

The Australian Workers Union

(Victorian Branch)

**AUDITORS REPORT
FINANCIAL STATEMENT AND NOTES THERETO
FOR THE YEAR ENDED
30 JUNE 2016**

**Operating Report
For the period ended 30 June 2016**

Principal activities and changes

The principal activities of the organisation continued to be those of a registered trade union working for the benefit of its members through negotiating enterprise bargaining agreements, varying Awards, representing members before industrial tribunals, training of delegates and members in Occupational Health and Safety, workplace organising, recruitment and public promotion of the interests of members. There were no significant changes to the activities of the organisation.

Results

The deficit for the financial year amounted to \$82,540 (2015: deficit \$394,949).

Review of Operations

A review of operations of the Branch during the Financial Year indicates that a drop in member numbers has resulted in a reduction in membership contributions. The Branch has net assets of over \$6.19 million, a working capital surplus of over \$3.31 million and generated operating cash flows of negative \$0.23 million. It continues to service its members as required by them, and is assessing ways to grow membership numbers.

Events after the reporting period

As at year end, the Royal Commission into Trade Unions is complete. The outcome of the Commission may however impact future operations/activities of the Union.

Future Developments

In the opinion of the Branch Executive, there is not likely to be any future development that will materially affect the Union's operation in subsequent years, except as already disclosed in this report.

Rights of members to resign

AWU Rule 14 – Resigning as a member – provides for resignation of members in accordance with s174 of Schedule 1B of the Fair Work (Registered Organisations) Act 2009.

Membership of Superannuation Scheme

Pursuant to s.254 (2) (d) the Fair Work (Registered Organisations) Act 2009 the following members held office in Superannuation Funds as directors of corporate trustees:-

Davis B.	CBUS (Alternate Director)
Leo F.	Chifley Financial Services (Director) – Resigned 29 July 2015
O'Brien L.	Australian Super (Alternate Director) – Resigned 12 January 2016
	Prime Super (Director) – Appointed 27 April 2016

Number of Members

Number of persons in register of members: 16,482 (2015: 17,318)

Number of Employees

Number of employees (equivalent full time): 41 (2015: 43)

**Operating Report
For the period ended 30 June 2016**

Names of Members on Branch Executive

The following were members of the Branch Executive as at 30 June 2016:-

Davis B	Pillai P	Burd S	Penn G
Mastrandonakis J	Hayden R	Dixon H	Rothville T
O'Brien L	Nasr R	King P	Spear P
Heath C	Sharp J	Lumanovski H	Tacey N
Threlfall-Clarke S	Archer J	Lynn R	Stomps D

During the year the following members ceased to be on the Branch Executive.

Leo F - Resigned 29 July 2015
Rae G - Resigned 28 August 2015
Beechey S - Resigned 1 July 2015
Carey S - Resigned 8 March 2016

During the year, the following members were appointed to the Branch Executive.

Hayden R - Appointed 15 July 2015

Other Information

The second Assistant Secretary position was abolished
The fourth Vice-President position was abolished
Two Branch Committee of Management positions are currently vacant and will be filled

Signed: _____

Ben Davis

Date: _____

11th October

2016.

BRANCH STATEMENT


On the 27th September of 2016, the Branch Executive of the Australian Workers Union (Victoria Branch) passed the following resolution in relation to the general purpose financial report of the reporting unit for the financial year ended 30 June 2016.

The Branch Executive declares in relation to the GPFR that in its opinion:

- (a) the financial statements and notes comply with the Reporting Guidelines of the General Manager of FWC and Australian Accounting Standards;
- (b) 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;
- (c) 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;
- (d) during the financial year to which the general purpose financial report relates and since the end of that year:
 - (i.) meetings of the Branch Executive were held in accordance with the rules of the organisation including the rules of a branch concerned;
 - (ii.) the financial affairs of the reporting unit have been managed in accordance with the rules of the organisation including the rules of a branch concerned;
 - (iii.) the financial records of the reporting unit have been kept and maintained in accordance with the Fair Work (Registered Organisations) Act 2009, and the Fair Work (Registered Organisations) Regulations 2009;
 - (iv.) the information sought in any request of a member of the reporting unit or the General Manager of FWC duly made under section 272 of the Fair Work (Registered Organisations) Act 2009 has been furnished to the member or General Manager of FWC;
 - (v.) the financial records of the reporting unit have been kept, as far as practicable, in a consistent manner to each of the other reporting units of the organisation;
 - (vi.) no requests were received from any member of the reporting unit or a General Manager of FWC for information under section 272 of the Fair Work (Registered Organisations) Act 2009;
 - (vii.) there have been no orders for inspection of financial records made by Fair Work Australia under section 273 of the Fair Work (Registered Organisations) Act 2009 during the period; and
- (e) In relation to recovery wages activity during the year, the Branch did not participate in any wages recovery activity.

