCOUNT OFFICE

A.B.N. 74 415 123 375

FINANCIAL REPORT

**FOR THE YEAR ENDED
30 JUNE 2011**

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

A.B.N. 74 415 123 375

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011**

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**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**RESOLUTION REGARDING TRANSFER OF FUNDS SURPLUS
TO THE REQUIREMENT OF THE DEDUCTIONS ACCOUNT OFFICE
FOR THE YEAR ENDED 30 JUNE 2011**

Resolved:

The National Executive ratifies the transfer of an amount of \$3,878,590 from the Shop, Distributive and Allied Employees' Association N.S.W. Deductions Account Office, to the account of the N.S.W. Branch of the Association, such funds being surplus to the requirement of the Deductions Account Office for the year ended 30 June 2011.

Dated at Sydney this 22nd day of August 2011

SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W. DEDUCTIONS ACCOUNT OFFICE

OPERATING REPORT FOR THE YEAR ENDED 30 JUNE 2011

Membership

Membership as at 30 June 2011 was 57,107 (2010: 57,957).

Persons eligible to do so under the rules of the Association were actively encouraged to join the Association. Pursuant to s174 of the Fair Work (Registered Organisations) Act 2009 (RO Act) and Rule 27 of the Rules of the Association, members could resign from the Association by written notice to the appropriate Branch of the Association.

Principal activities

The principal activities of the reporting unit are preserving and enhancing the wages and working conditions of its members, and the promotion of the interests and rights of workers. In addition to industrial representation, members are also provided with a range of services and benefits.

There were no significant changes in the nature of the activities of the Association during the year.

At 30 June 2011, there were 84 persons employed by the N.S.W. Deductions Account Office of the Association.

Affiliations & Directorships

Detailed below are the affiliations of the N.S.W. Branch of the Association:

- Australian Labor Party, N.S.W. Branch
- Australian Labor Party, A.C.T. Branch
- Unions N.S.W.
- South Coast Labor Council
- Unions A.C.T.

The N.S.W. Branch Secretary-Treasurer of the Association is on the Administrative Committee of the Australian Labor Party, N.S.W. Branch and is also an Executive Member of Unions N.S.W.

A representative of the N.S.W. Branch of the Association is a member of Service Skills Australia N.S.W. WRAPS Committee.

Superannuation Trustees

Four representatives of the Association hold positions as Directors of the Retail Employees' Superannuation Trust ("REST"). Below are the directors as at 30 June 2011, along with the nominated alternate Employee Directors. Ms S Burnley is also a Director of CARE Super Pty Ltd.

Directors

Mr Joe de Bruyn

Mr Ian Blandthorn

(replaced Mr Jim Maher, effective 25 September 2008)

Mr Geoff Williams

(replaced Mr Don Farrell, effective 24 July 2008)

Ms Sue-Anne Burnley

Alternates

Ms Barbara Nebart

(replaced Mr Geoff Williams, effective 27 August 2008)

Mr Michael Donovan

Mr Joseph Bullock

Mr Chris Ketter

(replaced Ian Blandthorn, effective 27 November 2008)

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

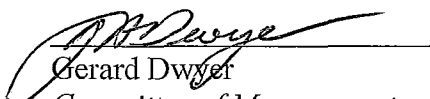
**OPERATING REPORT (CONT.)
FOR THE YEAR ENDED 30 JUNE 2011**

Committee of Management

The members of the National Executive of the Association at any time during or since the end of the financial year were:

| <i>Name</i> | <i>Experience</i> |
|---|---|
| Mr. G. Dwyer National President | National Executive member since 2005 Appointed National President 2008 |
| Mr. J. Bullock National Vice President | National Executive member since 1996 Appointed National Vice President 2004 |
| Mr. J. de Bruyn National Secretary- Treasurer | National Executive member since 1978 Appointed National Secretary - Treasurer 1978 |
| Mr. I. Blandthorn National Assistant Secretary | National Executive member since 1986 Appointed National Assistant Secretary 1986 |
| Mr. M. Donovan | National Executive member since 1996 |
| Mr. P. Griffin | National Executive member since 1990 |
| Mr. C. Ketter | National Executive member since 1996 |
| Mr. P Malinauskas | National Executive member since 2008 |
| Ms. B. Nebart | National Executive member since 2004 |

The Association maintained its rules and reported according to statutory requirements.


Gerard Dwyer
Committee of Management


Joe de Bruyn
Committee of Management

Dated at Sydney this 22nd day of August 2011

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**STATEMENT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 30 JUNE 2011**

On August 2011 the Committee of Management of Shop, Distributive and Allied Employees' Association N.S.W. Deductions Account Office passed the following resolution in relation to the general-purpose financial report (GPFR) of the reporting unit for the financial year ended 30 June 2011:

The Committee of Management declares in relation to the GPFR that in its opinion:

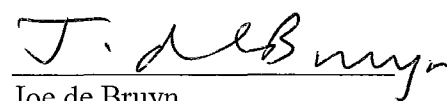
- a) The financial statements and notes comply with the Australian Accounting Standards;
- b) The financial statements and notes comply with the reporting guidelines of the General Manager of Fair Work Australia;
- c) The financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the reporting unit for the financial year to which they relate;
- d) There are reasonable grounds to believe the reporting unit will be able to pay its debts as and when they become due and payable;
- e) During the financial year to which the GPFR relates and since the end of that year:
 - i) Meetings of the Committee of Management were held in accordance with the rules of the organisation including the rules of a branch concerned;
 - 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;
 - iii) The financial records of the reporting unit have been kept and maintained in accordance with the RO Act and the RO Regulations;
 - iv) The financial records of the reporting unit have been kept, as far as practicable, in a consistent manner to each of the other reporting units of the organisation;
 - v) The information sought in any request of a member of the reporting unit or a General Manager duly made under section 272 of the RO Act has been furnished to the member or General Manager; and
 - vi) There has been compliance with any order for inspection of financial records made by Fair Work Australia under section 273 of the RO Act.

Auditor's Independence

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

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


Gerard Dwyer
Committee of Management


Joe de Bruyn
Committee of Management

Dated at Sydney this 22nd day of August 2011

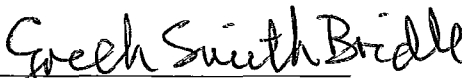
**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**AUDITOR'S INDEPENDENCE DECLARATION
FOR THE YEAR ENDED 30 JUNE 2011**

**TO THE COMMITTEE OF MANAGEMENT OF
SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there has been:

- (i) no contraventions of the auditor independence requirements in relation to the audit; and
- (ii) no contravention of any applicable code of professional conduct in relation to the audit.


Grech Smith Bridle
Chartered Accountants


Joseph Paul Grech
Partner, Registered Company Auditor

Dated at Sydney this 23rd day of August 2011

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

| | Note | 2011 \$ | 2010 \$ |
|--|------|------------------|------------------|
| Revenue | 2 | 16,608,446 | 16,937,257 |
| Employee benefits expense | | (6,392,277) | (6,083,696) |
| Depreciation expense | | (752,160) | (700,157) |
| Commission paid | | (1,367,802) | (1,361,651) |
| Contracting and consulting expenses | | (435,831) | (520,059) |
| Insurance expenses | | (317,410) | (303,100) |
| Legal and litigation expenses | | (232,187) | (219,889) |
| Motor vehicle expenses | | (465,674) | (446,886) |
| Printing, postage and stationery | | (338,744) | (454,369) |
| Telephone expenses | | (174,787) | (174,210) |
| Donations | | (35,631) | (82,410) |
| NSW Branch expenses | | (3,878,590) | (3,828,232) |
| Occupancy expenses | | (1,110,726) | (887,010) |
| Accommodation and travel expenses | | (244,516) | (226,864) |
| Surplus To EFA Campaign Acct | | (18,929) | - |
| Other expenses | | <u>(390,376)</u> | <u>(298,490)</u> |
| Profit before income tax | | 452,806 | 1,350,234 |
| Income tax expense | 1(a) | - | - |
| Profit attributable to members of the Association | | <u>452,806</u> | <u>1,350,234</u> |

The accompanying notes form part of these financial statements.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

| | Note | 2011 \$ | 2010 \$ |
|--------------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 9,334,354 | 4,437,441 |
| Trade and other receivables | 6 | 1,198,754 | 1,197,437 |
| Prepayments | 7 | 408,491 | 279,751 |
| TOTAL CURRENT ASSETS | | <u>10,941,599</u> | <u>5,914,629</u> |
| NON-CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | - | 5,000,000 |
| Property, plant and equipment | 8 | 9,732,542 | 9,797,482 |
| Investment property | 9 | 14,909,439 | 15,240,065 |
| TOTAL NON-CURRENT ASSETS | | <u>24,641,981</u> | <u>30,037,547</u> |
| TOTAL ASSETS | | <u>35,583,580</u> | <u>35,952,176</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 430,110 | 798,922 |
| Employee Benefits | 11 | 1,869,196 | 1,761,900 |
| TOTAL CURRENT LIABILITIES | | <u>2,299,306</u> | <u>2,560,822</u> |
| NON-CURRENT LIABILITIES | | | |
| Employee Benefits | 11 | 17,147 | 15,705 |
| TOTAL NON-CURRENT LIABILITIES | | <u>17,147</u> | <u>15,705</u> |
| TOTAL LIABILITIES | | <u>2,316,453</u> | <u>2,576,527</u> |
| NET ASSETS | | <u>33,267,127</u> | <u>33,375,649</u> |
| EQUITY | | | |
| Reserves | 12 | 1,795,131 | 2,356,459 |
| Retained earnings | | 31,471,996 | 31,019,190 |
| TOTAL EQUITY | | <u>33,267,127</u> | <u>33,375,649</u> |

The accompanying notes form part of these financial statements.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
30 JUNE 2011**

| | Retained Earnings | Asset Revaluation Reserve | Total |
|---|----------------------|---------------------------------|------------|
| Balance at 1 July 2009 | 29,668,956 | 2,356,459 | 32,025,415 |
| Profit attributable to members of the Association | 1,350,234 | - | 1,350,234 |
| Fair value adjustments | - | - | - |
| Balance at 30 June 2010 | 31,019,190 | 2,356,459 | 33,375,649 |
| Profit attributable to members of the Association | 452,806 | - | 452,806 |
| Fair value adjustments | - | (561,328) | (561,328) |
| Balance at 30 June 2011 | 31,471,996 | 1,795,131 | 33,267,127 |

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

| | Note | 2011 \$ | 2010 \$ |
|--|-------|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 15,005,247 | 14,614,458 |
| Payments to suppliers and employees | | (15,664,007) | (14,632,234) |
| Interest received | | 537,115 | 396,932 |
| Rent received | | 881,242 | 1,206,651 |
| Net cash provided by (used in) operating activities | 14(a) | 759,597 | 1,585,807 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of property, plant and equipment | | 195,863 | 130,875 |
| Purchase of investment property | | (288,124) | (5,240,065) |
| Purchase of property, plant and equipment | | (770,423) | (476,757) |
| Net cash provided by (used in) investing activities | | (862,684) | (5,585,947) |
| Net increase/(decrease) in cash held | | (103,087) | (4,000,140) |
| Cash at beginning of financial year | | 9,437,441 | 13,437,581 |
| Cash at end of financial year | 5 | 9,334,354 | 9,437,441 |

The accompanying notes form part of these financial statements.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of The Fair Work (Registered Organisations) Act 2009 (RO Act).

The financial report covers the Association of Shop, Distributive and Allied Employees' Association N.S.W. Deductions Account Office as an individual entity. The Shop, Distributive and Allied Employees' Association is a trade union registered pursuant to RO Act.

The financial report of Shop, Distributive and Allied Employees' Association N.S.W. Deductions Account Office as an individual entity comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Association in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) Income Tax

No provision for income tax is necessary as Trade Unions are exempt from income tax under the Income Tax Assessment Act 1936, as amended.

(b) Property, Plant and Equipment

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

Property

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

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 1: Statement of Significant Accounting Policies (cont)

(b) Property, Plant and Equipment (cont)

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

Plant and equipment

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

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

The cost of fixed assets constructed within the Association includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the assets' original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated on a straight line basis over their estimated useful lives to the Association commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|----------------------|-------------------|
| Buildings | 2.5% |
| Plant and equipment | 5 - 25% |

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 1: Statement of Significant Accounting Policies (cont)

(b) Property, Plant and Equipment (cont)

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(c) Investment Property

Investment property, comprising freehold property, is held to generate long-term rental yields. All tenant leases are on an arms length basis. Investment property is carried at fair value, determined triennially by independent valuers. Changes to fair value are charged to the statement of comprehensive income.

(d) Leases

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

(e) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(f) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 1: Statement of Significant Accounting Policies (cont)

(g) Cash and Cash Equivalents

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

(h) Revenue

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

Members' contributions are brought to account when receivable from members of the Association.

