



Financial Statements 2018–19

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INDEPENDENT AUDITOR'S REPORT TO THE NATIONAL EXECUTIVE OF
HEALTH SERVICES UNION NATIONAL OFFICE

SYDNEY

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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Health Services Union National Office, which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2019, notes to the financial statements, including a summary of significant accounting policies; and the National Executive Statement, the subsection 255(2A) report and the Officer Declaration Statement.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of Health Service Union National Office as at 30 June 2019, and its financial performance and its cash flows for the year ended on that date in accordance with:

- a) the Australian Accounting Standards; and
- b) any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009* (the RO Act).

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

Basis for Opinion

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

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

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

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

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

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

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

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**INDEPENDENT AUDITOR'S REPORT TO THE NATIONAL EXECUTIVE OF
HEALTH SERVICES UNION NATIONAL OFFICE**

regard.

Responsibilities of the National Executive for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Reporting Unit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the National Executive.
- Conclude on the appropriateness of the National Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Reporting Unit's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Reporting Unit to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT TO THE NATIONAL EXECUTIVE OF
HEALTH SERVICES UNION NATIONAL OFFICE**

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Reporting Unit to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Reporting Unit audit. We remain solely responsible for our audit opinion.

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

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

Report on Other Legal and Regulatory Requirements

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

Our opinion on the financial report is not modified in respect of the following matters because, in our opinion, it has been appropriately addressed by Reporting Unit and is not considered material in the context of the audit of the financial report as a whole.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

Graham Webb

Graham Webb
Partner
Dated: 21 August 2019

Registration Number: AA2017/22

Health Services Union

s.268 *Fair Work (Registered Organisations) Act 2009*

Certificate by prescribed designated officer

Certificate for the year ended 30 June 2019

I Lloyd Williams, being the National Secretary of the Health Services Union certify:

- that the documents lodged herewith are copies of the full report for the Health Services Union for the period ended referred to in s.268 of the *Fair Work (Registered Organisations) Act 2009*; and
- that the full report was provided to members of the reporting unit on 6th September 2019; and
- that the full report was presented to a meeting of the National Executive of the reporting unit on 16th October 2019 in accordance with s.266 of the *Fair Work (Registered Organisations) Act 2009*.

Signature of prescribed designated officer:

Name of prescribed designated officer:

Lloyd Williams

Title of prescribed designated officer:

National Secretary

Dated:

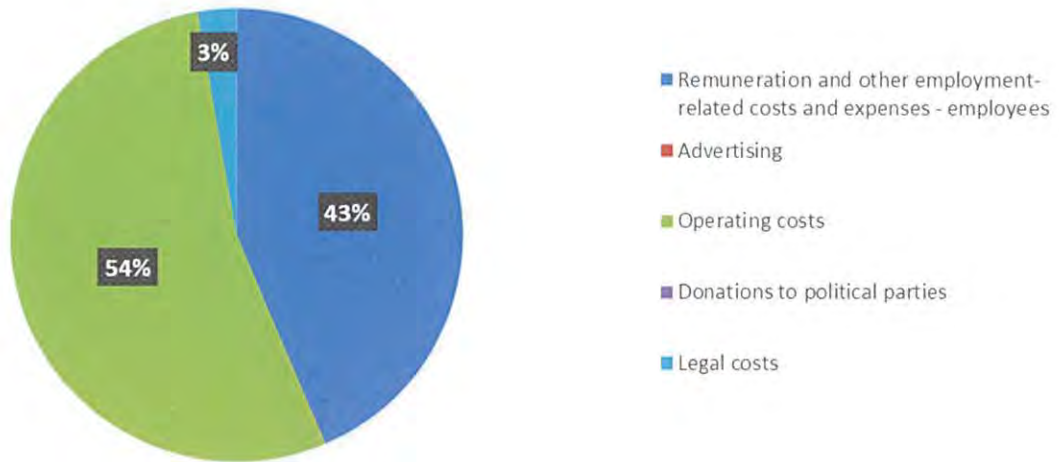
Health Services Union

Report required under subsection 255(2a)

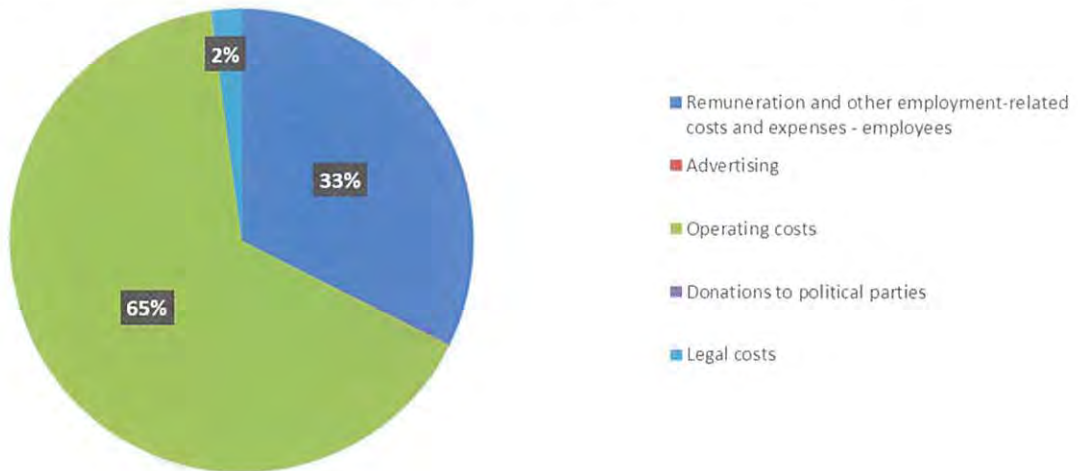
for the year ended 30 June 2019

The National Executive presents the expenditure report as required under subsection 255(2A) on the reporting unit for the year ended 30 June 2019.

2019 - Expenditure as required under s.255(2A) RO Act



2018 - Expenditure as required under s.255(2A) RO Act



Signature of designated officer:

Name and title of designated officer:

Lloyd Williams, National Secretary

Dated: 21 AUGUST 2019

Health Services Union

Operating report

for the year ended 30 June 2019

The National Executive presents its operating report on the reporting unit for the year ended 30 June 2019.

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

The principle activity of the organisation during the year was that of a registered trade union. No significant change occurred in the nature of those activities during the year.