For the Branch Executive


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Dated this 11th day of October 2016

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE BRANCH EXECUTIVE OF THE AUSTRALIAN WORKERS UNION**

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2016 there have been:-

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



Stannards Accountants & Advisors



MB Shulman
Registered Company Auditor (163888)
Holder of Current Public Practice Certificate
FWC Approved Auditor

Dated this 11 day of October 2016

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Statement of Profit and Loss for the year ended 30 June 2016

	Note	2016 \$	2015 \$
REVENUE			
Membership Contributions		5,835,132	6,074,837
Grants		681,803	649,336
OCC Health & Safety Training		97,329	76,368
Insurance Brokerage Fees & Commissions		751,990	773,959
Sponsorship Income – National Office	10(b)(i)	49,500	45,000
Sponsorship Income - Other		87,000	92,636
Dividends Received		-	250,034
Consulting Fees Received		16,727	41,089
AWU Functions		13,600	27,345
Interest		112,835	153,222
Sale of Merchandise		8,061	797
Rental Income		8,150	5,200
Other Income		13,128	28,431
Advertising		6,000	4,000
Financial Support – Branches		-	-
Donations		-	-
Capitations		-	-
Compulsory and Voluntary Levies		-	-
Total Revenue		7,681,255	8,222,254
EXPENSES			
Direct Membership Expenses			
AWU Subsidy Transfers	10(b)(i)	638,262	691,063
Affiliation Fees	16	158,367	181,251
Ambulance Claims		171,267	201,758
Legal – Member Services		402,897	581,284
National Office ACTU IR Levy	10(b)(i)	15,528	24,269
Growth Campaign		7,837	9,862
Commission Paid – Delegates		163	410
Commission Paid – Employers for Payroll Deductions		5,429	4,947
Donations	11	25,754	33,683
Printing (Members)		35,476	23,584
Capitations		-	-
Depreciation of Computers		21,445	22,309
Membership Mail-outs		36,998	52,911
Research Expenses		36,395	20,349
Merchandise Expense		49,341	21,784
AWU Functions & Promotions		174,889	189,489
Bereavement Payments		1,500	-
National Contact Centre		7,028	-
Total		1,788,576	2,058,953

The accompanying notes form part of this Financial Report

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Statement of Profit and Loss for the year ended 30 June 2016 (cont'd)

	Note	2016 \$	2015 \$
OH&S Expenses			
Training		64,377	43,008
Total		64,377	43,008
Shop Stewards & Delegates			
Lost Time & Other Expenses		-	1,771
Meeting Expenses – Delegates		24,207	20,801
Delegates Conference		26,368	37,930
National Conference Costs		-	69,941
Protest Expenses		135	110
Total		50,710	130,553
Payroll Expenses			
Salaries & Wages	8	3,978,411	3,712,255
Superannuation	8	447,048	461,964
WorkCover Expenses		29,248	31,207
Payroll Tax		184,072	177,411
Fringe Benefits Tax		72,203	68,605
Annual Leave Expense	8	(43,432)	16,894
Long Service Leave	8	(347,939)	166,587
Consultancy		23,184	5,950
Casual Employment		164	3,195
Contractors		53,331	42,712
RDO Expenses		-	80
Total		4,396,290	4,686,860
Training & Tuition			
University Fees		6,372	1,344
Seminar & Conference Costs		13,733	20,580
Training Expenses		18,962	24,082
Recruiting		2,227	1,620
Total		41,294	47,626
Officials			
Accommodation & Meals		39,663	55,744
Air Fares		24,534	17,019
Travel Expenses		792	751
Meeting Expenses		6,679	15,838
National Executive Meeting		18,279	12,225
Parking & Taxis		19,910	18,945
Internet Expenses		11,197	12,854
Total		121,054	133,376

