

14 October 2020

Daley Audit
98 Kembla St
WOLLONGONG NSW 2500OR
ATTN: Michael Mundt



Letter of Representation

Dear Sir,

This representation letter is provided in connection with your examination of the financial report of the Police Federation of Australia - Australian Federal Police Association Branch ("the Branch") for the period ended 30 June 2020, for the purpose of you expressing an opinion as to whether the financial report is, in all material respects, presented fairly in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the *Fair Work (Registered Organisations) Act 2009*.

Certain representations in this letter are described as being limited to matters that are material. We submit the following representations on behalf of the Branch, after making appropriate enquiries and according to the best of our knowledge and belief:

General

1. We acknowledge our responsibility for the fair presentation of the financial report in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia, the *Fair Work (Registered Organisations) Act 2009* and the appropriate disclosures of all information required by statute.
2. In selecting the appropriate Australian Accounting Standards, policies and disclosures for preparation of the financial report we have considered the substance of the underlying transactions as well as their form. All material and or contentious issues which management or the members of the Committee of Management have discussed in the course of preparing the annual financial report and the resolution of such issues have been discussed with you.
3. We have made available to you:
 - (a) all financial records and related data, other information, explanations and assistance necessary for the conduct of the audit; and
 - (b) minutes of all meetings of the Committee of Management.

4. All matters arising from Committee of Management meetings which impact on the financial report have been adequately disclosed therein.
5. Except as disclosed to you, there have been no:
 - frauds or suspected frauds known to management that may have affected any entity in the economic entity; involving:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial report;
 - allegations of fraud, or suspected fraud, affecting the Branch's financial report communicated by employees, former employees, analysts, regulators or others;
 - violations or possible violations of laws or regulations, that could have a material effect on the annual financial report;
 - communications from regulatory authorities concerning non-compliance with, or deficiencies in, financial reporting practices.
6. We acknowledge our responsibility for the design, implementation and operation of accounting and internal control systems that are designed to prevent and detect fraud and error. We have established and maintained an adequate internal control structure to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. There are no material transactions that have not been properly recorded in the accounting records underlying the financial report.
7. We understand that the term "fraud" includes misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Misstatements resulting from fraudulently financial reporting involve intentional misstatements or omissions of amounts or disclosures in financial reports to deceive financial report users. Misstatements resulting from misappropriations of assets involve the theft of an entity's assets, often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.
8. There have been no changes in accounting policies or application of those policies that would have a material effect on the financial report, except as disclosed in the financial report.

Assets and liabilities

9. The Branch has satisfactory title to all assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, other than as reflected in the financial report. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.
10. There are no agreements to repurchase assets previously recorded in the accounting records as sold.
11. The Branch has reviewed the adequacy of its insurance cover on all of its assets and insurable risks, and it is considered that all assets and insurable risks are adequately covered by insurance.

12. Presentation and disclosure of the fair value measurements of material assets, liabilities and components of equity are in accordance with Accounting Standards in Australia. The amounts disclosed represent our best estimate of fair value of assets and liabilities required to be disclosed by these standards, with measurement methods and assumptions used in determining fair value being applied on a consistent basis, and are reasonable.
13. Inventory has been recorded at the lower of cost or net realisable value. There are no obsolete, damaged, unusable, or unsaleable items included in inventories, except at saleable or net realisable values.
14. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
15. The employee benefit provisions recorded in the financial statements as at the balance date represents the full liability presently payable as a consequence of all employees' past services rendered to the Branch - including allowance for all casual employees. All deductions and accruals of leave entitlements have been properly captured. Consequently the financial statements show a true and fair position of these related liabilities at balance date.
16. Adequate provision has been made for losses which may be incurred in connection with the collection of accounts receivable and non-trade receivables.
17. The carrying amounts of all non-current assets have been reviewed to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have been discounted to their present value.
18. All liabilities have been included in the annual financial report.
19. The Branch has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of non-compliance.
20. There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.
21. There were no material contingent liabilities, including those arising from environmental matters, guarantees and letters of comfort of legal effect, at year-end which are not disclosed in the annual financial report.

Other

22. The following have been correctly recorded in the accounting records and disclosed in the financial report:
- (a) related party transactions and balances, either where required by Law, applicable Accounting Standard or where such disclosure is necessary for the true and fair presentation of the financial report;
 - (b) arrangements involving restrictions on cash balances;
 - (c) unasserted claims or assessments that our lawyer has advised us are probable of assertion;
 - (d) losses arising from the fulfilment of, or an inability to fulfil, any sale commitments or as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.
23. Records maintained during the period were in accordance with the Australian Tax Office requirements and any other relevant legislative requirements.
24. There have been no changes to, or introduction of new, information systems or incidents which occurred during the year which could adversely impact the completeness and accuracy of the information systems and underlying data.
25. There are no off-balance sheet activities, which have not been properly recorded and where appropriate, adequately disclosed in the financial report.
26. There were no open put or call options related to assets or liabilities which could, if exercised, have a material effect on the carrying amount of assets and liabilities and the profit and loss result for the period.
27. Other than the matters disclosed in the financial report, no events have occurred subsequent to year end which would require adjustment to or disclosure in the annual financial report.
28. We have no plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.

