FAIR WORK
AUSTRALIA

7 December 2010

Mr Michael Donovan
Secretary
Shop, Distributive and Allied Employees Association, Victorian Branch

email: secretary@sdavic.org

Dear Mr Donovan

Re: Financial Report for the Shop, Distributive and Allied Employees Association, Victorian Branch for year ended 30 June 2010 – FR2010/2687

I acknowledge receipt of the financial report for the Shop, Distributive and Allied Employees Association, Victorian Branch for the year ended 30 June 2010. The report was lodged with Fair Work Australia on 30 November 2010.

The financial report has now been filed.

You are not required to take any further action in respect of the report lodged.

If you wish to discuss any matter I can be contacted on (03) 8661 7764.

Yours sincerely

Kevin Donnellan

Tribunal Services and Organisations

Fair Work Australia
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SHOP, DISTRIBUTIVE & ALLIED EMPLOYEES' ASSOCIATION
VICTORIAN BRANCH

Designated Officer's Certificate

s268 Fair Work (Registered Organisations) Act 2009

I, Michael John Donovan, being the State Secretary-Treasurer of the Shop, Distributive & Allied Employees' Association, Victorian Branch 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 via our union journal, The Shop Assistant, Spring edition, during the week of 13th September 2010; and
- that the full report was presented to a meeting of the committee of management of the reporting unit on 17th November 2010; in accordance with section 266 of the Fair Work (Registered Organisations) Act 2009.

Signature: Michael John Donovan
....
Michael John Donovan

Date: 30 November 2010

The Shop, Distributive and Allied Employees' Association (Victorian Branch)

Financial Report
For the Year Ended 30 June 2010

The Shop, Distributive and Allied Employees' Association (Victorian Branch)

Financial Report

For the Year Ended 30 June 2010

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The Shop, Distributive and Allied Employees' Association (Victorian Branch)

Operating Report

The members of State Council present their report together with the financial report of the Victorian Branch of the Shop, Distributive and Allied Employees' Association for the financial year ended 30 June 2010 and the auditor's report thereon.

1. Membership

Membership of the Victorian Branch of the Association as at 30 June 2010 was 46,895.

Persons eligible to do so under the rules of the Association were actively encouraged to join the Association. Persons join or resign through the Victorian Branch of the Association in accordance with Branch Rules 23 and 24. See also attached Section 174 of the Fair Work (Registered Organisations) Act 2009.

2. Committee of Management

The members of the Committee of Management of the Branch for the relevant period were:

Branch Secretary-Treasurer	-	Michael Donovan
Branch Assistant Secretary	-	Patricia Connelly
Branch President	-	Elizabeth Shaw
Branch Vice President	-	Thelma Sheean (until 27 June 2010)
Branch Vice President	-	Lorraine Vallaro (until 27 June 2010)
Committee of Management	-	John Whateley (until 27 June 2010)
	-	Jennifer Siwek
	-	Valerie Bolitho (until 27 June 2010)
	-	Antony Burke
	-	Denis Parker
	-	Suzanne Hollingsworth
	-	Sue Nance (Vice President from 27 June 2010)
	-	Ewan (Jock) Hastie (until 18 August 2009)
	-	Bernadette Kerford
	-	Simon Preest
	-	Ada Scibilia (Vice President from 27 June 2010)
	-	Tammy Trimble
	-	Debra Becker (from 18 August 2009)
	-	Ian Macpherson (from 27 June 2010)
	-	Nicole Lafranchi (from 27 June 2010)
	-	Michelle Wilton (from 27 June 2010)

3. Affiliations

The Association is affiliated to the Australian Council of Trade Unions.

The Association is affiliated to the Australian Labor Party (Victorian Branch) and Delegates from the Branch were credentialed to the ALP State Conference.

4. Principal Activities

The Branch maintained its industrial awards and agreements at a high, up-to-date standard. The following new modern awards which cover members of the Branch commenced on 1 January 2010: Fast Food Industry Award, General Retail Industry Award, Hair and Beauty Industry Award, Mannequins and Models Award, Pharmacy Industry Award, Storage Services and Wholesale award and Vehicle Manufacturing, Repair, Services and Retail Award.

New enterprise agreements were negotiated with a wide range of employers including the Coles Group, Bunnings, Woolworths, McDonald's, Best & Less, Ikea, The Just Group, Priceline, Spotlight, Supercheap Auto and others.

These agreements all resulted in improved wages and working conditions for the employees that they covered.

The Branch produces a range of publications for its members including such matters as Occupational Health & Safety, Workers Compensation, Equal Opportunity, Superannuation and other matters.

Throughout the year the Branch has conducted periodic training courses for Delegates in respect of Occupational Health and Safety, Delegates Training Levels 1 and 2 and Agreement specific training.

During the relevant period the Branch represented and/or assisted its members in industrial matters at the workplace.

The finances of the Branch are stable and there were no significant changes in the Branch's financial affairs during the year.

The Shop, Distributive and Allied Employees' Association (Victorian Branch)

Operating Report

At the end of the financial year there were 62.7 full-time equivalent employees of the Branch.

The Victorian Branch maintained its rules and reported according to statutory requirements.

A quarterly magazine is produced and posted to members of the Branch and periodic information and wages Bulletins are posted to Delegates and members.

5. Superannuation Trustees

Joe de Bruyn, National Secretary, and Ian Blandthorn, Assistant National Secretary, are Employee Directors of the trustee company of the Retail Employees Superannuation Trust (REST).

The Branch Secretary, Michael Donovan, is an Alternate Employee Director of the trustee company of the Retail Employees Superannuation Trust (REST).

Michael Donovan

Michael Donovan, State Secretary
On behalf of State Council, SDA Victorian Branch
Dated this 18th day of August 2010

The Shop, Distributive and Allied Employees' Association (Victorian Branch)

Committee of Management Statement

On 18 August 2010 the Committee of Management of the Shop, Distributive & Allied Employees' Association passed the following resolution in relation to the general purpose financial report of the Association for the financial year ended 30 June 2010:

The Committee of Management declares in relation to the general purpose financial report that in its opinion:

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

(b) the financial statements and notes comply with 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 that the Branch will be able to pay its debts as and when they become due and payable;

(e) during the financial year to which the general purpose financial report relates and since the end of the year:

 (i) meetings of the Committee of Management were held in accordance with rules of the Association

 (ii) the financial affairs of the reporting unit 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 and the Fair Work (Registered Organisations) Regulations 2009.