The accompanying notes form part of this Financial Report

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Statement of Profit and Loss for the year ended 30 June 2016 (cont'd)

	2016 \$	2015 \$
Motor Vehicle Expenses		
Registration	17,629	25,087
Car Insurance	38,364	46,358
Petrol	137,324	164,614
Services	53,545	72,768
Tyres	17,962	13,522
Motor Vehicle Expense - Other	50,433	51,421
Profit on Realisation of Vehicles	(19,783)	(10,381)
Depreciation Motor Vehicles	225,383	248,391
Total	520,857	611,780
Telephone Expenses		
Telephone - Office	15,211	15,553
Mobile Phones	68,754	71,317
Home Phones	477	5,217
Service & Equipment Maintenance	12,354	9,648
Total	96,796	101,735
Property Expenses		
Rental	10,992	10,495
Property Rates & Insurance	26,750	24,599
Property Maintenance	18,933	22,657
Depreciation Building & Renovations	44,597	44,543
Deprecation Furniture & Equipment	31,736	36,923
Body Corporate Fees	2,600	12,321
Office Furniture	400	996
Sundry Expenses	70,130	59,249
Total	206,138	211,783
General Expenses		
Advertising & Subscriptions	8,668	28,819
Auditing of Financial Statements	18,300	18,300
Accounting Fees	-	68,498
Bank Fees & Charges	26,621	25,228
Cleaning	47,827	47,321
Heating and Lighting	32,355	42,872
General Insurance	29,397	29,673
Legal and Professional Fees -- Other Matters	43,375	68,049
Staff Amenities	26,393	24,682
Total	232,936	353,442
Office Expenses		
Stationery	5,557	6,072
Postage & Courier	18,892	16,988
Printing	2,302	5,301
Courier & Freight / Storage	729	1,647
Copies Charge & Paper	24,746	21,917
Office Rental Equipment	42,000	35,476
Maintenance of Office Equipment	291	2,361
Computer Maintenance & Support	138,931	143,162
Software Expenses	11,319	5,163
Total	244,767	238,087
Total Expenses	7,763,795	8,617,203
Net Profit/(Loss) for the Period	(82,540)	(394,949)

The accompanying notes form part of this Financial Report

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Statement of Comprehensive Income for the Year Ended 30 June 2016

	2016	2015
	\$	\$
Profit / (Loss) for the period	(82,540)	(394,949)
Other comprehensive income for the period	-	-
Total comprehensive income for the period	(82,540)	(394,949)
Total comprehensive income attributable to:		
Members of the organisation	(82,540)	(394,949)

The accompanying notes form part of this Financial Report

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Statement of Financial Position as at 30 June 2016

	Note	2016 \$	2015 \$
Current Assets			
Cash and Cash Equivalents	3	4,261,070	4,760,904
Accounts receivable		241,955	240,134
Other assets	4	540,497	496,803
Merchandise on hand - cost		34,729	23,038
Total Current Assets		5,078,251	5,520,879
Non-Current Assets			
National Office – Loan		1,231,180	1,231,180
Shares in other companies		453,744	453,744
Property, Plant and Equipment	5	1,325,603	1,354,687
Total Non-Current Assets		3,010,527	3,039,611
Total Assets		8,088,778	8,560,490
Current Liabilities			
Trade Creditors		447,442	392,732
Accruals		198,947	230,537
Employee Entitlements	6	1,126,797	1,535,610
Total Current Liabilities		1,773,186	2,158,879
Non-Current Liabilities			
Employee Entitlements	6	124,593	128,072
Total Non-Current Liabilities		124,593	128,072
Total Liabilities		1,897,779	2,286,951
Net Assets		6,190,999	6,273,539
Equity			
Accumulated Funds	7	6,190,999	6,273,539
Total Equity		6,190,999	6,273,539

The accompanying notes form part of this Financial Report

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Statement of Changes in Equity for the Year Ended 30 June 2016

	2016 \$	2015 \$
Accumulated Funds – Beginning of Year	6,273,539	6,668,488
Profit / (Loss) for the Period	(82,540)	(394,949)
Other Comprehensive Income for the year	-	-
Total Accumulated Funds – End of Period	6,190,999	6,273,539