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

(i) Goods and Services Tax (GST)

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

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

(j) Comparative Figures

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

Critical Accounting Estimates and Judgments

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

It has not been necessary for the Committee of Management to make any key estimates or judgements in the report.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 2: Revenue

| | 2011 | 2010 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Operating activities | | |
| - Services revenue | 15,135,304 | 15,280,618 |
| - Interest revenue | 537,115 | 396,932 |
| - Rental revenue from property | 80,563 | 69,492 |
| - Rental revenue from investment property | 800,680 | 1,137,160 |
| - Profit on disposal of plant and equipment | 54,784 | 53,055 |
| Total Revenue | <u>16,608,446</u> | <u>16,937,257</u> |

(a) Interest revenue from:

| | | |
|------------------------|----------------|----------------|
| - other persons | <u>537,115</u> | <u>396,932</u> |
| Total interest revenue | <u>537,115</u> | <u>396,932</u> |

Note 3: Profit from Ordinary Activities

(a) Expenses

| | | |
|------------------------------------|----------------|----------------|
| Commission Paid | 1,367,802 | 1,361,651 |
| Depreciation of non-current assets | | |
| - Buildings | 210,522 | 210,523 |
| - Plant and equipment | <u>541,638</u> | <u>489,634</u> |
| Total depreciation | <u>752,160</u> | <u>700,157</u> |
| Rental expense on operating leases | | |
| - Minimum lease payments | <u>492,414</u> | <u>432,902</u> |

Note 4: Auditors' Remuneration

Remuneration of the auditor of the Association for:

| | | |
|---------------------------------|---------------|---------------|
| - Auditing the financial report | <u>47,236</u> | <u>46,164</u> |
|---------------------------------|---------------|---------------|

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

| | 2011 | 2010 |
|---|------------------|------------------|
| | \$ | \$ |
| Note 5: Cash and Cash Equivalents | | |
| CURRENT | | |
| Cash at bank and in hand | 53,673 | 43,832 |
| Short-term bank deposits | 9,280,681 | 4,393,609 |
| | <u>9,334,354</u> | <u>4,437,441</u> |
| The effective interest rate on short-term bank deposits was 4.75% (2010: 4.85%). These deposits have any average maturity of 26 days. | | |
| NON-CURRENT | | |
| Long-term bank deposits | <u>-</u> | <u>5,000,000</u> |
| The effective interest rate on long-term bank deposits was 5.81% (2010: 5.75%) this deposit matures in 1 year. | | |
| Reconciliation of cash | | |
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: | | |
| Cash and cash equivalents – current | 9,334,354 | 4,437,441 |
| Cash and cash equivalents – non-current | <u>-</u> | <u>5,000,000</u> |
| | <u>9,334,354</u> | <u>9,437,441</u> |
| Note 6: Trade and Other Receivables | | |
| CURRENT | | |
| Trade receivables | 1,144,184 | 1,172,052 |
| Other receivables | 54,570 | 25,385 |
| | <u>1,198,754</u> | <u>1,197,437</u> |
| Note 7: Prepayments | | |
| CURRENT | | |
| Prepayments | <u>408,491</u> | <u>279,751</u> |

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

| | 2011 \$ | 2010 \$ |
|---|--------------------|--------------------|
| Note 8: Property, Plant and Equipment | | |
| BUILDINGS | | |
| Buildings at: | | |
| - Independent valuation 2011 (Canberra) | 826,500 | 831,250 |
| - Independent valuation 2009 (Level 3, Quay Street) | 3,504,000 | 3,504,000 |
| - Independent valuation 2009 (Level 4, Quay Street) | 3,120,000 | 3,120,000 |
| - Independent valuation 2009 (Car Spaces) | 988,800 | 988,800 |
| Less accumulated depreciation | <u>(379,596)</u> | <u>(231,246)</u> |
| Total buildings | <u>8,059,704</u> | <u>8,212,804</u> |
| PLANT AND EQUIPMENT: | | |
| Plant and equipment: | | |
| At cost | 3,296,398 | 3,181,512 |
| Accumulated depreciation | <u>(1,623,560)</u> | <u>(1,596,834)</u> |
| Total plant & equipment | <u>1,672,838</u> | <u>1,584,678</u> |
| Total property, plant and equipment | <u>9,732,542</u> | <u>9,797,482</u> |

Independent valuers revalued the Association's Quay Street buildings at 30 June 2009. During the year of 2011, the Association's Canberra building was revalued by an independent valuer. The fair value of the building based on their fair value less cost to sell, based on an active market, was determined to increase by \$57,422. The amount of \$57,422 was credited directly to the Asset Revaluation Reserve.

(a) Movements in Carrying Amounts

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

| | Buildings \$ | Plant and Equipment \$ | Total \$ |
|-------------------------------------|------------------|------------------------------|------------------|
| Balance of the beginning of year | 8,212,804 | 1,584,678 | 9,797,482 |
| Additions | | 770,877 | 770,877 |
| Disposals | | (141,079) | (141,079) |
| Revaluation increments/(decrements) | 57,422 | | 57,422 |
| Depreciation expense | (210,522) | (541,638) | (752,160) |
| Carrying amount at the end of year | <u>8,059,704</u> | <u>1,672,838</u> | <u>9,732,542</u> |

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

| Note 9: Investment Property | 2011 | 2010 |
|------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Balance at beginning of year | 15,240,065 | 10,000,000 |
| Additions – at cost | 288,124 | 5,240,065 |
| Fair value adjustments | (618,750) | - |
| Balance at end of year | <u>14,909,439</u> | <u>15,240,065</u> |

The fair value model is applied to the investment property. The investment property is independently revalued at least every three years. Values are based on an active liquid market value and are performed by a registered independent valuer. The Committee of Management valuations are prepared at each balance date where an independent valuation has not been obtained.

During the year, the Day street building held by the Association was revalued by an independent valuer. The fair value of the building based on the fair value less cost to sell, based on an active market, was determined to decrease by \$618,750.

The amount of \$618,750 was debited directly to the Asset Revaluation Reserve to reverse previous increments which have been recognised.

Note 10: Payables

CURRENT

| | | |
|--------------------------------------|----------------|----------------|
| Unsecured liabilities | | |
| Trade payables | 439,946 | 599,670 |
| Sundry payables and accrued expenses | (9,836) | 199,252 |
| | <u>430,110</u> | <u>798,922</u> |

Note 11: Employee Benefits

| | Employee Entitlements | Total |
|--|----------------------------------|------------------|
| | \$ | \$ |
| Opening balance at 1 July 2010 | 1,777,604 | 1,777,604 |
| Additional provisions raised during year | 108,739 | 108,739 |
| Balance at 30 June 2011 | <u>1,886,343</u> | <u>1,886,343</u> |

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 11: Employee Benefits (cont.)

Analysis of Total Provisions

| | 2011 | 2010 |
|-------------|------------------|------------------|
| | \$ | \$ |
| Current | 1,869,196 | 1,761,900 |
| Non-Current | 17,147 | 15,705 |
| | <u>1,886,343</u> | <u>1,777,605</u> |

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in note 1.

Note 12: Reserves

(a) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets.

Note 13: Capital and Leasing Commitments

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

| | 2011 | 2010 |
|------------------------------------|------------------|------------------|
| | \$ | \$ |
| Payable - minimum lease payments | | |
| - Not later than 12 months | 328,509 | 492,414 |
| - Between 12 months and five years | 782,119 | 529,451 |
| - Greater than five years | - | - |
| | <u>1,110,628</u> | <u>1,021,865</u> |

The operating leases (property, plant, equipment and a membership hosting system) are non-cancellable with a five-year term, with rent payable quarterly or monthly in advance. The leases provide a right of renewal at which time all terms are renegotiated.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 13: Capital and Leasing Commitments

(b) Other Expenditure Commitments

Other expenditure commitments contracted for:

| | | |
|---------------------------------|------------------|----------------|
| – Lease Incentive & Renovations | <u>3,497,206</u> | <u>649,781</u> |
|---------------------------------|------------------|----------------|

Payable

| | | |
|------------------------------------|------------------|----------------|
| – Not later than 12 months | 1,748,603 | 649,781 |
| - Between 12 months and five years | <u>1,748,603</u> | <u>-</u> |
| | <u>3,497,206</u> | <u>649,781</u> |

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 14: Cash Flow Information

**(a) Reconciliation of Cash Flow from Operations with
Profit from Ordinary Activities after Income Tax**

| | 2011 | 2010 |
|---|----------------|------------------|
| | \$ | \$ |
| Profit from ordinary activities after income tax | 452,806 | 1,350,234 |
| Non-cash flows in profit from ordinary activities | | |
| Depreciation | 752,160 | 700,157 |
| Net (gain)/loss on disposal of plant and equipment | (54,784) | (53,055) |
| Changes in assets and liabilities | | |
| Increase/(decrease) in employee benefits | 108,738 | 269,039 |
| (Increase)/decrease in trade and other receivables | (1,317) | (640,272) |
| (Increase)/decrease in prepayments | (128,740) | (25,889) |
| Increase/(decrease) in trade and other payables | (369,266) | (14,407) |
| | <u>759,597</u> | <u>1,585,807</u> |

Note 15: Financial Instruments

(a) Financial Risk Management

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

The main purpose of non-derivative financial instruments is to raise finance for Association operations.

The association does not have any derivative instruments at 30 June 2011.

(i) Treasury Risk Management

The Committee of Management meets on a regular basis to analyse interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 15: Financial Instruments (cont.)

(a) Financial Risk Management (cont.)

(ii) Financial Risks

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

Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate cash balances. At 30 June 2011 approximately 96% of the Association's cash balance is fixed. For further details on interest rate risk refer to Note 15(b).

Foreign Currency Risk

The Association is not exposed to fluctuations in foreign currencies.

Liquidity Risk

The Association manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash facilities are maintained.

Credit Risk

The Association is not exposed to any material credit risk.

Price Risk

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

SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W. DEDUCTIONS ACCOUNT OFFICE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 15: Financial Instruments (cont)

(b) Interest Rate Risk

The Association's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on those financial assets and liabilities, is as follows:

| | Weighted Average Effective Interest Rate | | Floating Interest Rate | | Fixed Interest Rate Maturing | | | | Non-interest Bearing | | Total | |
|------------------------------------|---|-----------|---------------------------|------------------|---------------------------------|------------------|-------------|------------------|----------------------|------------------|-------------------|-------------------|
| | | | | | Within 1 year | | Over 1 year | | | | | |
| | 2011 % | 2010 % | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ |
| Financial Assets: | | | | | | | | | | | | |
| Cash and cash equivalents | 5.6 | 5.3 | 332,904 | 2,085,974 | 9,000,000 | 4,850,017 | - | 2,500,000 | 1,450 | 1,450 | 9,334,354 | 9,437,441 |
| Trade and other receivables | - | - | - | - | - | - | - | - | 1,198,754 | 1,197,437 | 1,198,754 | 1,197,437 |
| Total Financial Assets | | | <u>332,904</u> | <u>2,085,974</u> | <u>9,000,000</u> | <u>4,850,017</u> | <u>-</u> | <u>2,500,000</u> | <u>1,200,204</u> | <u>1,198,887</u> | <u>10,533,108</u> | <u>10,634,878</u> |
| Financial Liabilities: | | | | | | | | | | | | |
| Trade and other payables | - | - | - | - | - | - | - | - | 430,110 | 798,922 | 430,110 | 798,922 |
| Total Financial Liabilities | | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>430,110</u> | <u>798,922</u> | <u>430,110</u> | <u>798,922</u> |

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 15: Financial Instruments (cont)

(c) Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Association intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes the financial statements.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date.

| | 2011 | | 2010 | |
|-------------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
| | Carrying Amount \$ | Net Fair Value \$ | Carrying Amount \$ | Net Fair Value \$ |
| Financial assets: | | | | |
| Cash and cash equivalents | 9,334,354 | 9,334,354 | 9,437,441 | 9,437,441 |
| Trade and other receivables | 1,198,754 | 1,198,754 | 1,197,437 | 1,197,437 |
| | <u>10,533,108</u> | <u>10,533,108</u> | <u>10,634,878</u> | <u>10,634,878</u> |
| Financial liabilities: | | | | |
| Trade and other payables | 430,110 | 430,110 | 798,922 | 798,922 |
| | <u>430,110</u> | <u>430,110</u> | <u>798,922</u> | <u>798,922</u> |

Fair values are materially in line with carrying values.

Note 16: National Officers

The name of each person holding the position of national officer of the Association during the financial year are Messrs J de Bruyn (National Secretary-Treasurer), I Blandthorn (National Assistant Secretary), J Bullock (National Vice-President) and G Dwyer (National President).