 (iv) the financial records of the Association have been kept, as far as practicable, in a consistent manner to each of the other branches of the Association

 (v) the information sought in any request of a member of the reporting unit or the General Manager duly made under section 272 of the Fair Work (Registered Organisations) Act 2009 has been furnished to the member or the General Manager; and

 (vi) no orders for inspection of financial records have been made by Fair Work Australia under Section 273 of the Fair Work (Registered Organisations) Act 2009.

(f) the Branch has not derived revenues for the financial year in respect of recovery of wages activity.

Signed on behalf of the Committee of Management by:

Michael Donovan

Michael Donovan
Branch Secretary-Treasurer

Dated this 18 TH day of August 2010

Melbourne, Victoria

The Shop, Distributive and Allied Employees' Association (Victorian Branch)

Committee of Management Statement

Section 174

(1) A member of an organisation may resign from membership by written notice addressed and delivered to a person designated for the purpose in the rules of the organisation or a branch of the organisation.

(2) A notice of resignation from membership of an organisation takes effect:

(a) where the member ceases to be eligible to become a member of the organisation:

(i) on the day on which the notice is received by the organisation; or

(ii) on the day specified in the notice, which is a day not earlier than the day when the member ceases to be eligible to become a member;

whichever is later; or

(b) in any other case:

(i) at the end of 2 weeks, or such shorter period as is specified in the rules of the organisation, after the notice is received by the organisation; or

(ii) on the day specified in the notice;

whichever is later.

(3) Any dues payable but not paid by a former member of an organisation, in relation to a period before the member's resignation from the organisation took effect, may be sued for and recovered in the name of the organisation, in a court of competent jurisdiction, as a debt due to the organisation.

(4) A notice delivered to the person mentioned in subsection (1) is taken to have been received by the organisation when it was delivered.

(5) A notice of resignation that has been received by the organisation is not invalid because it was not addressed and delivered in accordance with subsection (1).

(6) A resignation from membership of an organisation is valid even if it is not effected in accordance with this section if the member is informed in writing by or on behalf of the organisation that the resignation has been accepted.

The Shop, Distributive and Allied Employees' Association (Victorian Branch)

Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	2010 $	2009 $
Gross revenue from membership subscriptions		**12,471,027**	11,579,870
Employer commission expenses		**(1,195,404)**	(1,099,989)
Other revenue	3	**759,380**	846,075
Other income	3	**257,777**	354,076
Share of net profit of associates accounted for using the equity method		**44,309**	212,230
Employee costs	4	**(5,860,848)**	(5,917,130)
Depreciation, amortisation and impairments	4	**(671,357)**	(620,340)
Advertising expenses		**-**	(126,633)
Affiliation expenses	4	**(1,431,456)**	(1,380,864)
Change in fair value of embedded derivative	15	**548,600**	(243,200)
Delegate expenses		**(174,430)**	(166,341)
Loss on disposal of property, plant and equipment		**(111,677)**	(123,993)
Member service expenses		**(816,002)**	(772,503)
Office administration expenses		**(1,415,664)**	(1,191,613)
Property expenses		**(323,741)**	(326,985)
Other expenses		**(862,209)**	(1,392,822)
Surplus/(deficiency) attributable to members		**1,218,305**	(370,162)
Other comprehensive income/(loss)			
Actuarial gains/(losses) on retirement benefit asset recognised directly in other comprehensive income	12(e)	**(285,020)**	(1,446,780)
Other comprehensive income/(loss) for the year, net of tax		**(285,020)**	(1,446,780)
Total comprehensive income/(loss) attributable to members		**933,285**	(1,816,942)

Statement of Changes in Equity

For the Year Ended 30 June 2010

	Notes	2010 $	2009 $
Equity as at the beginning of the year		**23,574,275**	25,391,217
Surplus/(deficiency) attributable to members as previously stated		**1,218,305**	(370,162)
Other comprehensive income/(loss)		**(285,020)**	(1,446,780)
Total comprehensive income/(loss) for the year		**933,285**	(1,816,942)
Equity as at the end of the year		**24,507,560**	23,574,275

The accompanying notes form part of the financial statements

The Shop, Distributive and Allied Employees' Association (Victorian Branch)

Statement of Financial Position

As at 30 June 2010

	Notes	2010 $	2009 $
ASSETS			
Current assets			
Cash and cash equivalents	5	**2,000,468**	1,397,261
Trade and other receivables	6	**2,281,477**	1,794,430
Financial assets	8	**8,990,730**	3,247,028
Other current assets	9	**15,035**	6,674
Total current assets		13,287,710	6,445,393
Non-current assets			
Investments accounted for using the equity method	7	**484,688**	440,379
Financial assets	8	**1,006,344**	7,094,638
Property, plant and equipment	10	**11,500,868**	11,569,330
Intangible assets	11	**585,748**	449,126
Retirement benefit asset	12	**190,696**	451,852
Other non-current assets	9	**2,280**	6,839
Total non-current assets		13,770,624	20,012,164
TOTAL ASSETS		**27,058,334**	26,457,557
LIABILITIES			
Current liabilities			
Trade and other payables	13	**758,501**	596,109
Provisions	14	**1,290,442**	1,219,062
Derivative financial instruments	15	**440,000**	-
Total current liabilities		**2,488,943**	1,815,171
Non-current liabilities			
Provisions	14	**61,831**	79,511
Derivative financial instruments	15	**-**	988,600
Total non-current liabilities		**61,831**	1,068,111
TOTAL LIABILITIES		**2,550,774**	2,883,282
NET ASSETS		**24,507,560**	23,574,275
EQUITY			
Members funds		**24,507,560**	23,574,275
TOTAL EQUITY		**24,507,560**	23,574,275

The accompanying notes form part of the financial statements

The Shop, Distributive and Allied Employees' Association (Victorian Branch)

Statement of Cash Flows

For the Year Ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities:			
Cash receipts from members and tenants		11,408,986	12,078,662
Cash payments to employees and suppliers		(10,785,110)	(12,084,911)
Interest received		485,933	650,080
Net cash provided by operating activities	19	1,109,809	643,831
Cash flows from investing activities:			
Proceeds from sale of plant and equipment		85,285	153,614
Proceeds from investments		344,592	205,624
Acquisition of property, plant and equipment		(597,635)	(460,489)
Acquisition of intangible assets		(338,844)	(301,774)
Acquisition of investments		-	(241,423)
Net cash used in investing activities		(506,602)	(644,448)
Net increase in cash and cash equivalents		603,207	(617)
Cash and cash equivalents at the beginning of the year		1,397,261	1,397,878
Cash and cash equivalents at the end of the year	5	2,000,468	1,397,261

1 Statement of significant accounting policies

(a) General information

This general purpose financial report covers the consolidated entity of The Shop, Distributive and Allied Employees' Association (Victorian Branch) and controlled entity. Separate financial statements for The Shop, Distributive and Allied Employees' Association (Victorian Branch) as an individual entity are no longer presented as the consequence of a change in Generally Accepted Accounting Principles, however, limited financial information for The Shop, Distributive and Allied Employees' Association (Victorian Branch) as an individual entity is included in Note 21.