Publication on website

29. With respect to the publication of the financial report on our web site, we acknowledge:
- a) we are responsible for the electronic presentation of the financial report;
 - b) we will ensure that the electronic version of the audited financial report and the audit report on the web site will be the same as the final signed hard copy version;
 - c) we will clearly differentiate audited and unaudited information on the web site and that the absence of appropriate controls to address this issue increases the risk of potential misrepresentation to users;

- d) we have assessed the controls over the security and integrity of the data on the web site and that adequate procedures are in place to ensure the integrity of the information published; and
- e) we will not present the audit report on the full financial report with extracts only of the full financial report.

Specific Representations – rolled forward from previous year

30. We confirm that the Branch does not control AUSPOL Police Welfare Foundation (AUSPOL), or its corporate Trustee. While the Board/Committee of Management of AUSPOL may be members of the Branch's Committee of Management, the Branch does not have the power to direct the relevant activities of AUSPOL.
31. The following assumptions forming the basis of the annual leave and long service leave calculations are appropriate:

	<u>Annual Leave</u>	<u>LSL</u>
<i>Leave Taken:</i>		
- within 12 months of balance / entitlement date	60%	4%
- 1-2 years	10%	4%
- 2-3 years	7%	4%
- On termination	10%	70%
- Remainder (3-10 years)	13%	18%
<i>Annual Wage Rate Increases</i>	3%	3%

The probability factors that employees with the following years of service attain sufficient service periods that result in long service leave becoming payable:

<i>Years of Service</i>	<i>Probability Factor</i>
0-1	10%
1-2	20%
2-3	30%
3-4	40%
4-5	60%
5-6	80%
6-7	90%

7-8	100%
8-9	100%
9-10	100%
10+	100%

32. We confirm that there are no claims made up to the date of the signing of the financial report for insurable benefits payable under the member Life and Trauma insurance policy, which have an event date prior to 1 July 2020, and which have not already been included in the calculation of the insurance Premium Experience Rebate receivable as at 30 June 2020.
33. Furthermore, there are no other known insurance claims that have been made subsequent to 1 July 2020 which had an event date prior to 1 July 2020, which would impact upon the insurance Premium Experience Rebate receivable as at 30 June 2020.
34. We have advised you of all reports, findings and penalties raised by any of the Branch's regulators that we are aware of, which would require further disclosure in the financial report.
35. We confirm that the Branch has formally recognised the previous employment of Vince Kelly for the purposes of their continuity of service, and accordingly, their LSL entitlements (being current liabilities) have been accrued from their first day of service with the Branch.
36. We have carefully reviewed and considered the implications of all adjustments proposed by your firm, arising from the conduct of your audit work, which changed the result for the year from a surplus of \$90,557 to a surplus of \$77,179. Those entries that we have processed through our general ledger for incorporation into the financial report, have been verified and approved by us for adjustment. There were the following unadjusted journals:

Number	Date	Name	Account No	Reference Annotation	Debit	Credit
2	30/06/2020	12700 Trade and other Receivables Other Rec	12700	C 101	200,000.00	
2	30/06/2020	21200 Trade Payables Trade Creditors and Acc	21200	C 101		200,000.00
2	30/06/2020	62405 Insurance: Insurance - Members	62405	C 101		200,000.00
2	30/06/2020	62405 Insurance: Insurance - Members	62405	C 101	200,000.00	
Accrual for benefit paid in 2021 (No P&L impact)						
					400,000.00	400,000.00

Specific Representations – new in the current year

37. We confirm that the following assumptions have been made in recognising the right of use assets and lease liabilities in accordance with AASB 16 - Leases:
- The right-of-use asset is measured using the cost model where the cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated costs of removal and restoration less any incentives received;

- b. We confirm that there are no “make-good provisions” that are required in the lease agreements and hence none have been included in the calculations of capitalised leases as “right-of-use” assets. Specifically, we confirm that there is no provision for make-good required under the terms of the lease agreement in relation to the Blackall Street premises, with there being no structural changes or damage since the time of the Union's occupation of the site;
 - c. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy of the Company;
 - d. The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the Company's incremental borrowing rate;
 - e. Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.
38. We confirm that based upon the best available information on hand at the date of signing this letter, the impact of the COVID-19 pandemic is appropriately reported in the financial statements, which is limited to the disclosure at Note 23 – *Events after the end of the Reporting Period*.

We understand that your examination was made in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the financial report of the Branch taken as a whole, and that your tests of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

Yours faithfully,


.....
Vince Kelly
General Manager


.....
Alex Caruana
President

Dated: 14 October 2020

Police Federation of Australia - Australian Federal Police Association Branch

ABN 95 799 543 741

Financial Statements

For the Year Ended 30 June 2020

Police Federation of Australia - Australian Federal Police Association Branch

ABN 95 799 543 741

Financial Statements

For the Year Ended 30 June 2020

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Police Federation of Australia - Australian Federal Police Association Branch

ABN 95 799 543 741

Operating Report

For the year ended 30 June 2020

The Executive, being the Committee of Management for the purposes of the *Fair Work (Registered Organisations) Act 2009* ("RO Act"), presents its operating report of the Police Federation of Australia - Australian Federal Police Association Branch ("the Branch") for the financial year ended 30 June 2020.