Significant changes in financial affairs

During the year the following significant changes in financial affairs occurred.

Significant Change	Nature of Change
<i>Capitation fees and other revenue from another reporting unit decreased by 9%</i>	<i>Capitation fees were reduced by 15% as per a National Council resolution in November 2018 which was applied retrospectively from 1 July 2018. This reduction has been offset by higher member numbers than prior year, resulting in reduced capitation fee revenue by 9%.</i>
<i>Administration costs decreased by 70%</i>	<i>Administration costs decreased during the year as there was no redistribution of surplus funds in the National accounts to the Branches on a per capita basis which occurred in the prior year.</i>
<i>Employee expenses increased by 4%</i>	<i>Employee expenses increased during the year due to an additional 3 positions, which has been offset by a reduction in officer salaries as the National Secretary role was honorary.</i>

Right of members to resign

Subject to the rules of the organisation and Section 174 of the Fair Work (Registered Organisation) Act 2009, members have the rights to resign from membership of the organisation by written notice addressed to and delivered to the Secretary of the relevant Branch.

Officers or members who are superannuation fund trustee(s) (include position details) or director of a company that is a superannuation fund trustee where being a member or officer of a registered organisation is a criterion for them holding such position

Officer/Member	Trustee Company	Entity/Scheme	Period
Lloyd Williams	H.E.S.T Australia Limited	HESTA Superfund	1/7/2018 to 30/6/2019
Rosemary Kelly	First State Superannuation Trustee Corporation	FSS Super	1/7/2018 to 30/06/2019

Number of members

The number of persons that were at the end of the financial year recorded in the register of members for Section 230 of Fair Work (Registered Organisation) Act 2009 and who were taken to be members of the registered organisation under Section 244 of the Fair Work (Registered Organisations) Act was 86,635 (2018: 81,436).

Branch	Number of Members
New South Wales Branch	40,140
South Australian Branch	1,193
Tasmania Branch	7,951
Victoria No. 1 Branch	14,044
Victoria No. 2 Branch	9,674
Victoria No. 3 Branch	4,971
Victoria No. 4 Branch	2,484
Western Australia Branch	6,178

Number of employees

The number of persons who were at the end of the financial year employees of the organisation including both full time and part-time employees on a full time equivalent was 8.38 (2018: 7.00).

Names of National Executive members and period positions held during the financial year*

Officer	Position	Period
Lloyd Williams	National President	1 July 2018 to 16 November 2018
	National Secretary	16 November 2018 to 30 June 2019
Dan Hill	National Senior Vice President	1 July 2018 to 16 November 2018
	National Junior Vice President	16 November 2018 to 30 June 2019
Mark Sterrey	National Junior Vice President	1 July 2018 to 16 November 2018
	National Trustee	16 November 2018 to 30 June 2019
Gerard Hayes	National Secretary	1 July 2018 to 16 November 2018
	National President	16 November 2018 to 30 June 2019
Paul Elliott	National Trustee	1 July 2018 to 16 November 2018
	National Executive Member	16 November 2018 to 30 June 2019
Tim Jacobson	National Assistant Secretary	1 July 2018 to 30 June 2019
Craig McGregor	National Trustee	1 July 2018 to 16 November 2018
	National Executive Member	16 November 2018 to 30 June 2019
Diana Asmar	National Executive Member	1 July 2018 to 16 November 2018
	National Senior Vice President	16 November 2018 to 30 June 2019
Kate Marshall	National Trustee	16 November 2018 to 30 June 2019
Rosemary Kelly	National Executive Member	1 July 2018 to 16 November 2018
Chris Panizza	National Executive Member	1 July 2018 to 30 June 2019
Jorge Navas	National Executive Member	1 July 2018 to 30 June 2019
Paul Healey	National Executive Member	1 July 2018 to 30 June 2019
Andrew Hewat	National Executive Member	1 July 2018 to 16 November 2018
Lynne Russell	National Executive Member	1 July 2018 to 30 June 2019
Robbie Moore	National Executive Member	1 July 2018 to 30 June 2019
David Eden	National Executive Member	16 November 2018 to 30 June 2019

*Under r23B(a)(i) **Tenure of Office** National Officers are elected by ballot of the National Council and take up the elected position at the end of the annual meeting of national council '...and shall take office from the completion of the annual meeting of National Council in the

year of their election and shall hold office for a period of four years or until successors thereto have been elected and taken office.' The previous National Officers hold office until the conclusion of the annual meeting. Where a Branch Secretary is elected as a National Officer, there is a flow through effect to the members of National Executive. National Executive is made up of the National Officers and the Secretary of each Branch. A person cannot hold both roles on National Executive simultaneously.

Signature of designated officer:



Name and title of designated officer:

Lloyd Williams, National Secretary

Dated: 21 AUGUST 2019

Health Services Union

National Executive statement

for the year ended 30 June 2019

On the 21st August 2019 the National Executive of the Health Services Union passed the following resolution in relation to the general purpose financial report (**GPFR**) for the year ended 30 June 2019:

The National Executive declares that in its opinion:

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

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

Signature of designated officer:



Name and title of designated officer:

Lloyd Williams
National Secretary

Dated: 21 AUGUST 2019

Health Services Union
Statement of comprehensive income
for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue			
Membership subscriptions	3A	472,058	519,044
Capitation fees and other revenue from another reporting unit	3B	1,659,867	1,820,359
Investment income	3C	17,919	11,078
Other revenue	3D	511,203	569,950
Total revenue		2,661,047	2,920,431
Other Income			
Grants and/or donations	3E	-	25,583
Net gains from sale of assets	3F	150	-
Total other income		150	25,583
Total income		2,661,197	2,946,014
Expenses			
Employee expenses	4A	(963,253)	(927,521)
Capitation fees and other expenses to another reporting unit	4B	(25,128)	(24,265)
Affiliation fees	4C	(509,381)	(464,161)
Administration expenses	4D	(269,084)	(908,623)
Grants or donations	4E	-	(5,666)
Depreciation and amortisation	4F	(55,408)	(41,812)
Finance costs	4G	(10,570)	(21,183)
Legal costs	4H	(59,617)	(58,253)
Audit fees	13	(23,319)	(32,711)
Net losses from sale of assets	4I	(861)	-
Write-down and impairment of assets	4J	(2,354)	(29,999)
Other expenses	4K	(271,841)	(306,752)
Total expenses		(2,190,816)	(2,820,946)
Surplus for the year		470,381	125,068
Other comprehensive income		-	-
Total comprehensive income for the year		470,381	125,068

The above statement should be read in conjunction with the notes.