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 17: Information to be provided to members or General Manager of Fair Work Australia

In accordance with the requirements of subsection 272(5) of the RO Act, the attention of members is drawn to the provisions of subsections (1), (2) and (3) of section 272, which states as follows:

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

Note 18: Association Details

The registered office of the Association is:

Shop, Distributive and Allied Employees' Association
N.S.W. Branch
Level 3
8 Quay Street
SYDNEY NSW 2000

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

Scope

We have audited the financial report of Shop, Distributive and Allied Employees' Association N.S.W. Deductions Account Office for the financial year ended 30 June 2011 as set out on pages 3 to 26.

The financial report includes the financial statements of the individual entity at year end. The Association's Committee of Management are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Association.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Association's financial position and performance as represented by the results of their operations and their cash flow.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Fair Work (Registered Organisations) Act 2009.

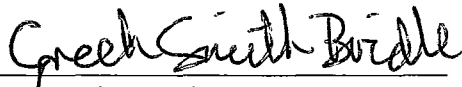
We declare to the best of our knowledge and belief that the auditor's independence declaration, set out on page 6 of the financial report, has not changed as at the date of providing our audit opinion.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**


**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE (CONT)**

Audit Opinion

In our opinion the general purpose financial report is presented fairly in accordance with applicable Australian Accounting Standards and the requirements imposed by Part 3 of Chapter 8 of the Fair Work (Registered Organisations) Act 2009.



Grech Smith Bridle
Chartered Accountants



Joseph Paul Grech
Partner, Registered Company Auditor

Dated at Sydney this 23rd day of August 2011



FAIR WORK
AUSTRALIA

18 January 2012

Mr. J. de Bruyn
National Secretary-Treasurer
Shop, Distributive and Allied Employees Association
Email: general@sda.org.au

Dear Mr de Bruyn

Financial report for the Shop, Distributive and Allied Employees Association for the year ended 30 June 2011 (FR2011/2704)

I acknowledge receipt of the financial report of the Shop, Distributive and Allied Employees Association for the year ended 30 June 2011. The documents were lodged with Fair Work Australia on 7 November 2011.

The financial report has not been filed. I have examined the financial report and identified a number of matters, the details of which are set out below, that I require you to attend to before the report can be filed.

1. NSW Deductions Account Office: Auditor's Report

The auditor's report of the NSW Deductions Account Office financial report provided to Fair Work Australia was unsigned and undated. The Australian Auditing Standards require the auditor's report to be signed. Sections 257(8) and 257(9) of the RO Act require that the form and content of the auditor's report be in accordance with the Australian Auditing Standards, and that the report is dated as at the date the auditor signs it. The auditor's report must be signed and dated before the reports are circulated to members (section 265(1) of the RO Act).

If the auditor's report that was lodged with Fair Work Australia is the auditor's report that was distributed to members, a signed and dated auditor's report needs to be prepared, distributed to members, presented to a Committee of Management meeting and lodged in this office with a fresh Designated Officer's Certificate. If a signed and dated auditor's report was distributed to members, please provide a copy of the document that was distributed to members.

2. NSW Deductions Account Office: Number of employees

I note that rule 6(d) of the Shop, Distributive and Allied Employees Association provides for the establishment of the NSW Deductions Account, and that rules 6(b) and 6(c) provide that some of the fund is part of the General Fund of the Association and some of the fund is part of the NSW Branch funds. I understand this to mean that the rules provide for a fund from which both the national office and the NSW branch have claim to certain amounts. The operating report of the NSW Deductions Account Office states that there were 84 persons employed by the NSW Deductions Account Office. However, the rules do not appear to provide the *fund* with powers to employ staff. I therefore seek clarification as to who is the employer of the 84 people paid from the NSW Deductions Account.

3. National Office: membership subscriptions

Note 21 to the national office financial statements discloses \$1,681,856 and \$1,332,574 received as membership fees from the NSW Branch and the Victorian Branch respectively. However, the NSW Branch financial statements disclose \$1,257,340 paid as affiliations to the national office and the Victorian Branch financial statements disclose \$1,285,552 paid as affiliations to the national office. Please provide an explanation for these discrepancies.

Should you wish to discuss this letter or if you require further information on the financial reporting requirements of the Act, I may be contacted on (03) 8661 7929 or by email at eve.anderson@fwa.gov.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Eve Anderson', followed by a long horizontal flourish.

Eve Anderson
Tribunal Services and Organisations
Fair Work Australia
Tel: 03 86617929
Email: eve.anderson@fwa.gov.au

Designated Officer's Certificate

s268 Fair Work (Registered Organisations) Act 2009

I, **Joseph de Bruyn**, being the **National Secretary-Treasurer** of the **Shop Distributive and Allied Employees Association**, certify:

- that the documents lodged herewith are copies of the full report, referred to in s268 of the Fair Work (Registered Organisations) Act 2009; and
- that the full report was provided to members before 23rd September, 2011.
- that the full report was presented to a meeting of the Committee of Management of the reporting unit on 17th October 2011; in accordance with section 266 of the Fair Work (Registered Organisations) Act 2009.

Signature: Joseph de Bruyn
Joseph de Bruyn



Date: 2nd November, 2011



**SHOP DISTRIBUTIVE AND
ALLIED EMPLOYEES' ASSOCIATION**

**ANNUAL FINANCIAL REPORT
30 JUNE 2011**

**Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011**

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Shop, Distributive & Allied Employees' Association

Annual Financial Report – 30 June 2011

Operating report

For the year ended 30 June 2011

The members of the National Executive present their report together with the financial report of Shop, Distributive & Allied Employees' Association ('the Association') for the financial year ended 30 June 2011 and the auditor's report thereon.

1. Membership

Membership of the Association as at 30 June 2011 was 201,741.

Persons eligible to do so under the rules of the Association were actively encouraged to join the Association. Pursuant to s174 of the *Fair Work (Registered Organisations) Act 2009* ("RO Act") and in accordance with Rule 27 of the Association, members have the right to resign from the Association by written notice to the appropriate Branch of the Association.

2. Committee of Management

The members of the National Executive of the Association at any time during or since the end of the financial year are:

| <i>Name</i> | <i>Experience</i> |
|---|---|
| Mr. Gerard Dwyer National President | National Executive Member since 2005 Elected National President 2008 |
| Mr. Joseph Bullock National Vice President | National Executive Member since 1996 Elected National Vice President 2004 |
| Mr. Joseph De Bruyn National Secretary-Treasurer | National Executive Member since 1978 Elected National Secretary-Treasurer 1978 |
| Mr Ian Blandthorn National Assistant Secretary | National Executive Member since 1986 Elected National Assistant Secretary 1986 |
| Mr. Michael Donovan | National Executive Member since 1996 |
| Mr. Paul Griffin | National Executive Member since 1990 |
| Mr. Chris Ketter | National Executive Member since 1996 |
| Ms. Barbara Nebart | National Executive Member since 2004 |
| Mr. Peter Malinauskas | National Executive Member since 2008 |

3. Affiliations & Directorships

The Association, through its Branches, is affiliated with the Australian Labor Party ("ALP"). Delegates were credentialed to various state and national meetings of the ALP. The National Secretary-Treasurer is a member of the ALP National Executive and the Australian Labor Advisory Council.

The Association is affiliated with the Australian Council of Trade Unions ("ACTU"). The National Secretary-Treasurer is Senior Vice President of the ACTU. Four other representatives of the Association are also members of the ACTU Executive. Officials of the Association are active on a range of ACTU Committees, including health and safety, women, vocational education and training, future strategies, international and award modernisation.

The Association is affiliated to Union Network International ("UNI"). Various officials of the Association hold elected positions within UNI. The National Secretary-Treasurer is the President of UNI.

Two representatives of the Association are Directors of the Service Industries Skills Council.

Shop, Distributive & Allied Employees' Association Annual Financial Report – 30 June 2011

Operating report (continued)

For the year ended 30 June 2011

4. Principal activities

The Association maintained its industrial awards and agreements at a high, up-to-date standard, and produced a range of publications for its members.

New enterprise agreements were negotiated with a wide range of employers including the Coles Group, Bunnings, Woolworths, Freedom Furniture, Harris Scarfe, Specialty Fashion Group, Myer, Priceline, Reject Shop, Ray's Outdoor, Target Urban and others. These agreements all resulted in improved wages and working conditions for the employees covered by them.

The Association participated in inquiries and investigations conducted by the Federal Parliament. Officers of the Association discussed a range of issues relevant to members with Federal and State Parliamentarians.

There were no significant changes in the Association during the financial year in the nature of its activities and financial affairs. At 30 June 2011, there were 13 persons employed by the national office of the Association.

5. Superannuation Trustees

Four representatives of the Association hold positions as Directors of the Retail Employees' Superannuation Trust ("REST"). Below are the directors as at 30 June 2011, along with the nominated alternate Employee Directors. Ms S Burnley is also a Director of CARE Super Pty Ltd.

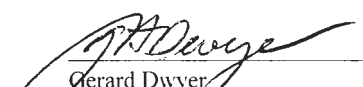
| Directors: | Alternates: |
|---------------------|--------------------|
| Mr Joe de Bruyn | Ms Barbara Nebart |
| Mr Ian Blandthorn | Mr Michael Donovan |
| Mr Geoff Williams | Mr Joseph Bullock |
| Ms Sue-Anne Burnley | Mr Chris Ketter |

6. Information to be provided to members or General Manager

In accordance with the requirements of subsection 272(5) of the RO Act, the attention of members is drawn to the provisions of subsections (1), (2) and (3) of section 272, which states as follows:

1. A member of a reporting unit, or the General Manager, 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).

Dated at Melbourne this 22nd day of August, 2011


Gerard Dwyer
National President


Joseph de Bruyn
National Secretary-Treasurer

Shop, Distributive & Allied Employees' Association Annual Financial Report – 30 June 2011

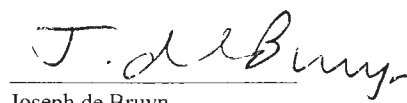
Certificate by National Executive

We, Gerard Dwyer and Joseph de Bruyn, being two members of the National Executive of the Association, do state on behalf of the National Executive and in accordance with a resolution passed by the National Executive on 22nd August 2011 in relation to the accompanying general purpose financial report that, in the opinion of the National Executive:-

- (a) the financial statements and notes set out on pages 7 to 30 comply with the Australian Accounting Standards;
- (b) the financial statements and notes set out on pages 7 to 30 comply with the reporting guidelines of the *Fair Work Australia* ("FWA");
- (c) the financial statements and notes present a true and fair view of the financial performance, financial position and cash flows of the Association for the financial year ended 30 June 2011;
- (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;
- (e) during the financial year ended 30 June 2011 and since the end of that year:
 - (i) meetings of the executive were held in accordance with the rules of the Association;
 - (ii) the financial affairs of the Association have been managed in accordance with the rules of the Association;
 - (iii) the financial records of the Association have been kept and maintained in accordance with the *Fair Work (Registered Organisations) Act 2009* ("RO Act") and the RO Regulations;
 - (iv) the financial records of the Association have been kept, as far as practicable, in a consistent manner for each of the branches of the Association;
 - (v) to the knowledge of any member of the National Executive, there have been no instances of information sought in any request of a member of the Association or FWA duly made under section 272 of the RO Act that have not been furnished to the member or FWA;
 - (vi) no orders for inspection of financial records have been made by FWA under section 273 of the RO Act; and
 - (vii) in relation to the recovery of wages activity, there has been no such activity undertaken by the Association.

Dated at Melbourne this 22nd day of August, 2011


Gerard Dwyer
National President


Joseph de Bruyn
National Secretary-Treasurer

**Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011**

Certificate by National Secretary-Treasurer

I, Joseph de Bruyn, being the officer responsible for keeping the accounting records of the Association certify that as at 30 June 2011 the number of members of the Association was 201,741.

In my opinion:-

- (i) the accompanying financial report set out on pages 7 to 30 presents a true and fair view of the financial position of the Association as at 30 June 2011;
- (ii) a record has been kept of all monies paid by or collected from members of the Association and all monies so paid or collected have been credited to the bank account to which those monies are to be credited in accordance with the rules of the Association;
- (iii) 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;
- (iv) no payments were made out of funds or accounts operated by the Association in respect of compulsory levies raised by the Association or voluntary contributions collected from members of the Association or other funds, the operation of which is required by the rules of the Association for a purpose other than the purpose for which the funds or accounts were operated;
- (v) no loans or other financial benefits other than remuneration in respect of their full time employment with the Association were made to persons holding office in the Association; and
- (vi) the Register of Members of the Association was maintained in accordance with the *Fair Work (Registered Organisations) Act 2009*.

Dated at Melbourne this 22nd day of August 2011.