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

The names of the Executive in office at any time during the financial year were:

Name	Title	Term
Angela Smith	President	1 July 2019 to 30 June 2020
Alex Caruana	Vice President	14 November 2019 to 30 June 2020
Adrian Smith	Secretary/Treasurer	1 July 2019 to 30 June 2020
Rod Higgins	National Executive Member	1 July 2019 to 30 June 2020
Scott Henderson	National Executive Member	1 July 2019 to 30 June 2020
Kane Johnson	National Executive Member	1 July 2019 to 30 June 2020
Vince Pannell	National Executive Member	1 July 2019 to 30 June 2020
Clare Fitzpatrick	National Executive Member	1 July 2019 to 30 June 2020
Troy Gordon	National Executive Member	14 November 2019 to 30 June 2020
Alex Caruana	National Executive Member	1 July 2019 to 14 November 2019

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

The principal activities of the Branch during the financial year were to promote and enhance the interests of our members and their profession; promote the interests and effective delivery of the Federal and ACT law enforcement; protect our members from any malicious, capricious or malevolent behaviour directed against them within the context of their professional role and provide professional services.

The Branch's principal activities results in maintaining and improving our members' professional interests, protection and services.

There were no significant changes in the nature of the Branch's principal activities occurred during the year.

Review of operations and results of activities

A review of the operations and the results of the Branch is performed at regular meetings of the Executive. The Executive believe that they have furthered the interests of their members throughout the year through the conduct of the Branch's principal activities.

Police Federation of Australia - Australian Federal Police Association Branch

ABN 95 799 543 741

Operating Report

For the year ended 30 June 2020

Results of activities

The surplus for the Branch for the year ended 30 June 2020 was \$77,179 (2019: \$256,482) and the Executive believe that the activities of the Branch have achieved their objectives for the financial year.

Significant changes in financial affairs

There were no significant changes in the nature of activities or the state of the affairs of the Branch during the year.

Right of members to resign

Members retain the right to resign from the Australian Federal Police Association Branch in accordance with *section 10 of the Federal Rules* and Section 174 of the RO Act. In accordance with Section 174(1) of the RO Act 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.

Number of members

The number of members of the Branch at the end of the financial year was 4,019 (2019: 3,887).

Number of employees

The total number of full time equivalent employees as at 30 June 2020 was 13 (30 June 2019: 12).

Police Federation of Australia - Australian Federal Police Association Branch

ABN 95 799 543 741

Operating Report

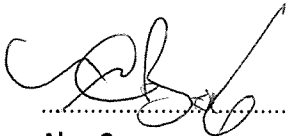
For the year ended 30 June 2020

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

No officer or member of the Branch acts:

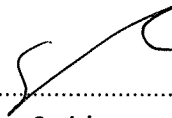
- i) as a trustee of a superannuation entity or an exempt public sector superannuation scheme; or
- ii) as a director of a company that is a trustee of a superannuation entity or an exempt public sector superannuation scheme.

Signed in accordance with a resolution of the Executive:



Alex Caruana

President



Adrian Smith

Secretary/Treasurer

Dated: 14 October 2020

Police Federation of Australia - Australian Federal Police Association Branch

ABN 95 799 543 741

Committee of Management Statement

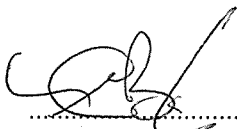
For the year ended 30 June 2020

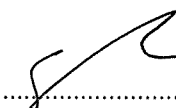
On the 14 October 2020 the Executive of the Police Federation of Australia - Australian Federal Police Association Branch ("the Branch"), passed the following resolution in relation to the General Purpose Financial Report ("GPFR") of the Branch for the year ended 30 June 2020:

The 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 requirement imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the Fair Work (Registered Organisations) Act 2009 (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 Branch 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; and
- (e) during the financial year to which the GPFR relates and since the end of that year:
 - i) meetings of the Executive were held in accordance with the rules of the organisation and the rules of the Branch concerned;
 - ii) the financial affairs of the Branch have been managed in accordance with the rules of the organisation and the rules of the Branch;
 - iii) the financial records of the Branch have been kept and maintained in accordance with the RO Act;
 - iv) where the organisation consists of two or more reporting units, the financial records of the Branch have been kept, as far as practicable, in a consistent manner with each of the other reporting units of the organisation;
 - v) where information has been sought in any request by a member of the Branch or Commissioner duly made under section 272 of the RO Act, that information has been provided to the member or Commissioner; and
 - vi) where any order for inspection of financial records has been made by the Fair Work Commission under section 273 of the RO Act, there has been compliance.

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


.....
Alex Caruana
President


.....
Adrian Smith
Secretary/Treasurer

Dated: 14 October 2020

Police Federation of Australia - Australian Federal Police Association Branch

ABN 95 799 543 741

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
Revenue	3	4,596,882	4,542,293
Other income	3	244,148	338,520
		<u>4,841,030</u>	<u>4,880,813</u>
Accounting and audit fees		(105,531)	(104,631)
Capitation fees	20	(73,414)	(71,574)
Communications expense		(152,281)	(162,630)
Conference and meeting expenses		(14,519)	(52,558)
Consultant expense		(47,845)	(172,334)
Depreciation and amortisation expense		(227,194)	(35,573)
Employee benefits expense	4	(1,749,731)	(1,680,978)
Finance expenses		(121,947)	-
Insurance expense - members		(1,266,436)	(1,172,958)
Insurance expense - association		(80,889)	(85,961)
Legal fees	4	(280,967)	(404,262)
Loss on movement in fair value on investments		(285,836)	-
Net gain/(loss) on disposal of property, plant and equipment		(5,659)	(6,189)
Property expenses		(12,153)	(226,355)
Travel expenses		(59,247)	(107,225)
Other expenses		<u>(280,202)</u>	<u>(341,103)</u>
		<u>(4,763,851)</u>	<u>(4,624,331)</u>
Result for the year		<u>77,179</u>	<u>256,482</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>77,179</u>	<u>256,482</u>

The accompanying notes form part of these financial statements.