The following is a summary of the material accounting policies adopted by the Association in the preparation of the financial report.

(b) Basis of preparation

The financial statements have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Fair Work (Registered Organisation) Act 2009.

Critical accounting estimates and significant judgements

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted in Australia requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Association's accounting policies. The following areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed:

Judgements

- Classification of held to maturity investments – Note 8

The Consolidated Entity follows the AASB 139 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Consolidated Entity evaluates its intention and ability to hold such investments to maturity.

If the Consolidated Entity fails to keep these investments to maturity, other than for specific circumstances explained in AASB 139, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value and not amortised cost.

Estimates

- Defined Benefit obligation – Note 12

The present value of defined benefit obligations depends upon a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of define benefit obligations.

The Consolidated Entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the Consolidated Entity considers the interest rates of high quality corporate bonds that are denominated in Australian dollars, and that have terms to maturity approximating the terms of the related defined benefit obligation. Market yields on government bonds are used in countries where there is no deep market for corporate bonds.

Other key assumptions for defined benefit obligations are based in part on current market conditions. Additional information is disclosed in Note 12.

1 **Statement of significant accounting policies (continued)**

Critical accounting estimates and significant judgements (continued)

Estimates (continued)

- Valuation of embedded derivative – Note 15

The Collateralised Debt Obligation ("CDO") is a $2,000,000 investment in Australia Plus+ Sector Cap Portfolio Notes ("ASC"). The ASC investment is secured by floating rate notes issued by HBOS and includes financial obligations in respect of a reference portfolio of 96 US, UK, European and Australian corporations. These obligations are recognised in these financial statements as an embedded derivative liability. At present, the Consolidated Entity has not lost any of its invested monies in the CDO and is still receiving the quarterly coupons set at the 3 Month BBSW + 1.00%. The embedded derivative liability of $440,000 is the best estimate at 30 June 2010 ($988,600 at 30 June 2009) of the risk tied to the host contract for the remaining life of the CDO to 20 December 2010, its maturity date, and does not include any actual losses.

The CDO is a synthetic CDO and contains the embedded derivative that is not closely related to the host contract. The CDO represents a securitised interest in high-grade collateral and cash flow premiums from a portfolio of credit default swaps (credit derivatives, basically credit insurance).

The CDO investment is classified as a held to maturity investment and recognized at amortised cost (refer to note 8). As per AASB 139, the Consolidated Entity is required to separate the embedded derivative and recognise this at fair value (refer to note 1(h)(v) and note 15). Accounting advice received from BDO Financial Reporting and Accounting Consulting Division clarified the appropriate treatment of the CDO under AASB 139: Financial Instruments: Recognition & Measurement within the prior year.

The CDO was purchased in November 2005 through its Distributor, the Commonwealth Bank of Australia (CBA), and the issue was co-ordinated by J.P.Morgan Australia Limited. At that time, Standard & Poor's rated the investment as AA; at 30 June 2010 they rated the investment as CCC- (2009: B+).

The Consolidated Entity has determined an estimated value of the embedded derivative including consideration of:
- The fair value of the instrument as obtained from the issuer of the instrument, the Commonwealth Bank of Australia, who sourced the valuation from the original arranger of the transaction, JP Morgan.
- Independent comment sought from Structured Credit Research & Advisory Pty Ltd ('SCRAPL'), an independent investment research & advisory firm, to corroborate CBA's assessment.

The Commonwealth Bank when providing their indicative capital valuations of the CDO, representing the host investment contract and the embedded derivative combined, from the Co-Ordinator, J.P.Morgan Australia Limited advised:
- *"The indicative price is an indication of where the trade could be unwound using the current value of the collateral asset, underlying portfolio (CDS [credit default swap]) & JPM [J P Morgan Australia Limited] costs".*
- *"Model based valuations are rarely used for CDOs since the GFC".*
- *"This bid price is the level at which the deal could be traded. There is no current market to mark to & model based valuations vary too much between institutions".*

The investment offers protection to investors of up to 6 defaults by the reference portfolio organisations, with recognition of defaults being limited to 2 per sector of Non-Australian organisations. Capital losses in the principal invested in the CDO will be incurred if recognised defaults exceed 6 by maturity date. During the last financial year ending 30 June 2010, 2 defaults have occurred (2009: 3), and the CDO will mature 20 December 2010, unless a deferment up to 23 March 2011 is claimed to clarify if a default has occurred before the maturity date.

The general market risk level in association with the global financial crisis was indicated by a Standard & Poor's paper on March 17, 2010, showing a rising trend in global corporate defaults since 2007, with defaults in 2009 being the highest since their database began in 1981. SCRAPL, the independent valuer contracted for the last 2 years, has derived an estimated model valuation of $87.50 (which equates to a derivative liability of $250,000) for the Australia Plus Sector Cap CDO as at 30th June 2010. It states this valuation was derived as a measure of its pricing by the credit markets in line with widely accepted market modeling practices and standard conventions and methodologies, not a reflection of SCRAPL's assessment of the inherent worth of the investment. Separate to the valuation SCRAPL also provided an analysis of the transaction and the areas of greatest risk. SCRAPL estimated a probability of some principal loss on the investment as just under 10%. SCRAPL was not mandated to provide recommendations to either sell or hold the investment.

Estimates and 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.

1 **Statement of significant accounting policies (continued)**

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs except for certain financial assets and financial liabilities that are measured at fair value.

The accounting policies set out below have been consistently applied to all years presented, except as noted above.

Items included in the financial statements are measured using the currency of the primary economic environment in which the Association operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Association's functional and presentational currency.

(c) Principles of consolidation

(i) Subsidiaries

A controlled entity is any entity controlled by the Shop, Distributive & Allied Employees' Association (Victorian Branch). Control exists where the Shop, Distributive & Allied Employees' Association (Victorian Branch) has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Shop, Distributive & Allied Employees' Association (Victorian Branch) to achieve the objectives of the Shop, Distributive & Allied Employees' Association (Victorian Branch). Subsidiaries are fully consolidated from the date on which control is transferred to the Association. They are de-consolidated from the date that control ceases. All inter-entity balances and transactions between entities in the Association, including any unrealised profits or losses, have been eliminated on consolidation.

Investment in subsidiaries are accounted for at cost and forms part of the total assets as shown at note 21.