Joseph de Bruyn
National Secretary-Treasurer

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Statement of financial position

As at 30 June 2011

| | <i>Note</i> | 2011 \$ | 2010 \$ |
|--------------------------------------|-------------|-------------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | 9 | 1,173,503 | 886,752 |
| Receivables | 10 | 450,419 | 349,060 |
| Other financial assets | 11 | 18,200,000 | 15,286,707 |
| Total current assets | | 19,823,922 | 16,522,519 |
| Investment property | 12 | 14,295,426 | 11,863,633 |
| Property, plant and equipment | 13 | 349,131 | 366,977 |
| Employee benefits | 15 | 153,241 | 88,304 |
| Total non-current assets | | 14,797,798 | 12,318,914 |
| Total assets | | 34,621,720 | 28,841,433 |
| Liabilities | | | |
| Trade and other payables | 14 | 196,984 | 341,151 |
| Employee benefits | 15 | 660,528 | 734,750 |
| Total current liabilities | | 857,512 | 1,075,901 |
| Employee benefits | 15 | 2,393 | 1,117 |
| Total non-current liabilities | | 2,393 | 1,117 |
| Total liabilities | | 859,905 | 1,077,018 |
| Net assets | | 33,761,815 | 27,764,415 |
| Equity | | | |
| Retained earnings | | 33,761,815 | 27,764,415 |
| Total equity | | 33,761,815 | 27,764,415 |

The notes on pages 11 to 30 are an integral part of these financial statements.

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Statement of comprehensive income

For the year ended 30 June 2011

| | <i>Note</i> | 2011 \$ | 2010 \$ |
|--|-------------|--------------------|--------------------|
| Revenue | | | |
| ACTU Reimbursement - Award Modernisation | | - | 50,000 |
| Branch contribution to Federal ALP Election Campaign | 21 | - | 200,000 |
| Membership subscriptions | 21 | 5,739,882 | 5,342,359 |
| | | <u>5,739,882</u> | <u>5,592,359</u> |
| Other income | 7 | 3,770,753 | 1,068,679 |
| | | <u>9,510,635</u> | <u>6,661,038</u> |
| Expenditure | | | |
| 53 Queen St, Melbourne – direct operating expenses | | (450,485) | (451,543) |
| ACTU IR Campaign Levy | | (214,680) | - |
| Affiliation fees | | (1,176,357) | (1,027,901) |
| Auditors' remuneration | 8 | (22,134) | (21,080) |
| Delegates expenses | | (373,777) | (456,052) |
| Depreciation | 13 | (44,568) | (34,704) |
| Donations | | (215,202) | (579,467) |
| Legal expenses | | (433,047) | (102,480) |
| Meeting expenses | | (229,149) | (185,507) |
| Office & administration | | (106,207) | (103,592) |
| Other expenses | | (122,210) | (140,100) |
| Personnel expenses | 18 | (888,864) | (1,056,386) |
| Travel expenses | | (96,797) | (163,502) |
| Total expenses | | <u>(4,373,477)</u> | <u>(4,322,314)</u> |
| Finance income | | | |
| Interest received | 3(h) | 883,026 | 511,138 |
| | | <u>883,026</u> | <u>511,138</u> |
| Income tax expense | 3(i) | - | - |
| Profit for the period | | <u>6,020,184</u> | <u>2,849,862</u> |
| Other comprehensive income | | | |
| Defined benefit plan actuarial gains (losses) | 15 | (22,784) | (131,981) |
| Income tax on other comprehensive income | 3(i) | - | - |
| | | <u>(22,784)</u> | <u>(131,981)</u> |
| Total comprehensive income for the period | | <u>5,997,400</u> | <u>2,717,881</u> |

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Statement of changes in equity

| | <i>Note</i> | Retained earnings \$ | Total equity \$ |
|---|-------------|--------------------------------|---------------------------|
| Balance at 1 July 2009 | | 25,046,534 | 25,046,534 |
| Total comprehensive income for the period | | | |
| Profit for the period | | 2,849,862 | 2,849,862 |
| <i>Other comprehensive income</i> | | | |
| Defined benefit plan actuarial (losses), net of tax | 15 | (131,981) | (131,981) |
| Total comprehensive income for the period | | 2,717,881 | 2,717,881 |
| Transactions with members of the Association, recognised directly in equity | | - | - |
| Balance at 30 June 2010 | | 27,764,415 | 27,764,415 |
| Balance at 1 July 2010 | | 27,764,415 | 27,764,415 |
| Total comprehensive income for the period | | | |
| Profit for the period | | 6,020,184 | 6,020,184 |
| <i>Other comprehensive income</i> | | | |
| Defined benefit plan actuarial (losses), net of tax | 15 | (22,784) | (22,784) |
| Total comprehensive income for the period | | 5,997,400 | 5,997,400 |
| Transactions with members of the Association, recognised directly in equity | | - | - |
| Balance at 30 June 2011 | | 33,761,815 | 33,761,815 |

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Statement of cash flows

For the year ended 30 June 2011

| | <i>Note</i> | 2011 | 2010 |
|---|-------------|--------------|-------------|
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Cash receipts from operations | | 7,728,394 | 7,327,399 |
| Cash paid to suppliers and employees | | (5,275,680) | (4,681,092) |
| Cash generated from operations | | 2,452,714 | 2,646,307 |
| Interest received | | 774,052 | 481,611 |
| Net cash from operating activities | 20 | 3,226,766 | 3,127,918 |
| Cash flows from investing activities | | | |
| Acquisition of term deposits | | (14,500,000) | (3,700,000) |
| Acquisition of property, plant & equipment | 13 | (26,722) | (5,258) |
| Proceeds from sale of property, plant & equipment | | - | 6,745 |
| Net cash used in investing activities | | (14,526,722) | (3,698,513) |
| Cash flows from financing activities | | | |
| Net cash used in financing activities | | - | - |
| Net (decrease) in cash and cash equivalents | | (11,299,956) | (570,595) |
| Cash and cash equivalents at 1 July | | 12,473,459 | 13,044,054 |
| Cash and cash equivalents at 30 June | 9 | 1,173,503 | 12,473,459 |

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Notes to the financial statements

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Shop, Distributive & Allied Employees' Association

Annual Financial Report – 30 June 2011

Notes to the financial statements

1. Reporting entity

Shop, Distributive & Allied Employees' Association (the 'Association') is an Association domiciled in Australia. The address of the Association's registered office is Level 6, 53 Queen Street, Melbourne. The financial report of the Association for the financial year ended 30 June 2011 comprises the National Account and the International Fund. The Association primarily is involved in retail trade union activities.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the *Fair Work (Registered Organisations) Act 2009*.

The financial statements were approved by the National Executive on 22 August 2011.

(b) Basis of measurement

The financial report is prepared on the historical cost basis except for the following material items in the statement of financial position:

- investment property is measured at fair value
- the defined benefit asset is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Association's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions 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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the following notes:

- Note 12 – valuation and classification of investment property

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 15 – measurement of defined benefit obligations

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Association. Certain comparative amounts have been reclassified to conform with the current year's presentation.

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(a) Financial instruments

(i) Non-derivative financial assets

The Association initially recognises receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit and loss) are recognised initially on the trade date at which the Association becomes a party to the contractual provisions of the instrument.

The Association derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Association is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the financial position when, and only when, the Association has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Association has the following non-derivative financial assets: held-to maturity financial assets and receivables.

Held-to-maturity financial assets

Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Association from classifying investment securities as held-to-maturity for the current and the following two financial years.

Held to maturity financial assets comprise term deposits held at the Commonwealth Bank of Australia (see note 11).

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Receivables comprise accrued income, prepayments and sundry debtors (see note 10).

Cash and cash equivalents comprise cash balances and bank bills with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Association's other financial liabilities are recognised initially on the trade date which is the date that the Association becomes a party to the contractual provisions of the instrument.

The Association derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Association has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The financial liabilities are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method. Other financial liabilities comprise trade and other payables.

(iii) Share capital

The Association is a registered organisation under the Fair Work (Registered Organisations) Act 2009 and does not have share capital.

**Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011**

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Association and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line or diminishing basis over the estimated useful lives of each part of an item of property, plant and equipment, to most closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Association will obtain ownership by the end of the lease term.

The estimated useful lives in the current and comparative periods are as follows:

- Leasehold improvements 20 years
- Fixtures and fittings 4-20 years
- Motor vehicles 8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(c) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

(d) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each financial reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including receivables) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Association on terms the Association would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(d) Impairment (continued)

(i) Non-derivative financial assets (continued)

The Association considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment, and those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together those with similar risk characteristics.

In assessing collective impairment the Association uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at mortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Association's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the profit or loss.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Employee benefits

(i) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Association's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any fund assets are deducted.

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(e) Employee benefits (continued)

(i) Defined benefit plans (continued)

The discount rate is the yield at the reporting date on AA credit-rated Commonwealth Government bonds that have maturity dates approximating to the terms of the Association's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Association, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Association. An economic benefit is available to the Association if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Association recognises all actuarial gains and losses arising from defined benefit plans directly in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit and loss.

The Association recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

(ii) Other long-term employee benefits

The Association's net obligation in respect of long-term employee benefits other than defined benefit superannuation funds is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated Commonwealth Government bonds that have maturity dates approximating the terms of the Association's obligations in which the benefits are expected to be paid.

(iii) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts and expensed based on remuneration wage and salary rates that the Association expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Association as the benefits are taken by the employees.

(f) Provisions

A provision is recognised if, as a result of a past event, the Association has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011**

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(g) Revenue

(i) Membership subscriptions

Membership subscriptions represent revenue earned from affiliation fees received from the state branches, recognised when the right to receive the membership fee has been established and can be reliably measured.

(ii) Rental income

Rental income from investment property is recognised in profit and loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(h) Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

(i) Income tax

The Association is exempt from income tax under Division 50, section 50-15 of the Income Tax Assessment Act 1997.

(j) Goods and services tax

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 taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST excluded, as the Association reports to the ATO for GST on a cash-basis. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(k) Segment reporting

An operating segment is a component of the Association that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the other Association's other components. All operating segments' operating results are reviewed regularly by the Association's office holders to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(l) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing the financial statements. None of these is expected to have a significant effect on the financial statements.

4. Determination of fair values

A number of the Association's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Shop, Distributive & Allied Employees' Association

Annual Financial Report – 30 June 2011

Notes to the financial statements (continued)

4. Determination of fair values (continued)

Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Association's investment property at least every 3 years. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuation is prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Association and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

5. Segment reporting

The Association operates in one geographical location, being Australia and in one industry, being trade union activities for the benefit of its members.

6. Financial risk management

The Association has exposure to the following risks from their use of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk
- (d) Operational risk

This note presents information about the Association's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and their management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk Management Framework

The National Executive has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Association, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Association's activities. The Association, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk of financial loss to the Association if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Association's receivables from customers and other financial assets.

(i) Receivables

The Association's exposure to credit risk is influenced mainly by the individual characteristics of each customer or tenant. Credit evaluations are performed on all tenants of the investment property prior to the signing of a lease agreement and security deposits are required by way of bank guarantees or cash, to be held for the term of all leases. None of the tenants were in arrears at the balance sheet date and there is no indication to management that any of the tenants present a significant credit risk.

Shop, Distributive & Allied Employees' Association
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Notes to the financial statements (continued)

6. Financial risk management (continued)

(a) Credit risk (continued)

(ii) Other financial assets

The Association limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating equal to or better than the Association. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

(b) Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Association's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Association's reputation.

The Association prepares budgets and cash flow forecasts, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Association ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least 120 days, the maximum term of its primary financial assets being term deposits. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Association's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Association has limited exposure to currency risks on International Fund transactions (international affiliation fees and donations) that are denominated in a currency other than the functional currency, being the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are Swiss Francs (CHF) and Singapore dollars (SGD).

The Association uses at its discretion forward exchange contracts (typically 1-3 months) to hedge its currency risk, with maturity dates the same as the due dates of the International Fund transactions. At reporting date there were no forward exchange contracts in place.

(ii) Interest rate risk

The Association's interest rate risk arises from its investments in bank bills, term deposits and cash management accounts. Bank bills and term deposits are issued at fixed rates for terms of between 30 and 120 days. The Association maintains a number of different bank bills and term deposits maturing at regular intervals to smooth fluctuations in interest rates being offered. The majority of cash reserves are held in bank bills and term deposits, with cash management bank accounts (with variable interest rates) used to provide liquidity funds at call.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Association's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Association's operations.

Shop, Distributive & Allied Employees' Association

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Notes to the financial statements (continued)

6. Financial risk management (continued)

(d) Operational risk (continued)

The Association's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Association's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within the Association. This responsibility is supported by the development of overall Association standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

Capital Management

The Association's policy is to maintain a strong capital base so as to maintain member, creditor and market confidence and to sustain future development of the union's activities. The National Executive monitors the return on capital and seeks to maintain a conservative position between higher returns and the advantages and security afforded by a sound capital position.