The accompanying notes form part of this Financial Report

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Statement of Cash Flows for the Year Ended 30 June 2016

	Note	2016 Inflows/ (Outflows) \$	2015 Inflows/ (Outflows) \$
Cash flows from Operating Activities			
Contribution from Membership Fees		5,819,989	6,041,295
Receipts from Other Activities		1,666,273	2,029,291
Interest Received		112,835	153,222
Receipts from National Office, Other Branches & Related Parties		67,015	47,936
Payments to National Office		(840,584)	(906,848)
Payments to Other Branches/Related Parties		(9,480)	(8,119)
Payments to Suppliers and Employees		(7,041,588)	(7,053,303)
Net Cash Provided by Operating Activities	9(b)	(225,540)	303,474
Cash flows from Investing Activities			
Payments for Property, Plant and Equipment		(393,657)	(303,417)
Proceeds from the Disposal of Motor Vehicles & Computers		119,363	65,250
Net Cash Provided by/(Used in) Operating Activities		(274,294)	(238,167)
Net Increase in Cash and Cash Equivalents		(499,834)	65,307
Cash and Cash Equivalents at Beginning of Year		4,760,904	4,695,597
Cash and Cash Equivalents at End of Year	9(a)	4,261,070	4,760,904

The accompanying notes form part of this Financial Report

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2016

1. Statement of Significant Accounting Policies

This significant policies which have been adopted in the preparation of these financial statements are:

a. Basis of Preparation

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

The financial report of the Union covers it as an individual 'not for profit' entity. It complies with Australian Accounting Standards which include Australian Equivalents to International Financial Reporting Standards (AIFRS).

In accordance with generally accepted accounting principles for these types of organisations, the financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

Cost is based on fair values of consideration given in exchange for assets.

The accounting policies set out below have been consistently applied, unless otherwise stated.

b. Income Tax

The Union is registered under the Fair Work (Registered Organisations) Act 2009 and, is believed to be exempt from income tax including capital gains tax, by virtue of the provisions of s.50-1 of the Income Tax Assessment Act 1997. It still has an obligation for fringe benefits tax and goods and services tax.

c. Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation.

Depreciation is calculated using the prime cost and diminishing value methods and is brought to account over the estimated economic lives of all buildings, motor vehicles, computer equipment, furniture and fittings. Depreciation rates applied are:

	2016 & 2015
Buildings	2.5%
Furniture & Fixtures	20%
Computer Equipment	20%
Motor Vehicles	20%
Renovation & Capital Works	10%

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

d. Employee Entitlements

Short-term employee benefits

Provision is made for the Union's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and vesting sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Long-term employee benefits

Provision is made for employee's long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any measurements for changes in assumptions of obligations for long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Union's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Union does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Superannuation

Contributions are made by the Union to employee superannuation funds and are expensed when incurred. The Union is not obliged to contribute to these funds other than to meet its liabilities under the superannuation guarantee system and is under no obligation to make up any shortfall in the funds' assets to meet payments due to employees.

The number of full-time equivalent employees at 30 June 2016 was 41 (2015: 43).

e. Revenue Recognition

Contributions from members are shown net of refunds and are accounted for on an accrual basis.

Interest revenue is recognised on an accrual basis.

Revenue arising from the disposal of non-current assets is recognised when the organisation and the buyer are both committed to a contract.

f. Goods and Services Tax (GST)

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

g. Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand, cash at bank and investments in money market instruments.

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

h. Financial Instruments

Financial instruments are initially measured at cost on trade date, which includes the transaction costs, when the related contractual rights or obligations exist.

Subsequent to the initial recognition, the Union assess whether there is objective evidence that a financial instrument has been impaired. A prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit and Loss.

i. Fair Value of Assets and Liabilities

The Union measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Union would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

j. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Union are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Union will obtain ownership of the asset over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

k. Operating Segment

The Union is incorporated under the Fair Work (Registered Organisations) Act 2009 and domiciled in Australia.