Health Services Union
Statement of financial position
as at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5A	1,685,203	1,151,386
Trade and other receivables	5B	222,442	327,769
Other current assets	5C	41,461	46,488
Total current assets		1,949,106	1,525,643
Non-current Assets			
Plant and equipment	6A	80,458	66,623
Buildings	6B	1,325,324	1,360,401
Total non-current assets		1,405,782	1,427,024
Total assets		3,354,888	2,952,667
LIABILITIES			
Current Liabilities			
Trade payables	7A	87,956	86,130
Other payables	7B	563,456	558,000
Borrowings	7C	83,249	77,428
Employee provisions	8A	308,363	265,528
Total current liabilities		1,043,024	987,086
Non-current Liabilities			
Borrowings	9A	17,032	150,987
Employee provisions	8A	9,857	-
Total non-current liabilities		26,889	150,987
Total liabilities		1,069,913	1,138,073
Net assets		2,284,975	1,814,594
EQUITY			
Retained earnings		2,284,975	1,814,594
Total equity		2,284,975	1,814,594

The above statement should be read in conjunction with the notes.

Health Services Union
Statement of changes in equity
for the year ended 30 June 2019

	Retained earnings	Total equity
	\$	\$
Balance as at 1 July 2017	1,425,187	1,425,187
Transfer from SA Branch	264,339	264,339
Surplus for the year	125,068	125,068
Closing balance as at 30 June 2018	1,814,594	1,814,594
Surplus for the year	470,381	470,381
Closing balance as at 30 June 2019	2,284,975	2,284,975

The above statement should be read in conjunction with the notes.

Health Services Union
Statement of cash flows
for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
OPERATING ACTIVITIES			
Cash received			
Membership subscriptions		519,264	519,044
Receipts from other reporting units	10B	2,353,562	2,296,633
Interest		17,319	11,078
Other		68,825	221,660
Cash used			
Payments to employees & suppliers		(2,097,355)	(2,064,902)
Payments to other reporting units	10B	(151,862)	(788,387)
Interest		(10,570)	(16,946)
Net cash from operating activities	10A	699,183	178,180
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of plant and equipment		6,150	-
Cash used			
Purchase of plant and equipment		(43,382)	(39,742)
Net cash (used by) investing activities		(37,232)	(39,742)
FINANCING ACTIVITIES			
Cash used			
Repayment of borrowings		(128,134)	(75,231)
Net cash (used by) financing activities		(128,134)	(75,231)
Net increase in cash held			
533,817			
Cash & cash equivalents at the beginning of the reporting period		1,151,386	668,728
Cash acquired on absorption of SA Branch		-	419,451
Cash & cash equivalents at the end of the reporting period	5A	1,685,203	1,151,386

The above statement should be read in conjunction with the notes.

Health Services Union

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Note 1 Summary of significant accounting policies

1.1 Basis of preparation of the financial statements

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

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

1.2 Comparative amounts

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

1.3 Significant accounting judgements and estimates

There have not been any material accounting assumptions or estimates that have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard requirements

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

The accounting policies adopted are consistent with those of the previous financial year except for the following standards and amendments, which have been adopted for the first time this financial year:

- AASB 9 Financial Instruments and relevant amending standards, which replaces AASB 139 Financial Instruments: Recognition and Measurement. The impact of applying this standard is discussed further below.
- AASB Interpretation 22 *Foreign Currency Transactions and Advance Considerations*, which clarifies that the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. The adoption of this amendment did not have an impact on the Health Services Union.

Adoption of New Australian Accounting Standard requirements (cont'd)

Impact on adoption of AASB 9

(a) Initial application

AASB 9 *Financial Instruments* (**AASB 9**) replaces AASB 139 *Financial Instruments: Recognition and Measurement* (**AASB 139**) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Health Services Union has applied AASB 9 retrospectively, with an initial application date of 1 July 2018. The Health Services Union has not restated the comparative information, which continues to be reported under AASB 139. There were no differences arising from the adoption of AASB 9.

(i) Classification and measurement

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI (other comprehensive income). The classification is based on two criteria: the Health Services Union's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Health Services Union's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact to the Health Services Union.

- Trade receivables and other non-current financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

The Health Services Union has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Health Services Union's financial liabilities.

Adoption of New Australian Accounting Standard requirements (cont'd)

In summary, upon adoption of AASB 9, the Health Services Union applied the following required or elected reclassifications:

1 July 2018	AASB 9 measurement category			
	Fair value through profit or loss	Amortised cost	Fair value through OCI	
	\$	\$	\$	\$
AASB 139 measurement category				
Loans and receivables				
Trade and other receivables	327,769	-	327,769	-
	<u>327,769</u>	<u>-</u>	<u>327,769</u>	<u>-</u>

(ii) Impairment loss

The adoption of AASB 9 has fundamentally changed the Health Services Union's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking ECL (expected credit loss) approach. AASB 9 requires the Health Services Union to recognise an allowance for ECLs for all debt instruments not held at fair value through the profit or loss and contract assets, i.e. those held at amortised cost and at FVTOCI (fair value through other comprehensive income).

Upon adoption of AASB 9 the Health Services Union did not recognise any additional impairment on trade receivables.

Future Australian Accounting Standards Requirements

New standards, amendments to standards or interpretations that were issued prior to the sign-off date and are applicable to the future reporting period that are expected to have a future financial impact on the Health Services Union include:

AASB 16 Leases (AASB 16)

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

For NFP (not for profit) entities, AASB 16 will commence from financial years beginning on or after 1 January 2019. Either a full retrospective application or a modified retrospective application is required for AASB 116. The Health Services Union plans to adopt AASB 16 on the required effective date 1 July 2019 of using the modified retrospective method.

Future Australian Accounting Standards Requirements (cont'd)

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

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

During the financial year ended 30 June 2019, the Health Services Union performed an assessment of AASB 16 and concluded there may be some impact in relation to the union's photocopier lease. Please also refer to note 11A commitments and contingencies.

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

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

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

During the financial year ended 30 June 2019, the Health Services Union performed a preliminary assessment of AASB 1058 and 15 and the impact is not expected to be significant.