Police Federation of Australia - Australian Federal Police Association Branch

ABN 95 799 543 741

Statement of Financial Position

As at 30 June 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	1,123,854	1,033,375
Trade and other receivables	6	109,445	256,248
Inventories		28,226	45,118
Other financial assets	7	3,711,823	3,592,213
Other assets	8	36,759	92,469
TOTAL CURRENT ASSETS		5,010,107	5,019,423
NON-CURRENT ASSETS			
Property, plant and equipment	10	26,030	40,864
Intangible assets	11	50,912	64,512
Right-of-use assets	9	1,646,349	-
TOTAL NON-CURRENT ASSETS		1,723,291	105,376
TOTAL ASSETS		6,733,398	5,124,799
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	408,919	632,930
Lease liabilities	9	122,574	-
Employee benefits	13	124,919	99,683
TOTAL CURRENT LIABILITIES		656,412	732,613
NON-CURRENT LIABILITIES			
Lease liabilities	9	1,608,243	-
Employee benefits	13	9,251	9,873
TOTAL NON-CURRENT LIABILITIES		1,617,494	9,873
TOTAL LIABILITIES		2,273,906	742,486
NET ASSETS		4,459,492	4,382,313
EQUITY			
Retained earnings		4,459,492	4,382,313

The accompanying notes form part of these financial statements.

Police Federation of Australia - Australian Federal Police Association Branch

ABN 95 799 543 741

Statement of Changes in Equity

For the Year Ended 30 June 2020

	2020	2019
	\$	\$
Retained Earnings		
Opening balance	4,382,313	4,125,831
Result for the year	77,179	256,482
Closing balance	<u>4,459,492</u>	<u>4,382,313</u>

The accompanying notes form part of these financial statements.

Police Federation of Australia - Australian Federal Police Association Branch

ABN 95 799 543 741

Statement of Cash Flows

For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from members		5,500,333	5,123,234
Payments to suppliers and employees		(4,910,984)	(4,359,601)
Interest received		144,480	108,130
Finance costs		(121,947)	-
Net cash provided by operating activities	21	611,882	871,763
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(6,567)	(6,494)
Purchase of intangible assets		-	(17,000)
Net payments for investments		(405,446)	(1,401,149)
Net cash used by investing activities		(412,013)	(1,424,643)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net repayment of lease liabilities		(109,390)	-
Net cash used by financing activities		(109,390)	-
Net increase/(decrease) in cash and cash equivalents held		90,479	(552,880)
Cash and cash equivalents at beginning of year		1,033,375	1,586,255
Cash and cash equivalents at end of financial year	5	1,123,854	1,033,375

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies

(a) Basis of preparation

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

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

(b) Comparative amounts

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

(c) Revenue and other income

Accounting policy applied from 1 July 2019

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Branch expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer;
2. Identify the performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations; and
5. Recognise revenue as and when control of the performance obligations is transferred.

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(c) Revenue and other income (continued)

None of the revenue streams of the Branch have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

The revenue recognition policies for the principal revenue streams of the Branch are:

Membership subscriptions

Membership services requires the annual subscription payment to be made upfront. A contract liability is recognised on receipt of the payment and recognised on a straight-line basis as revenue as the services are provided.

Sale of goods

Revenue is recognised at the point the customer purchases the goods. Payment of the transaction price is due immediately at the time of purchase.

Government COVID-19 stimulus income

Cash flow boost income is recognised as income in the period when the Branch's right to receive payment is established.

Investment revenue

Dividends are recognised when the Branch's right to receive payment is established.

Distributions from managed funds are recognised as income when declared and are then reinvested or received as cash distributions.

Interest revenue

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

Accounting policy applied prior to 1 July 2019

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(c) Revenue and other income (continued)

Accounting policy applied prior to 1 July 2019 (continued)

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

Membership subscriptions

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

Sale of goods

Revenue from the sale of goods is recognised when, the risks and rewards of ownership have been transferred to the buyer, the Branch 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 Branch.

(d) Capitation fees and levies

Capitation fees and levies are recognised on an accruals basis and recorded as an expense in the year to which it relates.

(e) Goods and services tax (GST)

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

Receivables and payables are stated inclusive of GST.

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(f) Income Tax

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

(g) Cash and cash equivalents

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

(h) Financial instruments

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

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

Financial assets

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

Classification

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(h) Financial instruments (continued)

Financial assets (continued)

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

Amortised cost

Assets measured at amortised cost are financial assets where:

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

The Branch's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and other financial assets in the statement of financial position.

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

Interest income and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

Impairment of financial assets

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(h) Financial instruments (continued)

Financial assets (continued)

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

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

- the other party is unlikely to pay its credit obligations to the Branch in full, without recourse to the Branch to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due, without extenuating circumstances attached to a specific debtor.