There were no changes in the Association's approach to capital management during the year, and was not subject to externally imposed capital requirements.

7. Other income

| | 2011 | 2010 |
|---|-----------|-----------|
| | \$ | \$ |
| 53 Queen St, Melbourne – rental income from investment property | 1,239,996 | 1,036,313 |
| 53 Queen St, Melbourne – fair value increment | 2,500,000 | - |
| CARE director's fees | 30,757 | 29,027 |
| Profit on sale of office equipment | - | 1,408 |
| Sitting fees – DETA Queensland | - | 1,931 |
| | 3,770,753 | 1,068,679 |

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Notes to the financial statements (continued)

8. Auditors' remuneration

| | 2011 \$ | 2010 \$ |
|---|---------------|---------------|
| Audit services | | |
| Auditors of the Association | | |
| <i>KPMG Australia:</i> | | |
| Audit and review of financial reports | 22,134 | 21,080 |
| | <u>22,134</u> | <u>21,080</u> |
| Other services | | |
| Auditors of the Association | | |
| <i>KPMG Australia</i> | | |
| Other assurance services: Statement of outgoing – 53 Queen Street Melbourne * | 2,250 | 2,145 |
| | <u>2,250</u> | <u>2,145</u> |
| Total auditors' remuneration | <u>24,384</u> | <u>23,225</u> |

* This amount is disclosed as part of "53 Queen Street - Direct Operating Expenses" in the Statement of Comprehensive Income.

9. Cash and cash equivalents

| | 2011 \$ | 2010 \$ |
|--------------------------|------------------|----------------|
| Cash at bank | 44,549 | 7,801 |
| Cash management accounts | 1,061,449 | 811,446 |
| Term deposits | 67,505 | 67,505 |
| | <u>1,173,503</u> | <u>886,752</u> |

Cash and cash equivalents in the statement of cash flows comprise the following:

| | <i>Note</i> | 2011 \$ | 2010 \$ |
|---------------------------|-------------|------------------|-------------------|
| Cash and cash equivalents | | 1,173,503 | 886,752 |
| Bank bills | 11 | 11,586,707 | 11,586,707 |
| | | <u>1,173,503</u> | <u>12,473,459</u> |

During the year ended 30 June 2011, interest income of \$883,026 (2010: \$511,138) was received on cash and cash equivalents and financial assets not at fair value through profit and loss.

The Association's exposure to interest rate risk and a sensitivity analysis for financial assets is disclosed in note 16.

During the year the Association transferred \$11,586,707 from cash and cash equivalents to term deposit (refer note 11).

10. Receivables

| | 2011 \$ | 2010 \$ |
|----------------|----------------|----------------|
| Accrued income | 191,678 | 82,704 |
| Prepayments | 120,116 | 85,661 |
| Sundry debtors | 138,625 | 180,695 |
| | <u>450,419</u> | <u>349,060</u> |

The Association's exposure to credit and currency risks, and impairment losses related to receivables is disclosed in note 16.

**Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011**

Notes to the financial statements (continued)

11. Other financial assets

| | 2011 | 2010 |
|---------------|-------------------|-------------------|
| | \$ | \$ |
| Bank bills | - | 11,586,707 |
| Term deposits | 18,200,000 | 3,700,000 |
| | <u>18,200,000</u> | <u>15,286,707</u> |

Term deposits have stated interest rates of 5.65 to 5.80 percent (2010: 5.60) and mature in 120 days. There are currently no bank bills (2010: 4.40 to 4.75 percent).

The Association's exposure to credit and interest rate risk is disclosed in note 16.

12. Investment property

| | 2011 | 2010 |
|--------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Property | | |
| Balance at 1 July | 11,700,000 | 11,700,000 |
| Fair value adjustments (Refer below) | 2,500,000 | - |
| Balance at 30 June 2011 | <u>14,200,000</u> | <u>11,700,000</u> |
| Lease incentives | | |
| Balance at 1 July | 799,908 | 799,908 |
| Amortisation of lease incentives | (704,482) | (636,275) |
| Balance at 30 June 2011 | <u>95,426</u> | <u>163,633</u> |
| Total investment property | <u>14,295,426</u> | <u>11,863,633</u> |

The carrying amount of investment properties is the fair value of the property at 30 June 2011 as determined by RJ Scrivener, Director and certified practising valuer of Urbis, a registered independent appraiser having an appropriate recognised professional qualification in Australian Property Institute and recent experience in the location and category of the property being valued. Fair value was determined having regard to recent market transactions for similar properties in the same location as the Association's investment property, using midpoint of the capitalisation of net income and direct comparison approaches for 53 Queen Street, Melbourne.

Investment property comprises a commercial property located at 53 Queen Street, Melbourne. The Association retains possession of levels 6 and 7 as its registered head office and leases the remaining floors to third parties. Each of the leases contains an initial non-cancellable period of a minimum of three years. Lease incentives were paid and are being amortised over the period of the leases. Subsequent renewals are negotiated with the lessee. See note 17 for further information.

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Notes to the financial statements (continued)

13. Property, plant and equipment

| Cost | Furniture and fittings | Motor Vehicles | Leasehold Improvements | Total |
|---|------------------------|----------------|------------------------|----------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2009 | 188,816 | 92,189 | 331,840 | 612,845 |
| Acquisitions | 5,258 | - | - | 5,258 |
| Write-downs | (5,095) | - | - | (5,095) |
| Disposals | (19,559) | - | - | (19,559) |
| Balance at 30 June 2010 | 169,420 | 92,189 | 331,840 | 593,449 |
| Balance at 1 July 2010 | 169,420 | 92,189 | 331,840 | 593,449 |
| Acquisitions | 26,722 | - | - | 26,722 |
| Write-downs | (4,812) | - | - | (4,812) |
| Balance at 30 June 2011 | 191,330 | 92,189 | 331,840 | 615,359 |
| Depreciation and impairment losses | | | | |
| Balance at 1 July 2009 | 126,102 | 35,207 | 49,776 | 211,085 |
| Depreciation charge for the year | 10,989 | 7,123 | 16,592 | 34,704 |
| Write-downs | (5,095) | - | - | (5,095) |
| Disposals | (14,222) | - | - | (14,222) |
| Balance at 30 June 2010 | 117,774 | 42,330 | 66,368 | 226,472 |
| Balance at 1 July 2010 | 117,774 | 42,330 | 66,368 | 226,472 |
| Depreciation charge for the year | 16,859 | 11,117 | 16,592 | 44,568 |
| Write-downs | (4,812) | - | - | (4,812) |
| Balance at 30 June 2011 | 129,821 | 53,447 | 82,960 | 266,228 |
| Carrying amounts | | | | |
| At 1 July 2009 | 62,714 | 56,982 | 298,656 | 401,760 |
| At 30 June 2010 | 51,646 | 49,859 | 265,472 | 366,977 |
| At 1 July 2010 | 51,646 | 49,859 | 265,472 | 366,977 |
| At 30 June 2011 | 61,509 | 38,742 | 248,880 | 349,131 |

14. Trade and other payables

| | 2011 | 2010 |
|------------------------------|---------|---------|
| | \$ | \$ |
| Sundry creditors | 109,515 | 254,906 |
| PAYG withholding tax payable | 19,964 | 18,740 |
| Tenant security deposit | 67,505 | 67,505 |
| | 196,984 | 341,151 |

The Association's exposure to liquidity risk is disclosed in note 16.

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Notes to the financial statements (continued)

15. Employee benefits

| | 2011 | 2010 |
|--|------------------|-----------------|
| | \$ | \$ |
| Current liability | | |
| Liability for long service leave | 465,444 | 520,776 |
| Liability for annual leave | 195,084 | 213,974 |
| | <u>660,528</u> | <u>734,750</u> |
| Non-current liability | | |
| Liability for long-service leave | 2,393 | 1,117 |
| Non-current asset | | |
| Present value of funded obligations | 2,046,200 | 2,122,605 |
| Fair value of plan assets – funded | (2,199,441) | (2,210,909) |
| Recognised liability/(asset) for defined benefit obligations | <u>(153,241)</u> | <u>(88,304)</u> |

The Association makes contributions to the SDA (Victoria Branch) benefit superannuation plan, a sub-plan of the Retail Employees' Superannuation Trust, that provide defined benefit amounts for employees upon retirement.

The Association has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (such as minimum funding requirements) of the plan of the respective jurisdictions, the present value of refunds or reductions in future contributions is not lower than the balance of the fair value of the plan assets less the total present value of obligations. As such, no decrease in the defined benefit asset is necessary at 30 June 2011 (30 June 2010: no decrease in the defined benefit asset).

Movements in the net asset for defined benefit obligations recognised in the statement of financial position:

| | 2011 | 2010 |
|---|------------------|-----------------|
| | \$ | \$ |
| Net liability/(asset) for defined benefit obligations at 1 July | (88,304) | (182,148) |
| Contributions paid into the plan | (92,774) | (81,028) |
| Amount recognised in other comprehensive income - actuarial (gains) losses | 22,784 | 131,981 |
| Expense recognised in statement of comprehensive income within personnel expenses | 5,053 | 42,891 |
| Net liability/(asset) for defined benefit obligations at 30 June | <u>(153,241)</u> | <u>(88,304)</u> |

Movement in the present value of the defined benefit obligations

| | 2011 | 2010 |
|---|------------------|------------------|
| | \$ | \$ |
| Defined benefit obligations at 1 July | 2,122,605 | 1,954,063 |
| Service cost | 63,415 | 95,747 |
| Interest cost | 95,503 | 99,381 |
| Actuarial (gains) losses recognised in other comprehensive income (see below) | 113,917 | 228,830 |
| Benefits paid by the plan | (319,278) | (217,436) |
| Taxes, premiums & expenses paid | (29,962) | (37,980) |
| Defined benefit obligations at 30 June | <u>2,046,200</u> | <u>2,122,605</u> |

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Notes to the financial statements (continued)

15. Employee benefits (continued)

Movement in the present value of plan assets

| | 2011 | 2010 |
|---|------------------|------------------|
| | \$ | \$ |
| Fair value of plan assets at 1 July | 2,210,909 | 2,136,211 |
| Expected return on plan assets | 153,865 | 152,237 |
| Actuarial (losses) gains recognised in other comprehensive income (see below) | 91,133 | 96,849 |
| Contributions paid into the plan | 92,774 | 81,028 |
| Benefits paid by the plan | (319,278) | (37,980) |
| Taxes, premiums & expenses paid | (29,962) | (217,436) |
| Fair value of plan assets at 30 June | <u>2,199,441</u> | <u>2,210,909</u> |

Expense/(benefit) recognised in profit or loss

| | 2011 | 2010 |
|--------------------------------|------------------|------------------|
| | \$ | \$ |
| Current service costs | 63,415 | 95,747 |
| Interest on obligation | 95,503 | 99,381 |
| Expected return on plan assets | <u>(153,865)</u> | <u>(152,237)</u> |
| | <u>5,053</u> | <u>42,891</u> |

The expense is recognised in the following line items in the statement of comprehensive income:

| | Note | 2011 | 2010 |
|--|------|--------------|---------------|
| | | \$ | \$ |
| Expenses related to defined benefit plan | 18 | <u>5,053</u> | <u>42,891</u> |

Actual return/(loss) on plan assets

| | 2011 | 2010 |
|--------------------------------|----------------|----------------|
| | \$ | \$ |
| Actuarial gains (losses) | 91,133 | 96,849 |
| Expected return on plan assets | <u>153,865</u> | <u>152,237</u> |
| | <u>244,998</u> | <u>249,086</u> |

Actuarial gains (and losses) recognised in other comprehensive income

| | 2011 | 2010 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| Cumulative amount at 1 July | (260,345) | (128,364) |
| Recognised during the period | <u>(22,784)</u> | <u>(131,981)</u> |
| Cumulative amount at 30 June | <u>(283,129)</u> | <u>(260,345)</u> |

The major categories of plan assets as a percentage of total fund assets are as follows:

| | 2011 | 2010 |
|----------------------|------|------|
| Australian Equity | 30% | 30% |
| International Equity | 23% | 23% |
| Fixed Income | 12% | 12% |
| Property | 10% | 10% |
| Cash | 6% | 6% |
| Other | 19% | 19% |

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Notes to the financial statements (continued)

15. Employee benefits (continued)

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

| | 2011 | 2010 |
|---|-------|-------|
| Discount rate at 30 June | 4.40% | 4.30% |
| Expected return on plan assets at 30 June | 6.50% | 6.50% |
| Future salary increases | 4.00% | 4.00% |

The overall expected long-term rate of return on assets is 6.5%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Historical information

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|-------------|-------------|-------------|-------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Present value of the defined benefit obligation | 2,046,200 | 2,122,605 | 1,954,063 | 1,511,370 | 1,544,610 |
| Fair value of plan assets – funded | (2,199,441) | (2,210,909) | (2,136,211) | (2,327,015) | (2,462,010) |
| Recognised liability/(asset) for defined benefit obligations | (153,241) | (88,304) | (182,148) | (815,645) | (917,400) |

The Association expects to contribute \$115,846 to its defined benefit superannuation funds during the year ended 30 June 2012.

16. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of the Association's financial assets represents the maximum credit exposure. The Association's maximum exposure to credit risk at the reporting date was:

| | | Carrying amount | |
|---------------------------|------|-----------------|------------|
| | Note | 2011 | 2010 |
| | | \$ | \$ |
| Current | | | |
| Cash and cash equivalents | 9 | 1,173,503 | 886,752 |
| Receivables | 10 | 450,419 | 349,060 |
| Other financial assets | 11 | 18,200,000 | 15,286,707 |
| | | 19,823,922 | 16,522,519 |

Credit risk (continued)

Impairment Losses

None of the Association's receivables are past due (2010: nil) and based on historic default rates and the minimal credit risk, the Association believes no impairment allowance is necessary. The other financial assets are all bank bills and term deposits issued by the Commonwealth Bank of Australia and the Association believes no impairment allowance is necessary. At 30 June 2011 the Association does not have any collective impairments on its cash and cash equivalents, receivables or other financial assets (2010: nil).

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Notes to the financial statements (continued)

16. Financial instruments (continued)

Liquidity risk

The carrying amount of the Association's financial liabilities is represented by Trade and other payables (note 14). The carrying amounts approximate contractual cashflows and all are due in 3 months or less. The Association has adequate financial assets to meet these liabilities and assesses liquidity risk as minimal.

Currency risk

International Fund transactions requiring settlement in foreign currencies represent the carrying amount and maximum exposure to currency risk. The Association has no contractual obligations (trade payables or receivables) or forward exchange contracts in place at reporting date (2010: nil).

Interest rate risk

Profile

At the reporting date the interest rate profile of the Association's interest-bearing financial instruments was:

| | <i>Note</i> | Effective interest rate | Carrying Amount |
|--|-------------|------------------------------------|----------------------------|
| | | 2011 | |
| Financial assets | | | \$ |
| Cash and cash equivalents (fixed and variable rates) | 9 | 3.63% | 1,173,503 |
| Other financial assets (fixed rate) | 11 | 5.70% | 18,200,000 |
| | | | <u>19,373,503</u> |
| | | 2010 | |
| Financial assets | | | \$ |
| Cash and cash equivalents (fixed and variable rates) | 9 | 3.47% | 886,752 |
| Other financial assets (fixed rate) | 11 | 4.83% | 15,286,707 |
| | | | <u>16,173,459</u> |

Fair value sensitivity analysis for fixed rate instruments

The Association does not account for any fixed and variable rate financial assets at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair value sensitivity analysis for variable rate instruments

Variable rate instruments consist of cash management bank accounts, shown in cash and cash equivalents (note 9). A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2010.

| | Profit or loss | |
|--------------------------|-----------------------|-----------------------|
| | 100bp increase | 100bp decrease |
| 30 June 2011 | | |
| Cash management accounts | 10,614 | (10,614) |
| 30 June 2010 | | |
| Cash management accounts | 8,114 | (8,114) |

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Notes to the financial statements (continued)

16. Financial instruments (continued)

Fair values

The fair value of the Association's assets and liabilities as at 30 June 2011 approximate their carrying amounts shown in the statement of financial position.

17. Operating leases

Leases as lessor

The Association leases out its investment property under operating leases (see note 12). The future minimum lease income under non-cancellable leases are as follows:

| | 2011 | 2010 |
|----------------------------|-----------|-----------|
| | \$ | \$ |
| Less than one year | 1,216,598 | 1,157,897 |
| Between one and five years | 1,199,028 | 2,384,734 |
| | 2,415,626 | 3,542,631 |

During the year, \$1,239,996 was recognised as rental income in profit or loss (2010: \$1,036,313).

18. Personnel expenses

| | <i>Note</i> | 2011 | 2010 |
|---|-------------|----------|-----------|
| | | \$ | \$ |
| Wages and salaries expense | | 814,583 | 864,207 |
| Holiday leave expense | | 58,844 | 65,851 |
| Long service leave provisions (decrease) / increase | | (54,056) | 16,298 |
| Payroll tax expense | | 44,617 | 46,480 |
| Expenses related to defined benefit plan | 15 | 5,053 | 42,891 |
| Other superannuation expense | | 107 | - |
| Workcover expense | | 9,653 | 9,648 |
| Fringe benefits tax expense | | 10,063 | 11,011 |
| | | 888,864 | 1,056,386 |

19. Controlled entities

Parent Entity

The Association comprises the Shop Distributive and Allied Employees' Association National Account and the International Fund.

| | 2011 | 2010 |
|--------------------------|------|------|
| | % | % |
| <i>Controlled Entity</i> | | |
| Ordinary shares | % | % |
| WT Travel Pty Ltd | 100 | 100 |

WT Travel Pty Ltd, an Australian controlled entity, was purchased by the Shop Distributive and Allied Employees' Association National Executive on 30 September 1993. It formerly traded as a travel agency, but is currently a dormant company. Given WT Travel is a dormant company and its results and financial position at 30 June 2011 are nil, consolidated accounts are not prepared.

Shop, Distributive & Allied Employees' Association
Annual Financial Report – 30 June 2011

Notes to the financial statements (continued)

20. Reconciliation of cash flows from operating activities

| Cash flows from operating activities | 2011 | 2010 |
|--|------------------|------------------|
| | \$ | \$ |
| Profit for the period | 6,020,184 | 2,849,862 |
| <i>Adjustments for:</i> | | |
| Amortisation of lease incentives | 68,207 | 144,270 |
| Depreciation | 44,568 | 34,704 |
| Fair value (increment)/decrement on investment property | (2,500,000) | - |
| Loss on disposal of property, plant & equipment | - | (1,408) |
| Actuarial (losses) recognised in equity on defined benefit plan | (22,784) | (131,981) |
| Operating profit before changes in working capital & provisions | 3,610,175 | 2,895,447 |
| Change in accrued income | (108,974) | (27,489) |
| Change in prepayments | (34,455) | (30,767) |
| Change in sundry debtors | 42,070 | (27,288) |
| Change in pension asset | (64,937) | 93,844 |
| Change in trade and other payables | (144,167) | 184,858 |
| Change in provisions and employee benefits | (72,946) | 39,313 |
| Net cash from operating activities | 3,226,766 | 3,127,918 |

21. Related party disclosures

Branches

The Association received from its branches the following membership subscription fees and contributions to the 2010 Federal ALP Election Campaign:

| | Membership Subscriptions | | ALP Campaign Contribution | |
|-------------------|---------------------------------|------------------|----------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| | \$ | \$ | \$ | \$ |
| Newcastle | 301,460 | 288,183 | - | 11,052 |
| New South Wales | 1,681,856 | 1,587,227 | - | 59,821 |
| Queensland | 1,011,140 | 962,910 | - | 33,938 |
| South Australia | 631,549 | 578,875 | - | 22,898 |
| Tasmania | 181,504 | 161,937 | - | 5,911 |
| Victoria | 1,332,574 | 1,238,531 | - | 46,591 |
| Western Australia | 599,799 | 524,696 | - | 19,789 |
| | 5,739,882 | 5,342,359 | - | 200,000 |

Affiliates

The Association made the following payments to its affiliates:

| | 2011 | 2010 |
|--|------------------|------------------|
| | \$ | \$ |
| ACTU (Affiliation fees) | 658,194 | 612,419 |
| ACTU (Worksite for Schools Donations) | 6,000 | - |
| ALP (2010 Federal Election Campaign Donations) | - | 400,000 |
| Union Network International (Affiliation Fees) | 518,163 | 415,482 |
| Union Network International (UNI APRO Activities Fund Donations) | 93,002 | 89,767 |
| | 1,275,359 | 1,517,668 |

Shop, Distributive & Allied Employees' Association

Annual Financial Report – 30 June 2011

Notes to the financial statements (continued)

21. Related party disclosures (continued)

Other related parties

Key management personnel

The following were key management personnel of the Association during the financial year:

| Name | Position |
|-------------------|--|
| Gerard Dwyer | Officer – National President |
| Joseph Bullock | Officer – National Vice-President |
| Joseph de Bruyn | Officer – National Secretary-Treasurer |
| Ian Blandthorn | Officer – National Assistant Secretary |
| Michael Donovan | National Executive Member |
| Paul Griffin | National Executive Member |
| Chris Ketter | National Executive Member |
| Barbara Nebart | National Executive Member |
| Peter Malinauskas | National Executive Member |

Transactions with key management personnel

The National President and Vice-President were paid honorariums for their services while the National Secretary-Treasurer and Assistant Secretary are salaried employees of the Association. In addition to their salaries and fees, the Association also provided travel allowances to the National Officers and the National Executive Members whilst attending National Council and/or National Executive meetings or performing other Association duties, and for the salaried officers contributes to a post-employment defined benefit superannuation fund on their behalf.

Key management personnel compensation

Key management personnel compensation comprised:

| | 2011 | 2010 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Short-term employee benefits | 269,414 | 263,152 |
| Other long term benefits | 5,786 | 5,565 |
| Post-employment benefits | 34,714 | 33,388 |
| | 309,914 | 302,105 |

Apart from the details disclosed in this note, no officer has entered into any material transactions with the Association since the end of the previous financial year and there were no material contracts involving officers' interests existing at year-end.

Other related parties

Contributions to a post-employment defined benefit fund (REST) on behalf of employees are disclosed in note 15.

22. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the officer holders of the Association, to affect significantly the operations of the Association, the results of those operations, or the state of affairs of the Association in future financial years.



Independent audit report to the members of the Shop Distributive and Allied Employees' Association

We have audited the accompanying financial report of Shop Distributive and Allied Employees' Association ('the Association') which comprises the statement of financial position as at 30 June 2011, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 22 comprising a summary of significant accounting policies, other explanatory information, the Operating Report and Certificates by the National Executive and National Secretary-Treasurer.

The financial report has been prepared for distribution to the members of the Association for the purpose of fulfilling the requirements of subsections 265(1) and 265(5) of the *Fair Work (Registered Organisations) Act 2009* in relation to the financial report and independent auditor's report.

National Council responsibility for the financial report

The National Council of Shop Distributive and Allied Employees' Association is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, compliance with Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009* and for such internal control as the National Council determines is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the National Council, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with Australian Accounting Standards, a view which is consistent with our understanding of the Association's financial position, and of its performance and cash flows. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion the financial report presents fairly in all material aspects, in accordance with Australian Accounting Standards and the requirements imposed by Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009*, the financial position of Shop Distributive and Allied Employees' Association as of 30 June 2011 and of its financial performance and its cash flows for the year then ended.

KPMG

KPMG

Antoni Cinanni
Partner

Melbourne

22nd August, 2011

SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION

N.S.W. DEDUCTIONS ACCOUNT OFFICE

A.B.N. 74 415 123 375

FINANCIAL REPORT

**FOR THE YEAR ENDED
30 JUNE 2011**

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

A.B.N. 74 415 123 375

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011**

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**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**RESOLUTION REGARDING TRANSFER OF FUNDS SURPLUS
TO THE REQUIREMENT OF THE DEDUCTIONS ACCOUNT OFFICE
FOR THE YEAR ENDED 30 JUNE 2011**

Resolved:

The National Executive ratifies the transfer of an amount of \$3,878,590 from the Shop, Distributive and Allied Employees' Association N.S.W. Deductions Account Office, to the account of the N.S.W. Branch of the Association, such funds being surplus to the requirement of the Deductions Account Office for the year ended 30 June 2011.

Dated at Sydney this 22nd day of August 2011

SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W. DEDUCTIONS ACCOUNT OFFICE

OPERATING REPORT FOR THE YEAR ENDED 30 JUNE 2011

Membership

Membership as at 30 June 2011 was 57,107 (2010: 57,957).

Persons eligible to do so under the rules of the Association were actively encouraged to join the Association. Pursuant to s174 of the Fair Work (Registered Organisations) Act 2009 (RO Act) and Rule 27 of the Rules of the Association, members could resign from the Association by written notice to the appropriate Branch of the Association.

Principal activities

The principal activities of the reporting unit are preserving and enhancing the wages and working conditions of its members, and the promotion of the interests and rights of workers. In addition to industrial representation, members are also provided with a range of services and benefits.

There were no significant changes in the nature of the activities of the Association during the year.

At 30 June 2011, there were 84 persons employed by the N.S.W. Deductions Account Office of the Association.