1.5 Acquisition of assets and or liabilities that do not constitute a business combination

At the National Executive meeting on 13 July 2017 it was noted that the FWC had issued an s245 Certificate establishing a National Office Reporting Unit [NORU] which consisted of the National Union and the South Australia Branch. Rule alterations to give affect to this unit were certified on 6 July 2017.

The effect of the rule alteration provided that from 1 July 2018 the income, expenditure, assets, liabilities and accumulated funds of the South Australia Branch will be disclosed in the Health Services Union Financial Report. *On 17 October 2018 the Registered Organisations Commission issued a Certificate of Exemption (FR2018/159), exempting the SA/NT Branch from the requirement to lodge a General Purpose Financial Report [as a stand alone reporting unit] for the 2017/2018 financial year; which effectively enables the NORU to include the SA/NT Branch in the 2017/2018 General Purpose Financial Report.*

1.5 Acquisition of assets and or liabilities that do not constitute a business combination (cont'd)

The net book value of assets and or liabilities transferred to the Health Services Union for no consideration is used to account for a determination by the General Manager under subsection 245(1) of the *Fair Work (Registered Organisations) Act 2009*.

The assets and liabilities are recognised as at the date of transfer.

	Date acquired	Reporting Unit acquired from	Balance acquired \$
Assets			
Cash and cash equivalents	1 July 17	South Australia Branch	419,451
Trade and other receivables	1 July 17	South Australia Branch	12,749
Plant and equipment	1 July 17	South Australia Branch	50,015
Total assets			<u>482,215</u>
Liabilities			
Trade payables	1 July 17	South Australia Branch	15,267
Other payables	1 July 17	South Australia Branch	67,950
Employee provisions	1 July 17	South Australia Branch	134,659
Total liabilities			<u>217,876</u>
Retained earnings	1 July 17	South Australia Branch	264,339

1.6 Revenue

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

Revenue from membership subscriptions is accounted for on an accrual basis and is recorded as revenue in the year to which it relates.

Revenue from capitation fees is accounted for on an accrual basis and is recorded as revenue in the year to which it relates.

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

Donation income is recognised when it is received.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any loss allowance due to expected credit losses at each reporting date. A provision matrix that is based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment has been established. Historically, all HSU branches have paid their capitation/ACTU affiliation fees and the Health Services Union expects this trend to continue and has therefore not recognised any loss allowance.

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

1.7 Government grants

Government grants are not recognised until there is reasonable assurance that the Health Services Union will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Health Services Union recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Health Services Union should purchase, construct otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Health Services Union with no future related costs are recognised in profit or loss in the period in which they become receivable.

1.8 Gains

Sale of assets

Gains and losses from disposal of assets are recognised when control of the asset has passed to the buyer.

1.9 Capitation fees and levies

Capitation fees and levies are recognised on an accrual basis and recorded as a revenue and/or expense in the year to which it relates.

1.10 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and termination benefits when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities for short-term employee benefits (as defined in AASB 119 *Employee Benefits*) and termination benefits which are expected to be settled within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits which are expected to be settled beyond twelve months are measured as the present value of the estimated future cash outflows to be made by the reporting unit in respect of services provided by employees up to reporting date.

Provision is made for separation and redundancy benefit payments. The Health Services Union recognises a provision for termination as part of a broader restructuring when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations. A provision for voluntary termination is recognised when the employee has accepted the offer of termination.

1.11 Leases

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.12 Borrowing costs

All borrowing costs are recognised in profit and loss in the period in which they are incurred.

1.13 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes cash on hand, deposits held at call with bank, other short-term highly liquid investments with original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

1.14 Financial instruments

Financial assets and financial liabilities are recognised when the Health Services Union becomes a party to the contractual provisions of the instrument.

1.15 Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Health Services Union's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Health Services Union initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (**SPPI**) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Health Services Union's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in five categories:

- (Other) financial assets at amortised cost
- (Other) financial assets at fair value through other comprehensive income
- Investments in equity instruments designated at fair value through other comprehensive income
- (Other) financial assets at fair value through profit or loss
- (Other) financial assets designated at fair value through profit or loss

1.15 Financial assets (cont'd)

Financial assets at amortised cost

The Health Services Union measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (**EIR**) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Health Services Union's financial assets at amortised cost include trade receivables.

Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired or
- The Health Services Union has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:
 - a) the Health Services Union has transferred substantially all the risks and rewards of the asset, or
 - b) the Health Services Union has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Health Services Union has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Health Services Union continues to recognise the transferred asset to the extent of its continuing involvement together with associated liability.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment

(i) Trade receivables

For trade receivables that do not have a significant financing component, the Health Services Union applies a simplified approach in calculating expected credit losses (**ECLs**) which requires lifetime expected credit losses to be recognised from initial recognition of the receivables.

1.15 Financial assets (cont'd)

Therefore, the Health Services Union does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL's at each reporting date. The Health Services Union has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Historically, all HSU branches have paid their capitation/ACTU affiliation fees and the Health Services Union expects this trend to continue and has therefore not recognised any loss allowance.

(ii) Debt instruments other than trade receivables

For all debt instruments other than trade receivables and debt instruments not held at fair value through profit or loss, the Health Services Union recognises an allowance for expected credit losses using a general approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Health Services Union expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages:

- Where there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses from possible default events within the next 12-months (a 12-month ECL).
- Where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the debt, irrespective of the timing of the default (a lifetime ECL).

The Health Services Union considers a financial asset in default when contractual payments (other than from a Branch) are 90 days past due. However, in certain cases, the Health Services Union may also consider a financial asset to be in default when internal or external information indicates that the Health Services Union is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

1.16 Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, at amortised cost or at fair value through profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Health Services Union's financial liabilities include trade and other payables.

Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, trade payables and interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

1.16 Financial Liabilities (cont'd)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

1.17 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the relevant notes. They may arise from uncertainty as to the existence of a liability or asset or represent an existing liability or asset in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are disclosed when settlement is greater than remote.

1.18 Land, buildings, plant and equipment

Asset Recognition Threshold

Purchases of land, buildings, plant and equipment are recognised initially at cost in the statement of financial position. The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful life using, in all cases, the straight line method of depreciation. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2019	2018
Plant and equipment	2.5 to 10 years	2.5 to 10 years
Buildings	40 years	40 years

Derecognition

An item of land, buildings, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss.