(ii) Associates – note 7

An associate is an entity over which the Association has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity (forms part of total assets as shown at note 21) using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The investment in associate includes goodwill which originated from the acquisition of a subsidiary by the associate.

The Association's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions/dividends receivable from associates are recognised in the parent entity's statement of comprehensive income, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Association's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Association does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Association and its associates are eliminated to the extent of the Association's interest in the associates.

(d) Income tax

No provision for income tax has been raised as the Association is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997.*

(e) Property, plant and equipment

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

(i) Property

Freehold land and buildings are measured on the cost basis. The carrying amount of freehold land and buildings is reviewed annually by the Association to ensure it is not in excess of the anticipated recoverable amount which is based on the depreciated replacement cost.

1 **Statement of significant accounting policies (continued)**

(e) Property, plant and equipment (continued)

(ii) Plant and Equipment

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

The carrying amount of plant and equipment is reviewed annually by committee members for indications of impairment. If any such indications exist, an impairment test is carried out, and any impairment losses on the assets recognised.

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

Subsequent costs are included in the asset's 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 Association 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.

(iii) Depreciation

The depreciable amount of all fixed assets including buildings, but excluding land, is depreciated on a straight-line or diminishing value basis over their useful lives (commencing from the time the asset is ready for use). Leasehold improvements are depreciated over the estimated useful lives of the improvements.

The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.

Property, plant and equipment are measured initially at cost. Cost includes all directly attributable expenditure incurred including costs to get the asset ready for its use as intended by management, and an estimate of any expenditure expected to be incurred at the end of the asset's useful life, including restoration, rehabilitation and decommissioning costs.

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

Class of Fixed Asset	*Depreciation Rate*	*Basis*
Building structure and improvements	2% - 20%	Straight line
Leasehold improvements	2.5%	Straight line
Motor vehicles	22.5%	Straight line/Diminishing value
Office equipment	0% - 33.3%	Straight line/Diminishing value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(f) Intangibles

Costs incurred in developing computer software that will contribute to future period benefits through efficiencies are capitalised to software. Costs capitalised include external direct costs of material and service costs of IT consultants spent on the project. Amortisation is calculated on a straight-line basis over a period of 3 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Consolidated Entity has an intention and ability to use the asset.

(g) Impairment

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

Value in use is determined by the Association to be the depreciated replacement cost.

1 Statement of significant accounting policies (continued)

(h) Financial instruments

Recognition and derecognition

Regular purchases and sales of financial assets and liabilities are recognised on trade date – the date on which the Consolidated Entity commits to the financial assets or financial liabilities. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

(i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(ii) Trade and other receivables

All receivables are categorised as 'Loans and Receivables' under the requirements of AASB 139 "Financial Instruments: Recognition and Measurement" and are recognised initially at fair value, and subsequently at amortised cost. All trade and other receivables are current and non-interest bearing. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

An allowance for doubtful debts is based on a review of outstanding balances at balance sheet date, and is accounted for in a separate account. Indicators of impairment include where there is objective evidence of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment (more than 90 days overdue). Bad debts which have previously been provided for are eliminated against the allowance for doubtful debts. In all other cases, bad debts have been written off as an expense directly in the statement of comprehensive income.

(iii) Other financial assets

Investments in bank bills, collateralised debt obligation ("CDO"), term deposits and floating rate notes are designated as held to maturity. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the consolidated entity's management has the positive intention and ability to hold to maturity. If the Consolidated Entity were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Impairment of other financial assets
At each reporting date, the consolidated entity assesses whether there is objective evidence that any of the investments are impaired.

(iv) Trade and other payables

Trade and other payables, including accruals, are recorded initially at fair value, and subsequently at amortised cost. Trade and other payables are non-interest bearing.

(v) Embedded derivative

Derivatives embedded in other financial instruments or non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts themselves are not carried at fair value with unrealised gains or losses reported in the statement of comprehensive income (refer to note 15 and note 1(b)).

(i) Employee benefits

Provision is made for the Association's liability for employee benefits arising from services rendered by employees to balance sheet 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.

Most employees belong to the Association's superannuation scheme (the "Plan"), which is of the defined benefit type. The defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. The Plan is open to new members.

1 **Statement of significant accounting policies (continued)**

(i) Employee benefits (continued)

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains less the fair value of the super fund's assets at that date and any unrecognised service costs. The present value of the obligation is based on expected future payments which arise from membership of the fund to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as close as possible, the estimated future cashflows. Future taxes, such as taxes on investment income and employer contributions are taken into account in the actuarial assumptions used to determine the relevant components of the employer's defined benefit liability or asset. Actuarial gains and losses are recognised in the statement of comprehensive income in the year in which they occur.

Contributions to other defined contribution superannuation schemes are recognised as an expense in the period that it is payable.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Membership revenue is recognised when the right to receive the subscription has been established and is gross of expenses incurred as consideration for employers making payroll deductions of membership subscriptions. Commissions vary with from 0-10% (2009: 0-10%).

Historically revenue has been shown net of commissions.

Comparative information has been adjusted to reclassify expenses to make comparable.

Commissions for the year ended 30 June 2010 were $1,195,404 (2009: $1,099,989). Employer commissions are required to be disclosed as per section 253 of the Fair Work (Registered Organisations) Act 2009.

Interest revenue is recognised on an effective interest rate method in relation to the outstanding financial asset.

Rental income is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives provided to tenants under lease agreements are recognised as lease incentive assets and amortised over the life of the tenant lease.

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

(k) Information to be provided to members or the General Manager of FWA – Section 272(5)

In accordance with the requirements of the Fair Work (Registered Organisations) Act 2009 and specifically subsection 272(5) of the RAO Schedule the attention of members is drawn to the provisions of sub-sections (1), (2) and (3) of Section 272 of the Fair Work (Registered Organisations) Act 2009 which states:

272 Information to be provided to members or General Manager

1. A member of a reporting unit, or a 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; and
3. A reporting unit must comply with an application made under subsection (1).

Note: This subsection is a civil penalty provision (see section 305).

(l) Accounting standards and interpretations issued, not yet effective, and not early adopted

The following new accounting standards, amendments to standards and interpretations have been issued, but are not mandatory for financial reporting years ended on 30 June 2010. They are expected to impact the Association in the period of initial application. All of the following are available for early adoption, but have not been applied in preparing this financial report:

1 Statement of significant accounting policies (continued)

(l) Accounting standards and interpretations issued, not yet effective, and not early adopted (continued)

AASB 9: Financial instruments

AASB 9 amends the requirements for classification and measurement of financial assets. The standard is applicable for annual reporting periods commencing on or after 1 January 2013. Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.