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

Trade receivables

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

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

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

Other financial assets measured at amortised cost

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(h) Financial instruments (continued)

Financial liabilities

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

The financial liabilities of the Branch comprise trade and other payables.

(i) Impairment of 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 Branch were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

(j) Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful life. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful life of the Branch's intangible assets are:

Intangible asset class	Amortisation rate
Website costs	20%

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(j) Intangible assets (continued)

Derecognition

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit and loss when the asset is derecognised.

(k) Leases

Accounting policy applied from 1 July 2019

At inception of a contract, the Branch assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Branch has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Branch has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(k) Leases (continued)

Right-of-use asset

At the lease commencement, the Branch recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Branch believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

Lease liability

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Branch's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Branch's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Accounting policy applied prior to 1 July 2019

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(l) Property, plant and equipment

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

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

Depreciation

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

Depreciation Rates

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

Fixed asset class	Depreciation rate
Furniture, fixtures and fittings	3 - 50%
Motor vehicles	20%
Computer equipment	20 - 66.67%

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

(m) Employee benefits

Short-term obligations

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(m) Employee benefits (continued)

Other long term employee benefit obligations

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

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

(n) Fair value measurement

The Branch measures financial instruments, such as, financial assets as at fair value through the profit and loss, at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortised costs are disclosed in note 15.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Branch. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Summary of Significant Accounting Policies (continued)

(n) Fair value measurement (continued)

The Branch uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Branch determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Branch has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

(o) Change in accounting policy

The Branch changed its accounting policy relating to AASB 15 *Revenue from contracts with customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*.

The aggregate effect of the change in accounting policy on the annual financial statements for the year ended 30 June 2020 is shown at note 22.

(p) New Accounting Standards and Interpretations

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Significant Accounting Estimates and Judgments

The Executive make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

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

The significant estimates and judgements made have been described below:

Key estimates - impairment of property, plant and equipment

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

Key estimates - useful lives of depreciable assets

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

Key estimates - employee entitlements

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

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Notes to the Financial Statements

For the Year Ended 30 June 2020

3 Revenue and Other Income

	2020	2019
	\$	\$
<i>Revenue from contracts with customers</i>		
Membership subscriptions	4,481,408	4,435,003
Sponsorship income	115,474	107,290
	<u>4,596,882</u>	<u>4,542,293</u>
<i>Other income</i>		
Investment income	175,747	108,130
Government subsidies	50,000	-
Other income	18,401	25,538
Gains on movement in fair value on investments	-	204,852
	<u>244,148</u>	<u>338,520</u>
	<u><u>4,841,030</u></u>	<u><u>4,880,813</u></u>

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers has been disaggregated, the following table shows this breakdown:

	2020
	\$
Timing of revenue recognition	
- At a point in time	4,481,408
- Over time	<u>115,474</u>
Revenue from contracts with customers	<u><u>4,596,882</u></u>

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Notes to the Financial Statements

For the Year Ended 30 June 2020

4 Result for the year

	2020	2019
	\$	\$
Employee expenses		
<i>Office holders</i>		
Wages and salaries	332,750	348,559
Superannuation	40,511	38,427
Leave and other entitlements	16,982	(12,109)
Other employee expenses	10,871	21,126
	<u>401,114</u>	<u>396,003</u>
<i>Employees other than office holders</i>		
Wages and salaries	1,169,205	1,131,632
Superannuation	157,011	145,940
Leave and other entitlements	7,632	8,322
Other employee expenses	14,769	(919)
	<u>1,348,617</u>	<u>1,284,975</u>
Total employee benefits expense	<u>1,749,731</u>	<u>1,680,978</u>
Other expenses		
Cost of sales	34,145	18,639
Rental expense on operating leases - minimum lease payments	-	214,802
Conference and meeting expenses	14,519	52,558
Grants or donations		
Donations - total paid that were \$1,000 or less	-	500
Litigation costs		
Legal costs - litigation	267,335	229,100
Legal costs - other matters	13,632	175,162
	<u>280,967</u>	<u>404,262</u>

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Notes to the Financial Statements

For the Year Ended 30 June 2020

5 Cash and Cash Equivalents

	2020	2019
	\$	\$
Cash at bank and on hand	<u>1,123,854</u>	<u>1,033,375</u>

6 Trade and Other Receivables

Trade receivables from contracts with customers	8,278	7,278
Provision for impairment	(a) -	-
	<u>8,278</u>	<u>7,278</u>
Other receivables	101,167	72,970
Insurance rebate receivable	-	176,000
	<u>109,445</u>	<u>256,248</u>

(a) Impairment of receivable

The Branch applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2020 is determined as follows, the expected credit losses incorporate forward looking information.