Affiliations & Directorships

Detailed below are the affiliations of the N.S.W. Branch of the Association:

- Australian Labor Party, N.S.W. Branch
- Australian Labor Party, A.C.T. Branch
- Unions N.S.W.
- South Coast Labor Council
- Unions A.C.T.

The N.S.W. Branch Secretary-Treasurer of the Association is on the Administrative Committee of the Australian Labor Party, N.S.W. Branch and is also an Executive Member of Unions N.S.W.

A representative of the N.S.W. Branch of the Association is a member of Service Skills Australia N.S.W. WRAPS Committee.

Superannuation Trustees

Four representatives of the Association hold positions as Directors of the Retail Employees' Superannuation Trust ("REST"). Below are the directors as at 30 June 2011, along with the nominated alternate Employee Directors. Ms S Burnley is also a Director of CARE Super Pty Ltd.

Directors

Mr Joe de Bruyn

Mr Ian Blandthorn

(replaced Mr Jim Maher, effective 25 September 2008)

Mr Geoff Williams

(replaced Mr Don Farrell, effective 24 July 2008)

Ms Sue-Anne Burnley

Alternates

Ms Barbara Nebart

(replaced Mr Geoff Williams, effective 27 August 2008)

Mr Michael Donovan

Mr Joseph Bullock

Mr Chris Ketter

(replaced Ian Blandthorn, effective 27 November 2008)

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**


**OPERATING REPORT (CONT.)
FOR THE YEAR ENDED 30 JUNE 2011**

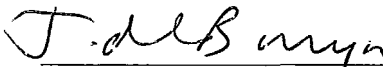
Committee of Management

The members of the National Executive of the Association at any time during or since the end of the financial year were:

| <i>Name</i> | <i>Experience</i> |
|---|---|
| Mr. G. Dwyer National President | National Executive member since 2005 Appointed National President 2008 |
| Mr. J. Bullock National Vice President | National Executive member since 1996 Appointed National Vice President 2004 |
| Mr. J. de Bruyn National Secretary- Treasurer | National Executive member since 1978 Appointed National Secretary - Treasurer 1978 |
| Mr. I. Blandthorn National Assistant Secretary | National Executive member since 1986 Appointed National Assistant Secretary 1986 |
| Mr. M. Donovan | National Executive member since 1996 |
| Mr. P. Griffin | National Executive member since 1990 |
| Mr. C. Ketter | National Executive member since 1996 |
| Mr. P Malinauskas | National Executive member since 2008 |
| Ms. B. Nebart | National Executive member since 2004 |

The Association maintained its rules and reported according to statutory requirements.


Gerard Dwyer
Committee of Management


Joe de Bruyn
Committee of Management

Dated at Sydney this 22nd day of August 2011

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**STATEMENT OF THE COMMITTEE OF MANAGEMENT
FOR THE YEAR ENDED 30 JUNE 2011**

On August 2011 the Committee of Management of Shop, Distributive and Allied Employees' Association N.S.W. Deductions Account Office passed the following resolution in relation to the general-purpose financial report (GPFR) of the reporting unit for the financial year ended 30 June 2011:

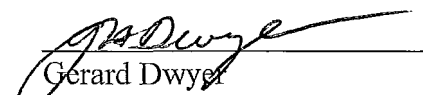
The Committee of Management declares in relation to the GPFR that in its opinion:

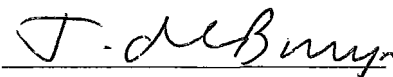
- a) The financial statements and notes comply with the Australian Accounting Standards;
- b) The financial statements and notes comply with the reporting guidelines of the General Manager of Fair Work Australia;
- c) The financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the reporting unit for the financial year to which they relate;
- d) There are reasonable grounds to believe the reporting unit will be able to pay its debts as and when they become due and payable;
- e) During the financial year to which the GPFR relates and since the end of that year:
 - i) Meetings of the Committee of Management were held in accordance with the rules of the organisation including the rules of a branch concerned;
 - 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;
 - iii) The financial records of the reporting unit have been kept and maintained in accordance with the RO Act and the RO Regulations;
 - iv) The financial records of the reporting unit have been kept, as far as practicable, in a consistent manner to each of the other reporting units of the organisation;
 - v) The information sought in any request of a member of the reporting unit or a General Manager duly made under section 272 of the RO Act has been furnished to the member or General Manager; and
 - vi) There has been compliance with any order for inspection of financial records made by Fair Work Australia under section 273 of the RO Act.

Auditor's Independence

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

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


Gerard Dwyer
Committee of Management


Joe de Bruyn
Committee of Management

Dated at Sydney this 22nd day of August 2011

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**AUDITOR'S INDEPENDENCE DECLARATION
FOR THE YEAR ENDED 30 JUNE 2011**

**TO THE COMMITTEE OF MANAGEMENT OF
SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there has been:

- (i) no contraventions of the auditor independence requirements in relation to the audit; and
- (ii) no contravention of any applicable code of professional conduct in relation to the audit.

Grech Smith Bridle
Chartered Accountants

Dated at Sydney this day of August 2011

Joseph Paul Grech
Partner, Registered Company Auditor

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

| | Note | 2011 \$ | 2010 \$ |
|--|-------------|-------------------|-------------------|
| Revenue | 2 | 16,608,446 | 16,937,257 |
| Employee benefits expense | | (6,392,277) | (6,083,696) |
| Depreciation expense | | (752,160) | (700,157) |
| Commission paid | | (1,367,802) | (1,361,651) |
| Contracting and consulting expenses | | (435,831) | (520,059) |
| Insurance expenses | | (317,410) | (303,100) |
| Legal and litigation expenses | | (232,187) | (219,889) |
| Motor vehicle expenses | | (465,674) | (446,886) |
| Printing, postage and stationery | | (338,744) | (454,369) |
| Telephone expenses | | (174,787) | (174,210) |
| Donations | | (35,631) | (82,410) |
| NSW Branch expenses | | (3,878,590) | (3,828,232) |
| Occupancy expenses | | (1,110,726) | (887,010) |
| Accommodation and travel expenses | | (244,516) | (226,864) |
| Surplus To EFA Campaign Acct | | (18,929) | - |
| Other expenses | | <u>(390,376)</u> | <u>(298,490)</u> |
| Profit before income tax | | 452,806 | 1,350,234 |
| Income tax expense | 1(a) | - | - |
| Profit attributable to members of the Association | | <u>452,806</u> | <u>1,350,234</u> |

The accompanying notes form part of these financial statements.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

| | Note | 2011 \$ | 2010 \$ |
|--------------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 9,334,354 | 4,437,441 |
| Trade and other receivables | 6 | 1,198,754 | 1,197,437 |
| Prepayments | 7 | 408,491 | 279,751 |
| TOTAL CURRENT ASSETS | | <u>10,941,599</u> | <u>5,914,629</u> |
| NON-CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | - | 5,000,000 |
| Property, plant and equipment | 8 | 9,732,542 | 9,797,482 |
| Investment property | 9 | 14,909,439 | 15,240,065 |
| TOTAL NON-CURRENT ASSETS | | <u>24,641,981</u> | <u>30,037,547</u> |
| TOTAL ASSETS | | <u>35,583,580</u> | <u>35,952,176</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 430,110 | 798,922 |
| Employee Benefits | 11 | 1,869,196 | 1,761,900 |
| TOTAL CURRENT LIABILITIES | | <u>2,299,306</u> | <u>2,560,822</u> |
| NON-CURRENT LIABILITIES | | | |
| Employee Benefits | 11 | 17,147 | 15,705 |
| TOTAL NON-CURRENT LIABILITIES | | <u>17,147</u> | <u>15,705</u> |
| TOTAL LIABILITIES | | <u>2,316,453</u> | <u>2,576,527</u> |
| NET ASSETS | | <u>33,267,127</u> | <u>33,375,649</u> |
| EQUITY | | | |
| Reserves | 12 | 1,795,131 | 2,356,459 |
| Retained earnings | | 31,471,996 | 31,019,190 |
| TOTAL EQUITY | | <u>33,267,127</u> | <u>33,375,649</u> |

The accompanying notes form part of these financial statements.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
30 JUNE 2011**

| | Retained Earnings | Asset Revaluation Reserve | Total |
|---|----------------------|---------------------------------|------------|
| Balance at 1 July 2009 | 29,668,956 | 2,356,459 | 32,025,415 |
| Profit attributable to members of the Association | 1,350,234 | - | 1,350,234 |
| Fair value adjustments | - | - | - |
| Balance at 30 June 2010 | 31,019,190 | 2,356,459 | 33,375,649 |
| Profit attributable to members of the Association | 452,806 | - | 452,806 |
| Fair value adjustments | - | (561,328) | (561,328) |
| Balance at 30 June 2011 | 31,471,996 | 1,795,131 | 33,267,127 |

The accompanying notes form part of these financial statements.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

| | Note | 2011 \$ | 2010 \$ |
|--|-------|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 15,005,247 | 14,614,458 |
| Payments to suppliers and employees | | (15,664,007) | (14,632,234) |
| Interest received | | 537,115 | 396,932 |
| Rent received | | 881,242 | 1,206,651 |
| Net cash provided by (used in) operating activities | 14(a) | 759,597 | 1,585,807 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of property, plant and equipment | | 195,863 | 130,875 |
| Purchase of investment property | | (288,124) | (5,240,065) |
| Purchase of property, plant and equipment | | (770,423) | (476,757) |
| Net cash provided by (used in) investing activities | | (862,684) | (5,585,947) |
| Net increase/(decrease) in cash held | | (103,087) | (4,000,140) |
| Cash at beginning of financial year | | 9,437,441 | 13,437,581 |
| Cash at end of financial year | 5 | 9,334,354 | 9,437,441 |

The accompanying notes form part of these financial statements.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of The Fair Work (Registered Organisations) Act 2009 (RO Act).

The financial report covers the Association of Shop, Distributive and Allied Employees' Association N.S.W. Deductions Account Office as an individual entity. The Shop, Distributive and Allied Employees' Association is a trade union registered pursuant to RO Act.

The financial report of Shop, Distributive and Allied Employees' Association N.S.W. Deductions Account Office as an individual entity comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Association in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) Income Tax

No provision for income tax is necessary as Trade Unions are exempt from income tax under the Income Tax Assessment Act 1936, as amended.

(b) Property, Plant and Equipment

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

Property

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

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 1: Statement of Significant Accounting Policies (cont)

(b) Property, Plant and Equipment (cont)

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

Plant and equipment

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

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

The cost of fixed assets constructed within the Association includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the assets' original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated on a straight line basis over their estimated useful lives to the Association commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|----------------------|-------------------|
| Buildings | 2.5% |
| Plant and equipment | 5 - 25% |

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 1: Statement of Significant Accounting Policies (cont)

(b) Property, Plant and Equipment (cont)

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(c) Investment Property

Investment property, comprising freehold property, is held to generate long-term rental yields. All tenant leases are on an arms length basis. Investment property is carried at fair value, determined triennially by independent valuers. Changes to fair value are charged to the statement of comprehensive income.

(d) Leases

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

(e) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(f) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 1: Statement of Significant Accounting Policies (cont)

(g) Cash and Cash Equivalents

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

(h) Revenue

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

Members' contributions are brought to account when receivable from members of the Association.