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

I. Critical Accounting Estimates and Judgements

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

Key Estimates – Impairment

The Union assesses impairment at each reporting date by evaluating conditions specific to it that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined and reflected in the Financial Report.

m. New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Company's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts and customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

m. New Accounting Standards for Application in Future Periods (cont'd)

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 16: *Lease* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2016

2. Information to be provided to Members or The General Manager of Fair Work Commission

In accordance with the requirements of the requirements of the Fair Work (Registered Organisations) Act 2009, the attention of members is drawn to the provisions of sub-sections (1), (2) and (3) of Section 272 which reads as follows:-

- (1) A Member of an organisation, or the General Manager of FWC, may apply to the organisation for specified prescribed information in relation to the organisation 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 organisation.
- (3) An organisation must comply with an application made under subsection (1).

	2016 \$	2015 \$
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3. Cash and Cash Equivalents		
Cash at Bank – General operating accounts	290,666	163,086
Cash at Bank – Long service leave accounts	3,969,969	4,597,422
Petty Cash	435	396
	<hr/> 4,261,070	<hr/> 4,760,904
<hr/>		
4. Other Assets		
Subscriptions outstanding	447,810	432,667
Prepayments	92,687	64,136
	<hr/> 540,497	<hr/> 496,803
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THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2016

5. Property, Plant and Equipment

	2016 \$	2015 \$
Land & Buildings		
At Cost	347,622	347,622
Less: Accumulated Depreciation	(34,433)	(28,073)
	313,189	319,549
Furniture & Fixtures		
At Cost	523,854	510,456
Less: Accumulated Depreciation	(477,699)	(445,963)
	46,155	64,493
Computer Equipment		
At Cost	330,728	311,019
Less: Accumulated Depreciation	(272,565)	(259,758)
	58,163	51,261
Motor Vehicles		
At Cost	1,174,189	1,298,535
Less: Accumulated Depreciation	(514,337)	(656,440)
	659,852	642,095
Renovation & Capital works		
At Cost	391,023	381,831
Less: Accumulated Depreciation	(142,779)	(104,542)
	248,244	277,289
Total Property, Plant and Equipment	1,325,603	1,354,687

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current period.

2016	Land & Buildings \$	Furniture & Fixtures \$	Computer Equipment \$	Motor Vehicles \$	Renovation & Capital works \$	Total \$
Opening Balance	319,549	64,493	51,261	642,095	277,289	1,354,687
Additions	-	13,398	35,108	335,959	9,192	393,657
Disposals	-	-	(6,761)	(92,819)	-	(99,580)
Depreciation expense	(6,360)	(31,736)	(21,445)	(225,383)	(38,237)	(323,161)
Carrying amount at end of period	313,189	46,155	58,163	659,852	248,244	1,325,603

2015	Land & Buildings \$	Furniture & Fixtures \$	Computer Equipment \$	Motor Vehicles \$	Renovation & Capital works \$	Total \$
Opening Balance	325,909	90,168	58,557	668,199	315,472	1,458,305
Additions	-	11,248	17,190	274,979	-	303,417
Disposals	-	-	(2,177)	(52,692)	-	(54,869)
Depreciation expense	(6,360)	(36,923)	(22,309)	(248,391)	(38,183)	(352,166)
Carrying amount at end of period	319,549	64,493	51,261	642,095	277,289	1,354,687

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2016

5. Property, Plant and Equipment (cont'd)

The Branch holds two properties in country Victoria.

	Balance at 30 June 2016 \$	Balance at 30 June 2015 \$
Portland (103-111 Percy Street) - Cost	99,536	99,536
Sale (3/396 Raymond Street) - Cost	248,086	248,086
	347,622	347,622
Less: Depreciation of Buildings	34,433	28,073
	313,189	319,549

Under the rules of the Union, other properties are registered in the name of the National Executive in Sydney.

6. Provisions

	2016 \$	2015 \$
Current:-		
Annual Leave	292,858	348,282
Long Service Leave	833,939	1,187,328
	1,126,797	1,535,610
Non-Current:-		
Long Service Leave	124,593	128,072
	124,593	128,072
Total	1,251,390	1,663,682

Of the amounts owing above, they are payable as follows:-

	Holders of Office		Employees		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Annual Leave	72,027	89,990	220,831	258,292	292,858	348,282
Long Service Leave	401,611	660,604	556,921	654,796	958,532	1,315,400
Separation and Redundancies	-	-	-	-	-	-
Other Employee Provisions	-	-	-	-	-	-
Total	473,638	750,594	777,752	913,088	1,251,390	1,663,682