	Current	< 30 days overdue	< 60 days overdue	> 90 days overdue	Total
30 June 2020					
Expected loss rate (%)	-	-	-	-	-
Gross carrying amount (\$)	<u>1,145</u>	<u>-</u>	<u>-</u>	<u>7,133</u>	<u>8,278</u>
ECL provision	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
30 June 2019					
Expected loss rate (%)	-	-	-	-	-
Gross carrying amount (\$)	<u>85</u>	<u>-</u>	<u>110</u>	<u>7,083</u>	<u>7,278</u>
ECL provision	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Notes to the Financial Statements

For the Year Ended 30 June 2020

7 Other financial assets

	2020	2019
	\$	\$
Financial assets at fair value through profit or loss	<u>3,711,823</u>	<u>3,592,213</u>

8 Other Assets

Prepayments and other assets	<u>36,759</u>	<u>92,469</u>
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9 Leases

The Branch has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

Branch as a lessee

The Branch has leases over business premises and motor vehicle. Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

Business premises has a lease for 7 years with an option to extend by 5 years. The motor vehicles are leased over 60 months with no option to extend.

Right-of-use assets

	Buildings	Motor Vehicles	Total
	\$	\$	\$
Year ended 30 June 2020			
Balance at beginning of year	-	-	-
Initial adoption of AASB 16	1,799,709	40,498	1,840,207
Depreciation charge	(186,177)	(7,681)	(193,858)
Balance at end of year	<u>1,613,532</u>	<u>32,817</u>	<u>1,646,349</u>

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Notes to the Financial Statements

For the Year Ended 30 June 2020

9 Leases (continued)

Lease liabilities

	2020	2019
	\$	\$
CURRENT		
Lease liabilities	122,574	-
NON-CURRENT		
Lease liabilities	1,608,243	-
	<u>1,730,817</u>	<u>-</u>

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year	1 - 5 years	> 5 years
	\$	\$	\$
2020			
Lease liabilities - property	229,045	1,034,683	795,678
Lease liabilities - motor vehicle	9,720	28,350	-
	<u>238,765</u>	<u>1,063,033</u>	<u>795,678</u>

Extension options

The Branch includes options in the leases to provide flexibility and certainty to the Branch operations and reduce costs of moving premises and the extension options are at the Branch's discretion.

At commencement date and each subsequent reporting date, the Branch assesses where it is reasonably certain that the extension options will be exercised.

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Notes to the Financial Statements

For the Year Ended 30 June 2020

9 Leases (continued)

Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Branch is a lessee are shown below:

	2020
	\$
Interest expense on lease liabilities	(121,947)
Depreciation of right-of-use assets	(193,858)
	<u>(315,805)</u>

Statement of Cash Flows

Total cash outflow for leases	<u>231,337</u>
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10 Property, plant and equipment

	2020	2019
	\$	\$
Plant and equipment		
At cost	145,302	210,220
Accumulated depreciation	(119,272)	(169,356)
	<u>26,030</u>	<u>40,864</u>

Notes to the Financial Statements

For the Year Ended 30 June 2020

10 Property, plant and equipment (continued)

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

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

	2020	2019
	\$	\$
Balance at the beginning of year	40,864	66,455
Additions	6,567	6,494
Disposals	(1,665)	-
Depreciation expense	(19,736)	(32,085)
Balance at the end of the year	<u>26,030</u>	<u>40,864</u>

11 Intangible Assets

Computer software - at cost	68,000	68,000
Accumulated amortisation and impairment	(17,088)	(3,488)
	<u>50,912</u>	<u>64,512</u>

(a) Reconciliation of opening and closing balances of intangible assets

Balance at beginning of year	64,512	51,000
Additions	-	17,000
Amortisation	(13,600)	(3,488)
	<u>50,912</u>	<u>64,512</u>

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Notes to the Financial Statements

For the Year Ended 30 June 2020

12 Trade and Other Payables

	2020	2019
	\$	\$
Trade payables	313,976	571,312
Other payables	94,943	61,618
	<u>408,919</u>	<u>632,930</u>

(a) Payables - additional disclosures

Legal costs

Legal costs - litigation

58,331	32,801
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13 Employee Benefits

CURRENT

Annual leave	77,786	64,920
Long service leave	47,133	34,763
	<u>124,919</u>	<u>99,683</u>

NON CURRENT

Long service leave	9,251	9,873
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Office Holders:

Annual leave	29,256	24,751
Long service leave	48,530	40,169
	<u>77,786</u>	<u>64,920</u>

Employees other than office holders:

Annual leave	24,744	11,609
Long service leave	31,640	33,027
	<u>56,384</u>	<u>44,636</u>
	<u>134,170</u>	<u>109,556</u>

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Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Financial Risk Management

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

	Note	2020 \$	2019 \$
Financial Assets			
Cash and cash equivalents	5	1,123,854	1,033,375
Trade and other receivables	6	109,445	256,248
Financial assets - fair value through profit or loss	7	3,711,823	3,592,213
Total financial assets		4,945,122	4,881,836
Financial Liabilities			
- Trade and other payables		349,990	588,469
- Lease liabilities	9	1,730,817	-
Total financial liabilities		2,080,807	588,469

(a) Liquidity risk

Liquidity risk arises from the Branch's management of working capital. It is the risk that the Branch will encounter difficulty in meeting its financial obligations as they fall due.

The Branch's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due.

The Branch manages its liquidity needs by carefully monitoring cash-outflows due in day-to-day business.