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

(i) Goods and Services Tax (GST)

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

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

(j) Comparative Figures

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

Critical Accounting Estimates and Judgments

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

It has not been necessary for the Committee of Management to make any key estimates or judgements in the report.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

| Note 2: Revenue | 2011 | 2010 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Operating activities | | |
| - Services revenue | 15,135,304 | 15,280,618 |
| - Interest revenue | 537,115 | 396,932 |
| - Rental revenue from property | 80,563 | 69,492 |
| - Rental revenue from investment property | 800,680 | 1,137,160 |
| - Profit on disposal of plant and equipment | 54,784 | 53,055 |
| Total Revenue | <u>16,608,446</u> | <u>16,937,257</u> |

(a) Interest revenue from:

| | | |
|------------------------|----------------|----------------|
| - other persons | <u>537,115</u> | <u>396,932</u> |
| Total interest revenue | <u>537,115</u> | <u>396,932</u> |

Note 3: Profit from Ordinary Activities

(a) Expenses

| | | |
|------------------------------------|----------------|----------------|
| Commission Paid | 1,367,802 | 1,361,651 |
| Depreciation of non-current assets | | |
| - Buildings | 210,522 | 210,523 |
| - Plant and equipment | <u>541,638</u> | <u>489,634</u> |
| Total depreciation | <u>752,160</u> | <u>700,157</u> |
| Rental expense on operating leases | | |
| - Minimum lease payments | <u>492,414</u> | <u>432,902</u> |

Note 4: Auditors' Remuneration

Remuneration of the auditor of the Association for:

| | | |
|---------------------------------|---------------|---------------|
| - Auditing the financial report | <u>47,236</u> | <u>46,164</u> |
|---------------------------------|---------------|---------------|

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

| | 2011 \$ | 2010 \$ |
|---|------------------|------------------|
| Note 5: Cash and Cash Equivalents | | |
| CURRENT | | |
| Cash at bank and in hand | 53,673 | 43,832 |
| Short-term bank deposits | 9,280,681 | 4,393,609 |
| | <u>9,334,354</u> | <u>4,437,441</u> |
| The effective interest rate on short-term bank deposits was 4.75% (2010: 4.85%). These deposits have any average maturity of 26 days. | | |
| NON-CURRENT | | |
| Long-term bank deposits | <u>-</u> | <u>5,000,000</u> |
| The effective interest rate on long-term bank deposits was 5.81% (2010: 5.75%) this deposit matures in 1 year. | | |
| Reconciliation of cash | | |
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: | | |
| Cash and cash equivalents – current | 9,334,354 | 4,437,441 |
| Cash and cash equivalents – non-current | <u>-</u> | <u>5,000,000</u> |
| | <u>9,334,354</u> | <u>9,437,441</u> |
| Note 6: Trade and Other Receivables | | |
| CURRENT | | |
| Trade receivables | 1,144,184 | 1,172,052 |
| Other receivables | 54,570 | 25,385 |
| | <u>1,198,754</u> | <u>1,197,437</u> |
| Note 7: Prepayments | | |
| CURRENT | | |
| Prepayments | <u>408,491</u> | <u>279,751</u> |

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

| | 2011 \$ | 2010 \$ |
|---|--------------------|--------------------|
| Note 8: Property, Plant and Equipment | | |
| BUILDINGS | | |
| Buildings at: | | |
| - Independent valuation 2011 (Canberra) | 826,500 | 831,250 |
| - Independent valuation 2009 (Level 3, Quay Street) | 3,504,000 | 3,504,000 |
| - Independent valuation 2009 (Level 4, Quay Street) | 3,120,000 | 3,120,000 |
| - Independent valuation 2009 (Car Spaces) | 988,800 | 988,800 |
| Less accumulated depreciation | <u>(379,596)</u> | <u>(231,246)</u> |
| Total buildings | <u>8,059,704</u> | <u>8,212,804</u> |
| PLANT AND EQUIPMENT: | | |
| Plant and equipment: | | |
| At cost | 3,296,398 | 3,181,512 |
| Accumulated depreciation | <u>(1,623,560)</u> | <u>(1,596,834)</u> |
| Total plant & equipment | <u>1,672,838</u> | <u>1,584,678</u> |
| Total property, plant and equipment | <u>9,732,542</u> | <u>9,797,482</u> |

Independent valuers revalued the Association's Quay Street buildings at 30 June 2009. During the year of 2011, the Association's Canberra building was revalued by an independent valuer. The fair value of the building based on their fair value less cost to sell, based on an active market, was determined to increase by \$57,422. The amount of \$57,422 was credited directly to the Asset Revaluation Reserve.

(a) Movements in Carrying Amounts

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

| | Buildings \$ | Plant and Equipment \$ | Total \$ |
|-------------------------------------|------------------|------------------------------|------------------|
| Balance of the beginning of year | 8,212,804 | 1,584,678 | 9,797,482 |
| Additions | | 770,877 | 770,877 |
| Disposals | | (141,079) | (141,079) |
| Revaluation increments/(decrements) | 57,422 | | 57,422 |
| Depreciation expense | <u>(210,522)</u> | <u>(541,638)</u> | <u>(752,160)</u> |
| Carrying amount at the end of year | <u>8,059,704</u> | <u>1,672,838</u> | <u>9,732,542</u> |

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

| Note 9: Investment Property | 2011 | 2010 |
|------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Balance at beginning of year | 15,240,065 | 10,000,000 |
| Additions – at cost | 288,124 | 5,240,065 |
| Fair value adjustments | (618,750) | - |
| Balance at end of year | <u>14,909,439</u> | <u>15,240,065</u> |

The fair value model is applied to the investment property. The investment property is independently revalued at least every three years. Values are based on an active liquid market value and are performed by a registered independent valuer. The Committee of Management valuations are prepared at each balance date where an independent valuation has not been obtained.

During the year, the Day street building held by the Association was revalued by an independent valuer. The fair value of the building based on the fair value less cost to sell, based on an active market, was determined to decrease by \$618,750.

The amount of \$618,750 was debited directly to the Asset Revaluation Reserve to reverse previous increments which have been recognised.

Note 10: Payables

CURRENT

| | | |
|--------------------------------------|----------------|----------------|
| Unsecured liabilities | | |
| Trade payables | 439,946 | 599,670 |
| Sundry payables and accrued expenses | (9,836) | 199,252 |
| | <u>430,110</u> | <u>798,922</u> |

Note 11: Employee Benefits

| | Employee Entitlements | Total |
|--|------------------------------|------------------|
| | \$ | \$ |
| Opening balance at 1 July 2010 | 1,777,604 | 1,777,604 |
| Additional provisions raised during year | 108,739 | 108,739 |
| Balance at 30 June 2011 | <u>1,886,343</u> | <u>1,886,343</u> |

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 11: Employee Benefits (cont.)

Analysis of Total Provisions

| | 2011 | 2010 |
|-------------|------------------|------------------|
| | \$ | \$ |
| Current | 1,869,196 | 1,761,900 |
| Non-Current | 17,147 | 15,705 |
| | <u>1,886,343</u> | <u>1,777,605</u> |

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in note 1.

Note 12: Reserves

(a) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets.

Note 13: Capital and Leasing Commitments

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

| | 2011 | 2010 |
|------------------------------------|------------------|------------------|
| | \$ | \$ |
| Payable - minimum lease payments | | |
| - Not later than 12 months | 328,509 | 492,414 |
| - Between 12 months and five years | 782,119 | 529,451 |
| - Greater than five years | - | - |
| | <u>1,110,628</u> | <u>1,021,865</u> |

The operating leases (property, plant, equipment and a membership hosting system) are non-cancellable with a five-year term, with rent payable quarterly or monthly in advance. The leases provide a right of renewal at which time all terms are renegotiated.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 13: Capital and Leasing Commitments

(b) Other Expenditure Commitments

Other expenditure commitments contracted for:

| | | |
|---------------------------------|------------------|----------------|
| – Lease Incentive & Renovations | <u>3,497,206</u> | <u>649,781</u> |
|---------------------------------|------------------|----------------|

Payable

| | | |
|----------------------------|-----------|---------|
| – Not later than 12 months | 1,748,603 | 649,781 |
|----------------------------|-----------|---------|

| | | |
|------------------------------------|------------------|----------|
| - Between 12 months and five years | <u>1,748,603</u> | <u>-</u> |
|------------------------------------|------------------|----------|

| | | |
|--|------------------|----------------|
| | <u>3,497,206</u> | <u>649,781</u> |
|--|------------------|----------------|

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 14: Cash Flow Information

**(a) Reconciliation of Cash Flow from Operations with
Profit from Ordinary Activities after Income Tax**

| | 2011 | 2010 |
|---|----------------|------------------|
| | \$ | \$ |
| Profit from ordinary activities after income tax | 452,806 | 1,350,234 |
| Non-cash flows in profit from ordinary activities | | |
| Depreciation | 752,160 | 700,157 |
| Net (gain)/loss on disposal of plant and equipment | (54,784) | (53,055) |
| Changes in assets and liabilities | | |
| Increase/(decrease) in employee benefits | 108,738 | 269,039 |
| (Increase)/decrease in trade and other receivables | (1,317) | (640,272) |
| (Increase)/decrease in prepayments | (128,740) | (25,889) |
| Increase/(decrease) in trade and other payables | (369,266) | (14,407) |
| | <u>759,597</u> | <u>1,585,807</u> |

Note 15: Financial Instruments

(a) Financial Risk Management

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

The main purpose of non-derivative financial instruments is to raise finance for Association operations.

The association does not have any derivative instruments at 30 June 2011.

(i) Treasury Risk Management

The Committee of Management meets on a regular basis to analyse interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 15: Financial Instruments (cont.)

(a) Financial Risk Management (cont.)

(ii) Financial Risks

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

Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate cash balances. At 30 June 2011 approximately 96% of the Association's cash balance is fixed. For further details on interest rate risk refer to Note 15(b).

Foreign Currency Risk

The Association is not exposed to fluctuations in foreign currencies.

Liquidity Risk

The Association manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash facilities are maintained.

Credit Risk

The Association is not exposed to any material credit risk.

Price Risk

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

SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W. DEDUCTIONS ACCOUNT OFFICE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 15: Financial Instruments (cont)

(b) Interest Rate Risk

The Association's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on those financial assets and liabilities, is as follows:

| | Weighted Average Effective Interest Rate | | Floating Interest Rate | | Fixed Interest Rate Maturing | | | | Non-interest Bearing | | Total | |
|--|---|-----------|---------------------------|------------------|---------------------------------|------------------|-------------|------------------|----------------------|------------------|-------------------|-------------------|
| | | | | | Within 1 year | | Over 1 year | | | | | |
| | 2011 % | 2010 % | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ |
| Financial Assets: | | | | | | | | | | | | |
| Cash and cash equivalents | 5.6 | 5.3 | 332,904 | 2,085,974 | 9,000,000 | 4,850,017 | - | 2,500,000 | 1,450 | 1,450 | 9,334,354 | 9,437,441 |
| Trade and other receivables | - | - | - | - | - | - | - | - | 1,198,754 | 1,197,437 | 1,198,754 | 1,197,437 |
| Total Financial Assets | | | <u>332,904</u> | <u>2,085,974</u> | <u>9,000,000</u> | <u>4,850,017</u> | <u>-</u> | <u>2,500,000</u> | <u>1,200,204</u> | <u>1,198,887</u> | <u>10,533,108</u> | <u>10,634,878</u> |
| Financial Liabilities: | | | | | | | | | | | | |
| Trade and other payables | - | - | - | - | - | - | - | - | 430,110 | 798,922 | 430,110 | 798,922 |
| Total Financial Liabilities | | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>430,110</u> | <u>798,922</u> | <u>430,110</u> | <u>798,922</u> |

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 15: Financial Instruments (cont)

(c) Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Association intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes the financial statements.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date.

| | 2011 | | 2010 | |
|-------------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
| | Carrying Amount \$ | Net Fair Value \$ | Carrying Amount \$ | Net Fair Value \$ |
| Financial assets: | | | | |
| Cash and cash equivalents | 9,334,354 | 9,334,354 | 9,437,441 | 9,437,441 |
| Trade and other receivables | 1,198,754 | 1,198,754 | 1,197,437 | 1,197,437 |
| | <u>10,533,108</u> | <u>10,533,108</u> | <u>10,634,878</u> | <u>10,634,878</u> |
| Financial liabilities: | | | | |
| Trade and other payables | 430,110 | 430,110 | 798,922 | 798,922 |
| | <u>430,110</u> | <u>430,110</u> | <u>798,922</u> | <u>798,922</u> |

Fair values are materially in line with carrying values.

Note 16: National Officers

The name of each person holding the position of national officer of the Association during the financial year are Messrs J de Bruyn (National Secretary-Treasurer), I Blandthorn (National Assistant Secretary), J Bullock (National Vice-President) and G Dwyer (National President).

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

Note 17: Information to be provided to members or General Manager of Fair Work Australia

In accordance with the requirements of subsection 272(5) of the RO Act, the attention of members is drawn to the provisions of subsections (1), (2) and (3) of section 272, which states as follows:

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

Note 18: Association Details

The registered office of the Association is:

Shop, Distributive and Allied Employees' Association
N.S.W. Branch
Level 3
8 Quay Street
SYDNEY NSW 2000

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

Scope

We have audited the financial report of Shop, Distributive and Allied Employees' Association N.S.W. Deductions Account Office for the financial year ended 30 June 2011 as set out on pages 3 to 26.

The financial report includes the financial statements of the individual entity at year end. The Association's Committee of Management are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Association.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Association's financial position and performance as represented by the results of their operations and their cash flow.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Fair Work (Registered Organisations) Act 2009.

We declare to the best of our knowledge and belief that the auditor's independence declaration, set out on page 6 of the financial report, has not changed as at the date of providing our audit opinion.

**SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE**

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION N.S.W.
DEDUCTIONS ACCOUNT OFFICE (CONT)**

Audit Opinion

In our opinion the general purpose financial report is presented fairly in accordance with applicable Australian Accounting Standards and the requirements imposed by Part 3 of Chapter 8 of the Fair Work (Registered Organisations) Act 2009.

Grech Smith Bridle
Chartered Accountants

Joseph Paul Grech
Partner, Registered Company Auditor

Dated at Sydney this day of August 2011