AASB 107: Statement of cash flows

AASB 107 clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities. The standard is applicable for annual reporting periods commencing on or after 1 January 2010. Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.

None of the other standards, amendments to standards or interpretations issued but not yet effective are expected to impact the Association.

2 Financial risk management

The consolidated entity's activities expose it to the primary financial risks of liquidity, credit risk and changes in interest rates. The parent and consolidated entity's overall risk management approach is to identify the risks and implement safeguards which seek to minimise potential adverse effects on the financial performance of the consolidated entity. The committee is responsible for monitoring and managing the financial risks of the consolidated entity. They monitor these risks through bi-monthly committee meetings where management accounts are presented and analysed in terms of the consolidated entity's documented risk management policies. Any changes identified are communicated to the branch accountant who implements the changes.

The consolidated entity does not use any derivative financial instruments to manage financial risk.

Liquidity risk

Liquidity risk is the risk that the consolidated entity may not be able to meet its financial obligations as they fall due.

The consolidated entity has both short term and long term investments which enable sufficient cash to be available to settle obligations as they fall due. The branch accountant monitors the parent entity's cash position. A cash management account, returning bank bill interest, is used to manage cash on a daily basis. Action is dictated by the results of monitoring the cash position on line. Surplus funds are transferred from the operating account to the cash management account and any anticipated shortfall is prepared for by transferring sufficient funds to the operating account.

The trade and other payables are due within 3 months. The derivative liability will be deducted from the collateral debt obligation within 6 months (2009: 18 months)

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The entity has exposure to credit risk through its receivables, investments in floating rate interest securities, and deposits with banks. Credit risk for the consolidated entity is $1,533,303 (2009: $1,139,243) arising from total receivables (see note 6), $9,997,074 (2009: $10,341,666) arising from bank bills, CDO's, term deposits and floating rate notes (see note 8), and $1,999,568 (2009: $1,396,361) arising from cash and deposits with banks (see note 5).

The unique characteristic of receipt of income by the entity dictates credit risk management on two levels. Employers collect the majority of membership fees on behalf of union members and forward the net amount (i.e. after deduction of commissions) to the union on regular basis, generally monthly. Timing of receipt of fees is regularly monitored and followed up if not received when expected. The status of individual union members is also regularly monitored on the internal database to ensure continuity of membership. Under this system, trust and co-operation between the entity and employer is crucial.

All investments are managed through one financial institution, with all investment decisions based on a minimum independent rating of "AA" at the time of investment.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contract and the host contract is not carried at fair value. Embedded derivatives may be designated into hedge relationships and are accounted for in accordance with the Group's accounting policy set out in note 1(h). Credit risk factors in relation to the CDO are discussed in Note 1(b) and 8(e).

Interest rate risk

The Association's interest rate risk arises from bank bills, CDO's, floating rate notes and cash at bank and deposits.

All financial liabilities and financial assets at floating rates expose the Association to cash flow interest rate risk.

The Association does not hedge any of its interest rate risk and is therefore subject to short term fluctuations in interest rates. Details of cash at bank and on deposit can be found in note 5, and bank bills, term deposits, CDO's and floating rate notes can be found in note 8.

Foreign currency risk

All transactions are denominated in Australian Dollars. The Association is not subject to any foreign currency risk.

Other market price risks

No transactions give rise to any other market risk.

3 Revenue and Other Income

	Note	2010 $	2009 $
Other revenue:			
Interest revenue	(a)	**485,933**	650,080
Other revenue		**273,447**	195,995
		759,380	846,075

(a) Interest received

Interest on cash balances and deposits	**46,141**	93,937
Interest on financial assets	**439,792**	556,143
Total interest received	**485,933**	650,080

Other income:		
Rental revenue for property	**257,777**	354,076

4 Expenses

(a) Surplus/(Deficiencies) includes the following specific expenses:

	Note	2010 $	2009 $
Depreciation:			
Buildings		**182,941**	180,932
Leasehold improvements		**26,751**	26,751
Motor vehicles		**201,586**	219,783
Office equipment		**57,857**	82,976
	10(a)	**469,135**	510,442
Amortisation:			
Software development	11(a)	**202,222**	109,898
Total depreciation and amortisation		**671,357**	620,340
Affiliation fees:			
Shop, Distributive & Allied Employees Association (National Office)		**1,228,694**	1,182,920
Australian Labor Party		**202,762**	197,944
		1,431,456	1,380,864
Donations		**132,314**	18,987
Employee benefits expense:			
Salaries & wages		**4,710,927**	4,655,606
Annual leave		**33,569**	81,958
Long service leave		**153,841**	148,103
Superannuation		**382,177**	586,518
Other		**580,334**	444,945
		5,860,848	5,917,130

Executive officers' remuneration is included in the above disclosure and includes salaries and wages of $377,993 (2009: $343,062), annual leave of $22,744 (2009: $1,855), long service leave of $23,186 (2009: $21,108) and superannuation of $43,507 (2009: $41,167).

5 Cash and cash equivalents

	2010	2009
	$	$
Cash on hand	900	900
Cash at bank	1,999,568	1,396,361
	2,000,468	1,397,261

Cash on hand is non-interest bearing, and as such is not subject to interest rate risk.

Cash at bank is subject to interest rate risks as it earns interest at floating rates. For cash at bank in 2010, the average floating rates for were 4.78% (2009: 4.87%).

The fair value of cash and cash equivalents is equal to the amounts disclosed in note 5.

(a) Sensitivity analysis
A 100 point (2009: 100 point) increase in the BBSW at the reporting date would have increased the surplus by $20,005 (2009: $13,964), and an equal change in the opposite direction would have decreased surplus by $20,005 (2009: $13,964).

6 Trade and other receivables

	Note	2010	2009
CURRENT		$	$
Trade receivables		928,449	532,419
Prepayments		748,174	655,187
Other receivables		64,504	66,474
Amounts receivable from associates	18(a)	540,350	540,350
		2,281,477	1,794,430

The carrying amounts of all current trade and other receivables are equal to their fair values as they are short term receivables and non-interest bearing.

(a) Ageing and impairment losses of trade receivables

	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
	$	$	$	$
Not past due	925,795	-	484,477	-
Past due 0 – 30 days	-	-	32,721	-
Past due 31 – 60 days	-	-	14,749	-
Past due over 60 days	2,654	-	472	-
	928,449	-	532,419	-

(b) Other receivables

Other receivables arise from interest due from cash at bank. None of the other current receivables are impaired or past due.

(c) Receivables from associates

Based on the underlying net assets of these entities, no impairment losses have been recognised as it is expected that these amounts will be recovered in full.