1.19 Impairment for non-financial assets

All assets are assessed for impairment at the end of each reporting period to the extent that there is an impairment trigger. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Health Services Union were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

1.20 Taxation

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

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

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified within operating cash flows.

1.21 Going concern

The Health Services Union is not reliant on the agreed financial support of another reporting unit to continue on a going concern basis.

The Health Services Union has not agreed to provide financial support to another reporting unit to ensure they can continue on a going concern basis.

Note 2 Events after the reporting period

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

Note 3 Income

Note 3A: Membership subscriptions

	2019	2018
	\$	\$
South Australia Branch	472,058	519,044
Total membership subscriptions	472,058	519,044

Note 3B: Capitation fees and other revenue from another reporting unit

Capitation fees:

New South Wales Branch	741,822	787,233
South Australia Branch	25,128	24,265
Tasmania Branch	154,854	174,008
Victoria No. 1 Branch	284,254	313,265
Victoria No. 2 Branch	168,820	181,482
Victoria No. 3 Branch	92,481	102,458
Victoria No. 4 Branch	49,056	55,173
Western Australia Branch	119,906	135,649
Subtotal capitation fees	1,636,321	1,773,533

Other revenue from another reporting unit:

New South Wales Branch	10,139	12,847
South Australia Branch	2,843	6,668
Tasmania Branch	1,345	5,970
Victoria No. 1 Branch	956	4,709
Victoria No. 2 Branch	3,419	5,414
Victoria No. 3 Branch	3,644	1,474
Victoria No. 4 Branch	950	761
Western Australia Branch	250	8,983
Subtotal other revenue from another reporting unit	23,546	46,826
Total capitation fees and other revenue from another reporting unit	1,659,867	1,820,359

Note 3C: Investment income

Interest	17,919	11,078
Deposits	-	-
Total investment income	17,919	11,078

Note 3D: Other revenue

Affiliation fees	491,203	497,505
Other revenue	20,000	72,445
Total other revenue	511,203	569,950

Health Services Union
Notes of the Financial Statements for the year ended 30 June 2019

Note 3E: Grants or donations

	2019	2018
	\$	\$
Grants	-	25,583
Donations	-	-
Total grants or donations	-	25,583

Note 3F: Net gains from sale of assets

Plant and equipment	150	-
Total net gain from sale of assets	150	-

Note 4 Expenses

Note 4A: Employee expenses

Holders of office:

Wages and salaries	104,219	235,387
Superannuation	9,901	22,372
Leave and other entitlements	10,195	(28,904)
Payroll tax	6,050	15,988
Separation and redundancies	-	98,598
Other employee expenses	-	-
Subtotal employee expenses holders of office	130,365	343,441

Employees other than office holders:

Wages and salaries	674,766	495,290
Superannuation	78,873	49,495
Leave and other entitlements	42,496	11,990
Payroll tax	36,753	27,305
Separation and redundancies	-	-
Other employee expenses	-	-
Subtotal employee expenses employees other than office holders	832,888	584,080
Total employee expenses	963,253	927,521

Note 4B: Capitation fees and other expenses to another reporting unit

Capitation fees

Capitation fees – South Australia Branch	25,128	24,265
Subtotal capitation fees	25,128	24,265

Other expenses to another reporting unit

Subtotal other expenses to another reporting unit	-	-
Total capitation fees and other expenses to another reporting unit	25,128	24,265

Health Services Union
Notes of the Financial Statements for the year ended 30 June 2019

Note 4B: Capitation fees and other expenses to another reporting unit (cont'd)

Capitation fees relate to the capitation fees the National Office has charged the South Australia Branch and these are included in capitation fee revenue at note 3B. Given the South Australia Branch forms part of the National Office Reporting Unit, no capitation fees were paid to another reporting unit.

Note 4C: Affiliation fees

	2019	2018
	\$	\$
ACTU Affiliation fees	501,294	457,278
ALP Affiliation fees	988	1,041
Other Affiliation fees	7,099	5,842
Total affiliation fees/subscriptions	509,381	464,161

Note 4D: Administration expenses

Conference and meeting expenses	33,449	10,331
Staff & visitor amenities	3,479	1,366
Computer expenses	41,073	18,866
Electricity	6,505	4,236
Insurance	25,119	24,355
Campaign expenses	30,459	10,000
Bank fees	5,096	-
Staff training	1,014	1,524
Office expenses	60,250	111,239
Contractors/consultants	39,457	49,110
Car rental	150	222
Recruitment expenses	652	11,872
Distribution of surplus funds	-	636,364
Subtotal administration expenses	246,703	879,485

Operating lease rentals:		
Minimum lease payments	22,381	29,138
Total administration expenses	269,084	908,623

Note 4E: Grants or donations

Grants:		
Total expensed that were \$1,000 or less	-	-
Total expensed that exceeded \$1,000	-	-
Donations:		
Total expensed that were \$1,000 or less	-	484
Total expensed that exceeded \$1,000	-	5,182
Total grants or donations	-	5,666

Health Services Union
Notes of the Financial Statements for the year ended 30 June 2019

Note 4F: Depreciation and amortisation

	2019	2018
	\$	\$
Depreciation		
Plant and equipment	20,331	4,989
Buildings	35,077	36,823
Total depreciation	55,408	41,812

Note 4G: Finance costs

Loans	10,570	21,183
Total finance costs	10,570	21,183

Note 4H: Legal costs

Litigation	9,956	-
Industrial legal	24,569	37,632
Other legal costs	25,092	20,621
Total legal costs	59,617	58,253

Note 4I: Net losses from sale of assets

Plant and equipment	861	-
Total net losses from asset sales	861	-

Note 4J: Write-down and impairment of assets

Asset write-downs and impairments of:		
Plant and equipment	2,354	29,999
Total write-down and impairment of assets	2,354	29,999

Note 4K: Other expenses

Advertising	865	1,711
Fringe benefits tax	17,745	14,081
Workcover	9,760	10,763
Motor vehicle expense	8,450	3,020
Travel and accommodation	235,021	245,289
CPD Implementation expense - decommissioned	-	31,888
Total other expenses	271,841	306,752

Note 5 Current Assets

Note 5A: Cash and cash equivalents

	2019	2018
	\$	\$
Cash at bank	1,625,203	1,091,386
Short term deposits	60,000	60,000
Total cash and cash equivalents	1,685,203	1,151,386