At the reporting date, these reports indicate that the Branch expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Financial Risk Management (continued)

(a) Liquidity risk (continued)

The Branch's liabilities are summarised below:

	Note	Less than 1 year		1 to 5 years	
		2020	2019	2020	2019
		\$	\$	\$	\$
Trade and other payables	12	408,919	632,930	-	-
Lease liabilities	9	122,574	-	1,608,243	-
		<u>531,493</u>	<u>632,930</u>	<u>1,608,243</u>	<u>-</u>

(b) Credit risk - Trade and Other Receivables

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

Police Federation of Australia - Australian Federal Police Association Branch

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Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Financial Risk Management (continued)

(b) Credit risk - Trade and Other Receivables (continued)

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

	Past due but not impaired (days overdue)						Within initial trade terms
	Gross amount	Past due and impaired	< 30	31-90	61-90	> 90	
	\$	\$	\$	\$	\$	\$	\$
2020							
Trade receivables	8,278	-	-	-	-	7,133	1,145
Other receivables	101,167	-	-	-	-	-	101,167
Total	109,445	-	-	-	-	7,133	102,312
2019							
Trade receivables	7,278	-	-	110	-	7,083	85
Insurance rebate receivable	176,000	-	-	-	-	-	176,000
Other receivables	72,970	-	-	-	-	-	72,970
Total	256,248	-	-	110	-	7,083	249,055

The Branch does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

The other classes of receivables do not contain impaired assets.

Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Financial Risk Management (continued)

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Other price risk

The Branch is exposed to a material level of equity securities price risk. This risk arises from listed investments held by the Branch and classified as fair value through profit or loss in the statement of financial position.

The Branch is not exposed to commodity price risk.

(ii) Sensitivity analysis

The following table illustrates sensitivities to the Branch's exposures to changes in the ASX 200 index. The table indicates the impact on how profit and equity values reported at the end of the reporting year would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	2020		2019	
	+10%	-10%	+10%	-10%
ASX index				
Impact on profit	371,182	(371,182)	359,221	(359,221)

Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Financial Risk Management (continued)

(d) Net income and expenses from financial assets and liabilities

	2020	2019
	\$	\$
Financial assets		
- Investment income	175,747	108,130
Financial liabilities		
- Interest expense	(121,947)	-

15 Fair Value Measurement

Financial assets and liabilities

Management of the Branch assessed that the carrying values of all financial assets and liabilities 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 the fair values:

- Fair value of financial assets through profit and loss is derived from quoted market prices in active markets as at financial position date (Level 1).

Police Federation of Australia - Australian Federal Police Association Branch

ABN 95 799 543 741

Notes to the Financial Statements

For the Year Ended 30 June 2020

16 Key Management Personnel Disclosures

The totals of remuneration paid to the key management personnel of the Branch during the year were as follows:

	2020	2019
	\$	\$
Short-term employee benefits		
Salary including annual leave taken	490,270	502,209
Annual leave accrued	2,398	(8,963)
Performance bonus'	-	-
Other	23,871	10,960
Post-employment benefits		
Superannuation	91,736	86,536
Other long term benefits		
Long Service Leave	15,067	658
Termination benefits		
Termination benefits	-	-
	<u>623,342</u>	<u>591,400</u>

17 Remuneration of auditor

Remuneration of the auditor:

- Financial statement audit services	32,900	32,100
- Other services	-	1,400
	<u>32,900</u>	<u>33,500</u>

18 Contingencies

In the opinion of the Executive, the Branch did not have any contingencies at 30 June 2020 (30 June 2019: None).

Police Federation of Australia - Australian Federal Police Association Branch

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Notes to the Financial Statements

For the Year Ended 30 June 2020

19 Capital and Leasing Commitments

Operating Leases

	2020	2019
	\$	\$
<i>Minimum lease payments under non-cancellable operating leases:</i>		
- not later than one year	-	222,426
- between one year and five years	-	982,306
- later than five years	-	1,357,437
		<hr/>
	-	2,562,169

Refer to note 9 for information on leases capitalised, upon the mandatory application of AASB 16.

20 Related Parties

(a) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Branch, directly or indirectly, including any member of the Executive (whether executive or otherwise) are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to Note 16: Key Management Personnel Disclosures.

(b) Police Federation Australia ("PFA"):

Capitation fees were paid to the PFA during the financial year totalling \$73,413 (2019: \$71,574). Cashflows relating to these payments for the year totalled \$73,414 (2019: \$78,732).

(c) AUSPOL Police Welfare Foundation ("AUSPOL"):

The Branch is a member of AUSPOL, and Branch members are referred to this registered charity in certain circumstances. The Trustee of AUSPOL is AFPA Limited.

Whilst there is a degree of commonality in the Board/Executive representation, this entity is not controlled by the Branch. Similarly is not considered to constitute a relationship which meets the definition of being a related party under the Australian Accounting Standards. Accordingly, no further disclosures are considered necessary.

Police Federation of Australia - Australian Federal Police Association Branch

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Notes to the Financial Statements

For the Year Ended 30 June 2020

21 Cash Flow Information

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

	2020	2019
	\$	\$
Result for the year	77,179	256,482
Non-cash flows in the operating result:		
- depreciation and amortisation	227,060	35,573
- net loss on sale of property, plant and equipment	1,799	-
- unrealised (gains)/losses on fair value through profit and loss financial assets	285,836	(198,662)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	146,803	520,947
- (increase)/decrease in prepayments	55,710	(56,334)
- (increase)/decrease in inventories	16,892	(14,282)
- increase/(decrease) in trade and other payables	(224,011)	333,941
- increase/(decrease) in employee benefits	24,614	(5,902)
Cashflow from operations	<u>611,882</u>	<u>871,763</u>

22 Change in Accounting Policy

On 1 July 2019 the Branch adopted the following new accounting standards that were mandatory for the first time:

- AASB 15 *Revenue from contracts with customers*
- AASB 16 *Leases*
- AASB 1058 *Income for Not-for-Profit Entities*

All standards have been applied to the year ended 30 June 2020, however, as allowed, comparatives have not been restated.