6 Trade and other receivables (continued)

(d) Credit risk

The maximum exposure to credit risk is the gross amount of all receivables (less prepayments).

The entity's most significant customer, a retailer, accounts for $397,184 (2009: $258,466) of receivables at the reporting date.

(e) Interest rate risk

All current receivables are non-interest bearing.

(f) Foreign Currency Risk

The entity is not exposed to foreign currency risk as described in note 2.

(g) Renegotiation of Terms

No extension on credit terms have been given to customers during the year.

7 Non-current assets – Investments accounted for using the equity method

	Note	2010 $	2009 $
Shares in associates	7(a)	484,688	440,379

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (note 7) and are carried at cost by the parent entity in note 21.

Investment in Associates

(a) Movements in Carrying amounts

	2010 $	2009 $
Carrying amount at the beginning of the financial year	440,379	228,149
Share of profits after income tax	44,309	212,230
Carrying amount at the end of the financial year	484,688	440,379

(b) Summarised financial information of associates

The entity's share of the results of its principle associates and its aggregated assets (including goodwill) and liabilities are as follows:

		Group's share of:			
	Ownership Interest %	Assets $	Liabilities $	Revenues $	Profit $
2010					
Industrial Printing and Publishing Pty Ltd and controlled entities	23.9	1,179,004	694,316	994,118	44,309
2009					
Industrial Printing and Publishing Pty Ltd and controlled entities	23.9	1,067,127	854,897	1,114,051	212,230

All of the above associates are incorporated in Australia.

(c) Contingent liabilities of associates

There are no contingent liabilities incurred jointly with other investors.

8 Other financial assets

	Note	2010 $	2009 $
CURRENT			
Held to maturity investments			
- Bank bills and floating rate notes	(a)	**3,000,000**	-
- Term deposits	(b)	**3,990,730**	3,247,028
- Collateralised debt obligation	(c)	**2,000,000**	-
Held to maturity investments - current		8,990,730	3,247,028
NON-CURRENT			
Held to maturity investments			
- Bank bills and floating rate notes	(a)	**1,006,344**	4,006,345
- Term deposits	(b)	**-**	1,088,293
- Collateralised debt obligation	(c)	**-**	2,000,000
Held to maturity investments – non-current		**1,006,344**	7,094,638
Held to maturity investments - total		**9,997,074**	10,341,666

(a) Bank Bills and Floating Rate Notes

Bank bills and floating rate notes classified as current mature within 12 months. Floating rate notes and bank bills classified as non-current mature within 12 months - 2 years. Floating rate notes and bank bills are bearing floating interest rates between 5.10% and 5.76% (2009: 2.75% and 3.5%).

(b) Term Deposits

Term deposits bear floating interest at rates between 3.75% and 5.10% (2009: 2.75% and 3.50%).

(c) Collateralised Debt Obligation ("CDO")

The CDO bears floating interest at rates between 4.25% and 5.90% (2009: 4.25% and 8.82%).

The embedded derivative is accounted for as a fair value through profit or loss financial instrument and is carried at fair value (refer to note 2).

(d) Interest Rate Risk - Sensitivity analysis

The Associaton's investments in floating rate interest securities are not quoted on the Australian Stock Exchange.

The Association's floating rate notes, bank bills, CDO'S and term deposits expose it to a risk of change in their fair value or future cash flows due to changes in interest rates. There are no financial assets where the fair value of the asset differs materially from the carrying value.

A 100 point (2009: 100 point) increase in the BBSW at the reporting date would have increased the surplus by $99,971 (2009: $103,417), and an equal change in the opposite direction would have decreased surplus by $99,971 (2009: $103,417).

(e) Credit Risk

Concentrations of risk

The Association's investment in bank bills, term deposits and floating rate notes is in a total of 2 securities and 5 term deposits issued by Commonwealth Bank and Transcomm Credit Union. All investments were issued by entities rated "A" or higher. None of the held-to-maturity investments are either past due or impaired.

The Collaterised Debt Obligation ("CDO") is a $2,000,000 investment in 'Australia Plus Sector Cap' Portfolio Notes, issued by Corsair (Jersey) No 2 Limited – Series 68. Please refer to Note 1(b) for further details.

Maximum exposure to credit risk

The maximum exposure to credit risk at reporting date is the total of bank bills, CDO's, floating rate notes and term deposits.

9 Other assets

	2010 $	2009 $
CURRENT		
Lease incentive asset	15,035	6,674
NON-CURRENT		
Lease incentive asset	2,280	6,839

10 Property, plant and equipment

	2010 $	2009 $
Land & Buildings – at cost	11,024,337	10,966,484
Less accumulated depreciation	(1,507,710)	(1,346,643)
Total land & buildings	9,516,627	9,619,841
Leasehold improvements – at cost	1,070,047	1,070,047
Less accumulated depreciation	(176,479)	(149,728)
Total leasehold improvements	893,568	920,319
Motor vehicles – at cost	1,330,890	1,242,776
Less accumulated depreciation	(464,377)	(423,512)
Total motor vehicles	866,513	819,264
Office equipment – at cost	1,008,315	959,138
Less accumulated depreciation	(784,155)	(749,232)
Total office equipment	224,160	209,906
Total property, plant and equipment	11,500,868	11,569,330

(a) Movements in carrying amounts

2010	Land & Buildings $	Leasehold improvements $	Motor Vehicles $	Office Equipment $	Total $
Balance at the beginning of year	9,619,841	920,319	819,264	209,906	11,569,330
Additions	132,673	-	359,426	105,536	597,635
Depreciation expense	(182,941)	(26,751)	(201,586)	(57,857)	(469,135)
Disposals	(52,946)	-	(110,591)	(33,425)	(196,962)
Carrying amount at the end of year	9,516,627	893,568	866,513	224,160	11,500,868

10 Property, plant and equipment (continued)

2009	Land & Buildings	Leasehold improvements	Motor Vehicles	Office Equipment	Total
	$	$	$	$	$
Balance at the beginning of year	9,832,985	947,070	844,703	272,132	11,896,890
Additions	26,268	-	413,471	20,750	460,489
Depreciation expense	(180,932)	(26,751)	(219,783)	(82,976)	(510,442)
Disposals	(58,480)	-	(219,127)	-	(277,607)
Carrying amount at the end of year	9,619,841	920,319	819,264	209,906	11,569,330

(b) Amounts recognised in profit and loss for property, plant and equipment

	2010	2009
	$	$
Rental income	**257,777**	354,076
Direct operating expenses that generated rental income	**(323,741)**	(326,985)
Total	**(65,964)**	27,091

(c) Leasing arrangements

A small area within the property is leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments under non-cancellable operating leases not recognised in the financial statements are receivable as follows:

	2010	2009
	$	$
Within 1 year	**191,195**	186,650
Later than 1 year but not later than 5 years	**93,449**	166,295
Total	**284,644**	352,945

11 Intangible assets

	2010	2009
	$	$
Software – at cost	**897,868**	559,024
Accumulated amortisation	**(312,120)**	(109,898)
Net carrying value	**585,748**	449,126

The asset is expected to be amortised over a period of 3 years.