Note 5B: Trade and other receivables

Receivables from other reporting units

	2019	2018
	\$	\$
Tasmania Branch	-	55,958
Victoria No. 1 Branch	99,484	75,601
Victoria No. 2 Branch	60,493	63,028
Victoria No. 3 Branch	-	32,949
Victoria No. 4 Branch	17,578	18,580
Western Australia Branch	42,965	49,891
Total receivables from other reporting units	220,520	296,007
Less allowance for expected credit losses	-	-
Total allowance for expected credit losses	-	-
Receivable from other reporting units (net)	220,520	296,007

Other receivables:

GST receivable	-	30,442
Other	1,922	1,320
Total other receivables	1,922	31,762
Total trade and other receivables (net)	222,442	327,769

Note 5C: Other current assets

	2019	2018
	\$	\$
Prepayments	41,461	46,488
Total other current assets	41,461	46,488

Note 6 Non-current Assets

Note 6A: Plant and equipment

Plant and equipment:		
at cost	138,865	132,655
accumulated depreciation	(58,407)	(66,032)
Total plant and equipment	80,458	66,623

Health Services Union
Notes of the Financial Statements for the year ended 30 June 2019

Note 6B: Buildings

	2019	2018
	\$	\$
Buildings:		
at cost	1,403,070	1,403,070
accumulated depreciation	(77,746)	(42,669)
Total buildings	1,325,324	1,360,401

Reconciliation of opening and closing balances of buildings, plant and equipment

	Plant and Equipment \$	Buildings \$	Total \$
As at 1 July 2018			
Gross book value	132,655	1,403,070	1,535,725
Accumulated depreciation and impairment	(66,032)	(42,669)	(108,701)
Net book value 1 July 2018	66,623	1,360,401	1,427,024
Additions:			
By purchase	43,382	-	43,382
Impairments	(2,354)	-	(2,354)
Depreciation expense	(20,331)	(35,077)	(55,408)
Disposals:			
Other	(6,862)	-	(6,862)
Net book value 30 June 2019	80,458	1,325,324	1,405,782
Net book value as of 30 June 2019 represented by:			
Gross book value	138,865	1,403,070	1,541,935
Accumulated depreciation and impairment	(58,407)	(77,746)	(136,153)
Net book value 30 June 2019	80,458	1,325,324	1,405,782
As at 1 July 2017			
Gross book value	14,238	1,403,070	1,417,308
Accumulated depreciation and impairment	(2,384)	(5,846)	(8,230)
Net book value 1 July 2017	11,854	1,397,224	1,409,078
Additions:			
By purchase	39,742	-	39,742
Acquisition of SA Branch	50,015	-	50,015
Impairments	(29,999)	-	(29,999)
Depreciation expense	(4,989)	(36,823)	(41,812)
Net book value 30 June 2018	66,623	1,360,401	1,427,024
Net book value as of 30 June 2018 represented by:			
Gross book value	132,655	1,403,070	1,535,725
Accumulated depreciation and impairment	(66,032)	(42,669)	(108,701)
Net book value 30 June 2018	66,623	1,360,401	1,427,024

Health Services Union
Notes of the Financial Statements for the year ended 30 June 2019

Note 7 Current Liabilities

Note 7A: Trade payables

	2019	2018
	\$	\$
Trade creditors and accruals	66,554	47,518
Subtotal trade creditors	66,554	47,518

Payables to other reporting units

	2019	2018
	\$	\$
New South Wales Branch	-	13,719
Tasmania Branch	5,499	5,119
Victoria No.1 Branch	6,230	6,550
Victoria No.2 Branch	6,513	5,790
Victoria No.3 Branch	3,160	3,159
Victoria No.4 Branch	-	4,275
Subtotal payables to other reporting units	21,402	38,612
Total trade payables	87,956	86,130

Settlement is usually made within 30 days.

Note 7B: Other payables

Superannuation	7,646	4,719
PAYG Withholding Tax	18,954	16,238
GST payable	51,200	-
Legal costs		
Litigation	-	-
Other legal costs	-	7,000
Unearned revenue	485,656	530,043
Total other payables	563,456	558,000

Total other payables are expected to be settled in:

No more than 12 months	563,456	558,000
Total other payables	563,456	558,000

Health Services Union
Notes of the Financial Statements for the year ended 30 June 2019

Note 7C: Borrowings

	2019	2018
	\$	\$
Loan for purchase of building expected to be settled in:		
No more than 12 months	83,249	77,428
	<u>83,249</u>	<u>77,428</u>

On 12 April 2017, the Health Services Union borrowed \$910,000 to purchase the new office building. The loan bears an interest rate of 5.85%, and has a repayment period of 15 years. From 15 May 2018 the interest rate was increased to 6.10%, and from 12 February 2019 the interest rate was increased to 6.25%. The total remaining amount payable as at 30 June 2019 is \$100,281.

Note 8 Provisions

Note 8A: Employee provisions

	2019	2018
	\$	\$
Office holders:		
Annual leave and ADO	76,870	71,267
Long service leave	94,475	89,884
Subtotal employee provisions—office holders	<u>171,345</u>	<u>161,151</u>
Employees other than office holders:		
Annual leave and ADO	91,161	65,342
Long service leave	55,714	39,035
Subtotal employee provisions—employees other than office holders	<u>146,875</u>	<u>104,377</u>
Total employee provisions	<u>318,220</u>	<u>265,528</u>
Current	308,363	265,528
Non-current	9,857	-
Total employee provisions	<u>318,220</u>	<u>265,528</u>

Note 9 Non-current Liabilities

Note 9A: Borrowings

	2019	2018
	\$	\$
Loan for purchase of building expected to be settled in:		
More than 12 months	17,032	150,987
	<u>17,032</u>	<u>150,987</u>

On 12 April 2017, the Health Services Union borrowed \$910,000 to purchase the new office building. The loan bears an interest rate of 5.85%, and has a repayment period of 15 years. From 15 May 2018 the interest rate was increased to 6.10%, and from 12 February 2019 the interest rate was increased to 6.25%. The total remaining amount payable as at 30 June 2019 is \$100,281.