AASB 15 and AASB 1058 resulted in changes to accounting policies, however no adjustments were required to be recognised in the financial statements.

Police Federation of Australia - Australian Federal Police Association Branch

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Notes to the Financial Statements

For the Year Ended 30 June 2020

22 Change in Accounting Policy (continued)

The following changes were required to be made a result of adopting AASB 16:

	Previously stated \$	1 July 2019 Adjustments \$	Restated \$
Balance Sheet			
Non-current assets			
Right-of-use assets	-	1,840,207	1,840,207
Total non-current assets	105,376	1,840,207	1,945,583
Total assets	5,124,799	1,840,207	6,965,006
Current liabilities			
Lease liabilities	-	109,390	109,390
Total current liabilities	732,613	111,652	844,265
Non-current liabilities			
Lease liabilities	-	1,728,555	1,728,555
Total non-current liabilities	9,873	1,728,555	1,738,428
Net assets	4,382,313	-	4,382,313
Retained earnings	4,382,313	-	4,382,313

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition, the Branch has used the following expedients:

- lease liabilities have been discounted using the Branch's incremental borrowing rate at 1 July 2019;
- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability; and
- used hindsight when determining the lease term is the contract contains options to extend or terminate the lease.

Notes to the Financial Statements

For the Year Ended 30 June 2020

22 Change in Accounting Policy (continued)

Financial statement impact of adoption of AASB 16

The Branch has recognised right-of-use assets of \$1,840,207 at 1 July 2019, for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 6.39%.

	\$
Operating lease commitments at 30 June 2019 financial statements	2,562,169
Discounted using the incremental borrowing rate at 1 July 2019	1,840,207
Add/Less: leasing adjustments	-
Lease liabilities recognised at 1 July 2019	<u>1,840,207</u>

23 Events Occurring After the Reporting Date

The financial report was authorised for issue on 14 October 2020 by the Executive.

As a result of the evolving nature of the COVID-19 outbreak and the rapidly evolving government policies of restrictive measures put in place to contain it, as at the date of these financial statements, the Branch is not in a position to reasonably estimate the financial effects of the COVID-19 outbreak on the future financial performance and financial position of the Branch. Other than the current disclosures, there has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Branch, the results of those operations, or the state of affairs of the Branch in subsequent financial periods.

Notes to the Financial Statements

For the Year Ended 30 June 2020

24 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 Branch 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 Branch.
3. A Branch must comply with an application made under subsection (1).

Police Federation of Australia - Australian Federal Police Association Branch

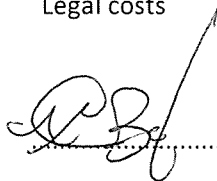
ABN 95 799 543 741

Report required under subsection 255(2A)

For the Year Ended 30 June 2020

The Executive presents the expenditure report as required under subsection 255(2A) on the Branch for the year ended 30 June 2020.

	2020	2019
	\$	\$
Remuneration and other employment related costs and expenses - employee	1,749,731	1,680,978
Advertising	-	-
Operating costs	2,092,517	2,479,329
Donations to political parties	-	-
Legal costs	280,967	404,262


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Alex Caruana

President

Dated: 14 October 2020

Police Federation of Australia – Australian Federal Police Association Branch

ABN 95 799 543 741

Officer Declaration Statement

I, Alex Caruana, being the President of the Police Federation of Australia – Australian Federal Police Association Branch, declare that the following activities did not occur during the reporting period ending 30 June 2020.

The reporting unit did not:

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

Police Federation of Australia – Australian Federal Police Association Branch

ABN 95 799 543 741

Officer Declaration Statement

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



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Alex Caruana
President

Dated: 14 October 2020

Independent Audit Report to the members of Police Federation of Australia - Australian Federal Police Association Branch

Report on the Financial Report

Opinion

We have audited the financial report of Police Federation of Australia - Australian Federal Police Association Branch ("the Branch"), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2020, and notes to the financial statements, including a summary of significant accounting policies, the committee of management 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 the Branch as at 30 June 2020, and its financial performance and its cash flows for the year ended on that date in accordance with:

- (a) 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 Branch is appropriate.

Basis for Opinion

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

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

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Scheme approved under
Professional Standards
Legislation



Independent Audit Report to the members of Police Federation of Australia - Australian Federal Police Association Branch

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

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Committee of Management for the Financial Report

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

In preparing the financial report, the Committee of Management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee of Management either intend to liquidate the Branch 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.

Independent Audit Report to the members of Police Federation of Australia - Australian Federal Police Association Branch

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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee of Management.
- Conclude on the appropriateness of the Committee of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Daley Audit
Daley Audit

Wollongong

Michael Mundt
Michael Mundt
Partner

Dated: 14 October 2020

Registration Number (as registered by the RO Commissioner under the RO Act): AA 2017/67.

Liability limited by a scheme approved under Professional Standards Legislation.