(a) Reconciliation of net book amount

	2010	2009
	$	$
Balance at the beginning of the year	**449,126**	257,250
Additions	**338,844**	301,774
Amortisation	**(202,222)**	(109,898)
Balance at the end of the year	**585,748**	449,126

12 Retirement benefit asset

	2010	2009
	$	$
NON-CURRENT		
Retirement benefit asset	**190,696**	451,852

(a) Superannuation plan

The Association sought Professional Financial Solutions to prepare a valuation report to assist with the measurement, recognition and disclosure requirements of AASB119 "Employee Benefits". The report covered the superannuation plan of The Shop, Distributive & Allied Employees' Association (Victorian Branch), but included members that are employees of the National Office. Apportionment of the amounts included in the report (and as disclosed in Note 12) between the Victorian Branch and the National Office is based on the percentage of the superannuation asset attributed to each entity's members to the total superannuation asset. A different methodology in regards to the apportionment of the superannuation amounts could result in a change to the carrying value of the retirement benefit asset. Apportionment percentage as at balance date was 68.35% (2009: 71.27%). This is based on the most recent available membership data (i.e. at 30 June 2010, 30 June 2009 membership details used).

(b) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

Fair value of defined benefit plan assets	(d)	**5,691,504**	5,613,938
Present value of the defined benefit obligation	(d)	**(5,500,808)**	(5,162,086)
		190,696	451,852

(c) Categories of plan assets

The major categories of plan assets are as follows:	2010	2009*
Australian equity	**30%**	30%
International equity	**23%**	23%
Fixed income	**12%**	12%
Property	**10%**	10%
Cash	**6%**	6%
Other	**19%**	19%

* 2009 figures based on asset allocation at 30 June 2008 as actual asset allocation as at 30 June 2009 was not available.

(d) Reconciliations

	2010	2009
	$	$
Reconciliation of the present value of the defined benefit obligation:		
Balance at the beginning of the year	**5,162,086**	3,955,880
Current service cost	**181,517**	566,915
Interest cost	**214,619**	213,810
Actuarial (gains) and losses	**494,171**	555,193
Benefits paid	**(469,565)**	(52,740)
Taxes, premiums and expenses paid	**(82,020)**	(76,972)
Balance at the end of the year	**5,500,808**	5,162,086

12 Retirement benefit asset (continued)

	2010 $	2009 $
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	**5,613,938**	5,864,477
Expected (loss)/return on plan assets	**98,756**	468,576
Actuarial gains and (losses)	**209,151**	(891,587)
Employer contributions	**321,245**	302,185
Benefits paid	**(469,565)**	(52,741)
Taxes, premiums and expenses paid	**(82,020)**	(76,972)
Balance at the end of the year	**5,691,504**	5,613,938

(e) Amounts recognised in the statement of comprehensive income

The amounts recognised in the statement of comprehensive income are as follows:

	2010 $	2009 $
Current service cost	**181,517**	566,915
Interest cost	**214,619**	213,810
Expected return/(loss) on plan assets	**(98,756)**	(468,576)
Total included in employee benefits expense	**297,380**	312,149
Actual gain/(loss) on plan assets	**307,906**	(425,769)
Actuarial gain (loss)	**(285,020)**	(1,446,780)
Cumulative amount of actuarial (loss) gain	**(597,432)**	(312,412)

(f) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	2010	2009
Discount rate	**4.30%**	4.70%
Expected return on plan assets (active members)	**6.50%**	6.50%
Future salary increases	**4.00%**	4.00%

The expected retum on assets assumption is determined by weighting the expected long-term retum for each class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax and investment fees.

12 Retirement benefit asset (continued)

(g) Employer contributions

The current contribution recommendations, as set out in the report of the most recent actuarial valuation of the plan as 30 June 2010, are 9% of salaries of defined benefit members up to 30 June 2010, then 12% of defined benefit members thereafter. The Association will continue to contribute at these rates.

The method used to determine the employer contribution recommendations at the last actuarial review was the "Entry Age Normal". This method adopted affects the timing of the cost to the Association. Under the 'Entry Age Normal' method, a "normal cost" is calculated which is the estimated employer contribution rate required to provide benefit in respect of a typical new entrant to the plan. The 'normal' cost is then adjusted to take into account any surplus (or deficiency) of the value of assets and future benefits for existing members. Any surplus or deficiency can be used to reduce or increase the 'normal' employer contribution rate over a suitable period of time.

Note that the figures stated above relate only to the defined benefit section of the plan and include other members of the fund who are employees of the related organisation, The Shop, Distributive & Allied Employees' Association (National).

(h) Historic summary

	2010	2009	2008	2007	2006
	$	$	$	$	$
Defined benefit obligation	**5,500,808**	5,162,086	3,955,880	3,776,390	3,744,453
Plan assets	**5,691,504**	5,613,938	5,864,477	6,145,987	5,152,054
Surplus/(deficit)	**190,696**	451,852	1,908,597	2,369,597	1,407,601
Experience adjustments arising on plan liabilities	**(209,151)**	897,217	615,565	509,676	293,736
Experience adjustments arising on plan assets	**430,605**	542,203	284,565	208,340	14,412

(i) Nature of asset

The Association has recognised an asset in the balance sheet in respect of its defined benefit superannuation arrangements. If a surplus exists in the plan, the Association may be able to take advantage of it in the form of a reduction in the required contribution rate depending on the advice of the plan's actuary.

The Association may at any time by notice to the Trustee terminate its contributions. The Association has a liability to pay the contributions prior to the effective date of notice, but there is no requirement for the employer to pay any further contributions, irrespective of the financial condition of the plan.

13 Trade and other payables

	2010	2009
CURRENT	**$**	**$**
Unsecured liabilities		
Trade payables	**401,023**	267,591
Other payables	**357,478**	328,518
	758,501	596,109

Trade and other payables are non-interest bearing. Trade payables are current liabilities which results in their fair value being equal to the current carrying amount.

(a) Liquidity risk

The contractual maturities of all payables is 0-12 months.