Health Services Union
Notes of the Financial Statements for the year ended 30 June 2019

Note 10 Cash Flow

Note 10A: Cash flow reconciliation

	2019 \$	2018 \$
Reconciliation of cash and cash equivalents as per balance sheet to cash flow statement:		
Cash and cash equivalents as per:		
Cash flow statement	1,685,203	1,151,386
Balance sheet	1,685,203	1,151,386
Difference	-	-
Reconciliation of surplus to net cash from operating activities:		
Surplus for the year	470,381	125,068
Adjustments for non-cash items		
Depreciation	55,408	41,812
Write-down and impairment of plant and equipment	2,354	29,999
Net losses from sale of plant and equipment	861	-
Gain on disposal of plant and equipment	(150)	-
Changes in assets/liabilities		
Decrease in trade and other receivables	105,327	55,913
Decrease in prepayments	5,027	-
(Decrease)/increase in trade and other payables	7,283	(35,626)
(Decrease)/increase in employee provisions	52,692	(38,986)
Net cash from operating activities	699,183	178,180

Note 10B: Cash flow information

Cash inflows		
New South Wales Branch	1,052,671	1,023,934
South Australia Branch	-	34,671
Tasmania Branch	271,348	245,491
Victoria No. 1 Branch	379,518	380,229
Victoria No. 2 Branch	242,487	245,941
Victoria No. 3 Branch	165,238	109,527
Victoria No. 4 Branch	69,794	74,099
Western Australia Branch	172,506	182,741
Total cash inflows	2,353,562	2,296,633

Health Services Union
Notes of the Financial Statements for the year ended 30 June 2019

Note 10B: Cash flow information (Cont.)

Cash outflows	2019	2018
	\$	\$
Australian Nursing & Midwifery Federation	-	1,573
New South Wales Branch	52,063	382,009
Tasmania Branch	27,135	93,918
Victoria No.1 Branch	6,550	81,038
Victoria No. 2 Branch	41,468	99,899
Victoria No. 3 Branch	5,989	43,714
Victoria No. 4 Branch	7,704	21,775
Western Australia Branch	10,953	64,461
Total cash outflows	151,862	788,387

Note 11 Contingent Liabilities, Assets and Commitments

Note 11A: Commitments and contingencies

Operating lease commitments—as lessee

Future minimum rentals payable under non-cancellable operating leases as at 30 June are:

	2019	2018
	\$	\$
Within one year	6,274	20,272
After one year but not more than five years	18,630	1,437
More than five years	-	-
	24,904	21,709

Non-cancellable operating leases relate to a photocopier lease (remaining term as at 30 June 2019 is 57 months) and an office lease (remaining term as at 30 June 2019 is 1 month). The office lease is currently under review and is expected to be renewed for 12 months only.

Capital commitments

At 30 June 2019 the Health Services Union has commitments of \$27,500 (2018: NIL) principally relating to an office fit-out.

Note 12 Related Party Disclosures

Note 12A: Related party transactions for the reporting period

The following table provides the total amount of transactions that have been entered into with related parties for the relevant year. Please also refer to notes 3B, 4B, 5B, 7A, and 10B where transactions and balances with Branches have been disclosed.

Health Services Union

Notes of the Financial Statements for the year ended 30 June 2019

Note 12A: Related party transactions for the reporting period (cont'd)

Date	Name	Nature of relationship	Purpose of payment	Amount	Other relevant details
1/7/2018 – 30/6/2019	Juanita Navas- Nguyen	Daughter (SA/NT) Branch Secretary	Wages – Casual Bookkeeper Superannuation	\$ 20,818 \$ 1,978	Employed by National Union to work in the SA/NT Branch

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances for sales and purchases at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2019, the Health Services Union has not recorded any impairment of receivables relating to amounts owed by related parties and declared person or body (2018: \$Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Note 12B: Key management personnel remuneration for the reporting period

	2019	2018
	\$	\$
Short-term employee benefits		
Salary (including annual leave taken)	104,219	223,839
Annual leave accrued	76,870	71,267
Performance bonus	-	-
Total short-term employee benefits	181,089	295,106
Post-employment benefits:		
Superannuation	9,901	21,221
Total post-employment benefits	9,901	21,221
Other long-term benefits:		
Long-service leave	94,476	89,884
Total other long-term benefits	94,476	89,884
Termination benefits	-	98,598
Total key management personnel remuneration	285,466	504,809

Note 13 Remuneration of Auditors

Value of the services provided

Financial statement audit services	22,000	19,500
Preparation of the financial statements	-	3,500
Other services	1,319	9,711
Total remuneration of auditors	23,319	32,711

Other services provided by the auditors of the financial statements relate to auditing the South Australia Branch Electoral Commission SA Associated Entity returns.

Note 14 Financial Instruments

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to financial loss to the organisation.

Credit risk is managed through maintaining procedures (such as the utilisation of systems for approval, granting and removal of credit limits, regular monitoring of exposure against such limits and monitoring of the financial stability of significant customers and counterparties) ensuring, to the extent possible, that members and counterparties to transactions are of sound credit worthiness.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets (net any provisions) as presented in the statement of financial position.

There is no collateral held by the organisation securing amounts receivable and other debtors.

The Health Services Union has no significant concentrations of credit risk with any single counterparty or group of counterparties.

Liquidity risk

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

- Only investing surplus cash with major financial institutions
- Proactively monitoring the recovery of accounts receivable

Note 14A: Categories of Financial Instruments

Financial assets

	2019	2018
	\$	\$
At amortised cost:		
Trade and other receivables	222,442	327,769
Total	222,442	327,769

Carrying amount of financial assets

222,442	327,769
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Financial liabilities

Borrowings	100,281	228,415
Trade and other payables	651,412	644,130
Total	751,693	872,545

Carrying amount of financial liabilities

751,693	872,545
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Health Services Union
Notes of the Financial Statements for the year ended 30 June 2019

Note 14B: Net income and expense from financial liabilities

	2019	2018
	\$	\$
At amortised cost:		
Interest expense	10,570	21,183
Exchange gains/(loss)	-	-
Gain/loss on disposal	-	-
Net gain/(loss) financial liabilities – at amortised cost	10,570	21,183
Net gain/(loss) from financial liabilities	10,570	21,183

Note 14C: Financial assets and liabilities

Management of the reporting unit assessed that cash and cash equivalents, trade and other receivables, borrowings and trade and other payables approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair value of financial assets and liabilities is included at the amount which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate fair values:

- Fair values of the reporting unit's interest-bearing borrowings and loans are determined by using a discounted cash flow method. The discount rate used reflects the issuer's borrowing rate as at the end of the reporting period. The own performance risk as at 30 June 2019 was assessed to be insignificant.
- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Health Services Union based on parameters such as interest rates and individual credit worthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 30 June 2019 the carrying amounts of such receivables, net of allowances, were not materially different from their calculated values.