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

6. Provisions (cont'd)

Employee Provisions

Employee provisions represent amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Union does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Union does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision (if any) includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

7. Equity	2016 \$	2015 \$
Accumulated Funds		
Balance at beginning of period	6,273,539	6,668,488
Net (loss)/profit for period	(82,540)	(394,949)
Other Comprehensive Income for the period	-	-
Balance at end of period	6,190,999	6,273,539
Total Equity	6,190,999	6,273,539

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2016 (cont'd)

8. Employee Benefits

Employee benefits paid/accrued during the period

	Holders of Office		Employees		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Wages and salaries	596,644	782,225	2,658,815	2,664,618	3,255,459	3,446,843
Superannuation	94,526	106,676	352,522	355,288	447,048	461,964
Leave and other entitlements	(276,955)	58,808	(114,416)	124,673	(391,371)	183,481
Separation and redundancies	522,667	116,089	180,085	121,920	702,752	238,009
Other employee expenses	15,592	22,723	4,608	4,680	20,200	27,403
Total	952,474	1,086,521	3,081,614	3,271,179	4,034,088	4,357,700

9. Cash Flow Information

	2016	2015
	\$	\$
a. Reconciliation of Cash		
Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:-		
Cash at Bank	4,260,635	4,760,508
Cash on Hand	435	396
	<u>4,261,070</u>	<u>4,760,904</u>
b. Reconciliation of Net Cash Provided by Operating Activities to Net Profit		
<u>Net (Loss)/Profit before Tax</u>	<u>(82,540)</u>	<u>(394,949)</u>
<u>Non Cash Items</u>		
Depreciation	323,161	352,166
(Profit)/Loss on disposal	(19,783)	(10,381)
<u>Changes in Operating Assets and Liabilities</u>		
(Increase)/Decrease in Accounts receivable	(1,821)	80,096
(Increase)/Decrease in Other assets	(43,694)	55,471
(Increase)/Decrease in Merchandise on hand	(11,691)	1,489
(Increase)/Decrease in National Office – Long Service Leave Debt	-	-
Increase/(Decrease) in Trade Creditors	54,710	3,608
Increase/(Decrease) in Accruals	(31,590)	33,542
Increase/(Decrease) in Provisions	(412,292)	182,432
Net Cash Provided by/(used in) Operating Activities	<u>(225,540)</u>	<u>303,474</u>

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2016 (cont'd)

10. Related Party Information

(a) Remuneration of Key Officers during the year was as follows:-

Short-term Remuneration		Post-Employment Benefits		Other Benefits	
2016	2015	2016	2015	2016	2015
\$	\$	\$	\$	\$	\$
300,151	392,391	35,647	53,108	390	22,150

Key officers comprised – B Davis, F Leo (resigned on 29 July 2015), L O'Brien, J Mastrandonakis.

No share based payments were received by any officer this year (2015: \$nil).

The officeholders received no 'non cash' benefits (2015: \$nil), except as disclosed above. No officeholder of the Union during the year and/or prior year had any material personal interest in a matter that he/she has or did acquire, or a relative of the officeholder has or did acquire.

No officeholder or officer of the Union (this year or last year) received and/or kept any remuneration in their own name because they were a member of, or held position with a Board or other organisation because :-

- The officeholder held such a position with the Board or other organisation only because they were an officeholder of the Union; or
- They were nominated for the position by the Union; or
- They received remuneration from any third party, in connection with the performance of their duties as an officeholder of the Union.

(b) Transactions between the state branch and other branches (all on normal commercial terms and conditions):-

(i) National Office

	2016	2015
	\$	\$
Subsidy	638,262	691,063
IR Levy	15,528	24,269
Sponsorship	(49,500)	(45,000)

(ii) Other Branches (Sundry Charges)

	2016	2015
	\$	\$
Queensland Branch	-	1,078
NSW Branch	2,523	2,624
WA Branch	-	-
NCLE Branch	-	-

(iii) During the year, transactions between the Branch and officeholders or their associates were all on normal commercial terms and conditions and amounted to \$1,225 (2015: \$2,808). Further, delegates received sitting fees for Branch Committee attendances of \$2,900 (2015: \$2,600).