14 Provisions

	2010	2009
Employee entitlements:	$	$
Current	1,290,442	1,219,062
Non-current	61,831	79,511
Aggregate employee entitlements liability	1,352,273	1,298,573

Annual leave in the current year totals $460,015 (2009: $460,098) and all liabilities are current. The remainder of employee benefits relate to long service leave. Executive officers' annual leave (including on costs) owing as at 30 June 2010 was $59,972 (2009: $67,985). Executive officers' long service leave owing (including on costs) as at 30 June 2010 was $190,401 (2009: $177,365).

15 Derivative financial instrument

	2010	2009
	$	$
Embedded Derivative	440,000	988,600

Derivatives embedded in other financial instruments or non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts themselves are not carried at fair value with unrealised gains or losses reported in the statement of comprehensive income. This embedded derivative is included in the CDO commentary as disclosed and discussed in notes 1 and 8.

16 Executive officers and key management personnel

(a) Executive officers

The following persons were executive officers of the Association during the financial year:

Michael Donovan	Patricia Connelly	Elizabeth Shaw
Thelma Sheean (resigned 27/06/2010)	Lorraine Vallaro (resigned 27/06/2010)	
Ada Scibilia (appointed 27/06/10)	Sue Nance (appointed 27/06/2010)	

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Association, directly or indirectly through the year.

Denis Parker	John Whateley	Antony Burke	Ada Scibilia
Suzanne Hollingsworth	Valerie Bolitho	Jennifer Siwek	Ewan (Jock) Hastie
Sue Nance	Bernadette Kerford	Tammy Trimble	Simon Preest
Debra Becker	Ian Macpherson	Nicole LaFranchi	Michelle Wilton
Gary Todd *	Trevor Libbis *	Sharolynne Marshman *	Carolyn Hay *
Dianne Heslop *	Monique Davis *	Debra Tanner *	Nola Jones *
Korinea Hunter *	Leanne Zsarik *	Charles Fitzgerald *	Bernadette Arathoon *
Gino Toppi *	Roslyn Smith *	Patricia Ryan *	Peter Binek *
Julie Coady *	Michelle Stevens *	Nick Mavrikis *	Debra-Anne Warfe *

(c) Compensation

	2010	2009
	$	$
Short-term employment benefits	934,661	1,012,042
Post-employment benefits	91,621	94,652
	1,026,282	1,106,694

*As of 1 July 2009, all branch conference delegates have been determined to be key management personnel. As such, an additional $201,098 has been included in the comparative information for the year ended 30 June 2009 to ensure information is comparable.

17 Auditor's remuneration

	2010 $	2009 $
Remuneration of the auditor of the consolidated entity for:		
- Auditing the financial statements	88,898	77,712
- Financial report preparation	4,000	4,000
- Other audit services	4,843	3,157
	97,741	84,869

18 Related parties

(a) Interest free loans from related parties

The Shop, Distributive and Allied Employees' Association (Victorian Branch), the ultimate controlling entity, has granted interest free loans of $11,500,000 to the controlled entity, Fedsda Unit Trust, of which $11,500,000 is receivable as at 30 June 2010 (refer to parent entity current assets at note 21). These loans are without specific terms of repayment and are included in current receivables in the balance sheet. An interest free receivable is also due from an associate, IPP Property Trust of $540,350 (2009: $540,350).

(b) Transactions with related parties

	2010 $	2009 $
Amounts received from Publicity Works Pty Ltd, a controlled entity of Industrial Printing and Publishing Pty Ltd, an associate, in relation to directorate and secretarial duties performed by SDA staff	12,905	22,658
Amounts paid to Publicity Works Pty Ltd, a controlled entity of Industrial Printing and Publishing Pty Ltd, an associate, for consulting services	30,726	55,849

19 Cash flow information

Reconciliation of cash flow from operations with surplus (deficiency)

	2010 $	2009 $
Net surplus/(deficiency) for the year	1,218,305	(370,162)
Cash flows excluded from surplus attributable to operating activities		
Depreciation & impairment	671,357	620,340
Lease incentives	(3,802)	1,218
Net loss on disposal of plant and equipment	111,677	123,993
Movement in embedded derivative	(548,600)	243,200
Share of profits of associates	(44,309)	(212,230)
Non-cash defined benefit adjustment	(23,864)	9,963
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(487,047)	162,882
Increase/(decrease) in payables	162,392	(74,704)
Increase/(decrease) in provisions	53,700	139,331
Net cash provided by operating activities	1,109,809	643,831

20 Events after the balance sheet date

No events have occurred subsequent to balance date, which significantly affected or may significantly affect the operations of the Association, the results of those operations or the state of affairs of the Association in future financial periods.

21 Parent entity information

The following details information related to the parent entity, Shop, Distributive and Allied Employees' Association (Victorian Branch), at 30 June 2010. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2010 $	2009 $
Current assets	23,656,500	16,918,728
Non-current assets	4,249,866	10,427,941
Total assets	27,906,366	27,346,669
Current liabilities	2,351,713	1,756,164
Non-current liabilities	61,531	1,068,111
Total liabilities	2,413,244	2,824,275
Members funds	25,493,122	24,522,394
Total equity	25,493,122	24,522,394
Surplus/(deficit) for the year	1,255,748	(472,349)
Other comprehensive income/(loss) for the year	(285,020)	(1,446,780)
Total comprehensive surplus/(deficit) for the year	970,728	(1,919,219)

22 Association details

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

The Shop, Distributive and Allied Employees' Association (Victorian Branch)

Level 3

65 Southbank Boulevard

Southbank VIC 3006

BDO

Tel: +61 3 8320 2222
Fax: +61 3 8320 2200
www.bdo.com.au

The Rialto, 525 Collins St
Melbourne VIC 3000
GPO Box 4736 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Shop, Distributive & Allied Employees' Association (Victorian Branch)

Report on the Financial Report

We have audited the accompanying financial report of Shop, Distributive & Allied Employees' Association (Victorian Branch), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the committee of management statement of the consolidated entity comprising the Shop, Distributive & Allied Employees' Association (Victorian Branch) and the entity it controlled at the year's end or from time to time during the financial year.

Committee of Management's Responsibility for the Financial Report

The committee of management of the Shop, Distributive & Allied Employees' Association (Victorian Branch) is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Fair Work Act 2009. This responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Committee, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Auditor's Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of the consolidated entity, Shop, Distributive & Allied Employees' Association (Victorian Branch) as of 30 June 2010 and of its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards (including the Accounting Interpretations) and the Fair Work (Registered Organisations) Act 2009.

BDO Audit (NSW-VIC) Pty Ltd

Sandra Lawson

Director

Registered Auditor No: 319608

Melbourne, Victoria

Dates this 18th day of August 2010