The following table contains the carrying amounts and related fair values for the Health Services Union's financial assets and liabilities:

	Carrying Amount 2019	Fair Value 2019	Carrying amount 2018	Fair Value 2018
	\$	\$	\$	\$
Financial Assets				
Trade and other receivables	222,442	222,442	327,769	327,769
Total	222,442	222,442	327,769	327,769
Financial Liabilities				
Borrowings	100,281	100,281	228,415	228,415
Trade and other payables	651,412	651,412	644,130	644,130
Total	751,693	751,693	872,545	872,545

Health Services Union
Notes of the Financial Statements for the year ended 30 June 2019

Note 14D: Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The reporting unit's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the balance sheet.

The following table illustrates the entity's gross exposure to credit risk, excluding any collateral or credit enhancements.

	2019	2018
	\$	\$
Financial assets		
Trade and other receivables	222,442	327,769
Total	<u>222,442</u>	<u>327,769</u>
Financial liabilities		
Borrowings	100,281	228,415
Trade and other payables	651,412	644,130
Total	<u>751,693</u>	<u>872,545</u>

Currently the Health Services Union does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

Set out below is the information about the credit risk exposure on financial assets using a provision matrix. The expected credit loss rate will be applied to trade and other receivables (other than a receivable from a Branch). This has not been applied in the current or previous financial year as all material trade and other receivables are from Branches.

30 June 2019	Trade and other receivables					Total
	Current	<30 days	30-60 days	61-90 days	>91 days	
	\$	\$	\$	\$	\$	\$
Expected credit loss rate	0%	0%	2%	2%	2%	
Estimate total gross carrying amount at default			-	-	-	-
Expected credit loss			-	-	-	-

Health Services Union
Notes of the Financial Statements for the year ended 30 June 2019

Note 14D: Credit risk (cont'd)

30 June 2018	Trade and other receivables					Total
	Days past due					
	Current	<30 days	30-60 days	61-90 days	>91 days	
\$	\$	\$	\$	\$	\$	
Expected credit loss rate	0%	0%	2%	2%	2%	
Estimate total gross carrying amount at default			-	-	-	-
Expected credit loss			-	-	-	-

The Health Services Union's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2019 and 2018 is the carrying amounts as illustrated in Note 14C.

Note 14E: Liquidity risk

Liquidity risk arises when the Health Services Union is unable to meet its financial obligations as they fall due. The Health Services Union operates under a policy of settling financial obligations within 30 days and in the event of a dispute, makes payments within 30 days of the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding cash and cash equivalents. The reporting unit's exposure to liquidity risk is deemed insignificant based on prior periods data and current assessment of risk. Maximum exposure to liquidity risk is the carrying amounts of financial liabilities.

Contractual maturities for financial liabilities 2019

	On Demand	< 1 year	1- 2 years	2- 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade payables	-	651,412	-	-	-	651,412
Borrowings	-	83,249	17,032	-	-	100,281
Total	-	734,661	17,032	-	-	751,693

Contractual maturities for financial liabilities 2018

	On Demand	< 1 year	1- 2 years	2- 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade payables	-	644,130	-	-	-	644,130
Borrowings	-	77,428	82,317	68,670	-	228,415
Total	-	721,558	82,317	68,670	-	872,545

Note 14F: Market Risk

The Health Services Union does not have any material exposure to market risk.

Health Services Union
Notes of the Financial Statements for the year ended 30 June 2019

Note 14G: Changes in liabilities arising from financing activities

	1 July 2018	Cash flows	Reclassified as part of disposal group	Foreign exchange movement	Changes in fair values	New Leases / Borrowings	Other	30 June 2019
	\$	\$	\$	\$	\$	\$	\$	\$
Current interest-bearing Borrowings	77,428	(77,428)	-	-	-	-	83,249	83,249
Non-current interest-bearing Borrowings	150,987	(50,706)	-	-	-	-	(83,249)	17,032
Total liabilities from financing activities	228,415	(128,134)	-	-	-	-	-	100,281
	1 July 2017	Cash flows	Reclassified as part of disposal group	Foreign exchange movement	Changes in fair values	New Leases / Borrowings	Other	30 June 2018
	\$	\$	\$	\$	\$	\$	\$	\$
Current interest-bearing borrowings	72,421	(72,421)	-	-	-	-	77,428	77,428
Non-current interest-bearing borrowings	231,225	(2,810)	-	-	-	-	(77,428)	150,987
Total liabilities from financing activities	303,646	(75,231)	-	-	-	-	-	228,415

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings. The Health Services Union classifies interest paid as cash flows from operating activities.

Note 15 Section 272 Fair Work (Registered Organisations) Act 2009

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

Information to be provided to members or Commissioner:

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

Officer declaration statement

I, Lloyd Williams, being the National Secretary of the Health Services Union, declare that the following activities did not occur during the reporting period ending 30 June 2019.

The reporting unit did not:

- acquire an asset or liability due to an amalgamation under Part 2 of Chapter 3 of the RO Act, a restructure of the branches of an organisation, a determination or revocation by the General Manager, Fair Work Commission
- receive revenue via compulsory levies
- receive revenue from undertaking recovery of wages activity
- incur fees as consideration for employers making payroll deductions of membership subscriptions
- pay compulsory levies
- pay to a person fees or allowances to attend conferences or meetings as a representative of the reporting unit
- pay a penalty imposed under the RO Act or the Fair Work Act 2009
- have a payable to an employer for that employer making payroll deductions of membership subscriptions
- have a separation and redundancy provision in respect of holders of office
- have other employee provisions in respect of holders of office
- have a separation and redundancy provision in respect of employees (other than holders of office)
- have other employee provisions in respect of employees (other than holders of office)
- have a fund or account for compulsory levies, voluntary contributions or required by the rules of the organisation or branch
- transfer to or withdraw from a fund (other than the general fund), account, asset or controlled entity
- have a balance within the general fund
- have another entity administer the financial affairs of the reporting unit
- make a payment to a former related party of the reporting unit

Signature of designated officer:

Name and title of designated officer:



Lloyd Williams

National Secretary

Date: 21 AUGUST 2019