(iv) During the year dividends of nil (2015: \$250,000) and commission fees of \$96,472 (2015: \$93,281) were received from Chifley Financial Services. In addition, insurance premiums of \$3,747 (2015: \$6,687) were paid to Chifley Financial Services.

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2016 (cont'd)

10. Related Party Information

(c) Related party balances at year end:-

Amounts receivable/(payable) at reporting date – other branches

	2016	2015
	\$	\$
National Office	(29,042)	1,850
New South Wales Branch	-	-
Western Australia Branch	-	-
NCLE Branch	-	-
Chifley Financial Services	-	(2,872)
	<u>(29,042)</u>	<u>(1,022)</u>

National Office

Carrying amount at beginning of the year	1,850	(16,745)
Sponsorship income	49,500	45,000
Subsidy charges	(638,262)	(691,063)
Levy charges	(15,528)	(24,269)
Legal fees – Royal Commission	(58,745)	-
OHS Consultant	(14,954)	-
Call Centre	(7,028)	-
Sundry Income	8,123	7,192
Sundry charges	(129,767)	(180,113)
Receipts	(64,815)	(45,000)
Payments made	840,584	906,848
Carrying amount at end of the year	<u>(29,042)</u>	<u>1,850</u>

Queensland Branch

Carrying amount at beginning of the year	-	-
Sundry charges	-	(1,078)
Payments made	-	1,078
Carrying amount at end of the year	<u>-</u>	<u>-</u>

NSW Branch

Carrying amount at beginning of the year	-	-
Sundry charges	(2,523)	(2,624)
Payments made	2,523	2,624
Carrying amount at end of the year	<u>-</u>	<u>-</u>

Chifley Financial Services

Carrying amount at beginning of the year	(2,872)	972
Sponsorship	-	-
Sundry income	2,200	1,964
Insurance charges	(3,747)	(6,687)
Sundry charges	(338)	(602)
Payments made	6,957	4,417
Receipts	(2,200)	(2,936)
Carrying amount at end of the year	<u>-</u>	<u>(2,872)</u>

(d) The loan owing by the National Office (\$1,231,180) is interest free and unsecured.

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2016 (cont'd)

11. Donations

	2016	2015
	\$	\$
Political Party	22,388	27,913
Other	3,366	5,770
	<u>25,754</u>	<u>33,683</u>
Grants < \$1,000	-	-
Grants > \$1,000	-	-
Donations < \$1,000	7,754	4,333
Donations >= \$1,000	18,000	29,350
	<u>25,754</u>	<u>33,683</u>

12. Segment Reporting

The Union provides services to members employed in the manufacturing, steel, aluminium, glass, oil & gas, aviation, agriculture, construction, state public services, local government, health, plastics, hospitality, food, paper, resources, aquaculture, events and racing industries within Australia.

13. Union's Details

The principal place of business of the Union is:

685 Spencer Street
WEST MELBOURNE VIC 3003

14. Financial Instruments

a. Financial Risk Management

The entity's financial instruments consist of deposits with banks, bills and securities, short-term investments, accounts receivables and payable.

The entity does not have any derivative instruments at 30 June 2016 (2015: \$nil).

The purpose of the financial instruments is to finance the operations of the entity.

i Treasury Risk Management

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

ii Financial Risk

The main risks the entity is exposed to through its financial instruments are liquidity risk, interest rate risk and credit risk. The entity is not exposed to fluctuations in foreign currency.

Liquidity Risk

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

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of provisions for impairment of those assets as disclosed in the statement of financial position and notes to the financial statements.

THE AUSTRALIAN WORKERS UNION - (Victorian Branch)

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2016

14. Financial Instruments (cont'd)

Interest Rate Risk

The Union's exposure to interest rate risks and the effective interest rates of financial assets and liabilities both recognised and unrecognised are as follows:

Financial Instruments	Floating Interest Rate		Fixed Interest Rate maturing in: less than 1 year		Fixed Interest Rate maturing in: 1 year or more		Non-Interest Bearing		Total Carrying Amount as per Statement of Financial Position		Weighted Average Effective Interest Rate	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 %	2015 %
(i) Financial Assets												
Cash and Cash Equivalents	4,260,635	4,760,508	-	-	-	-	435	396	4,261,070	4,760,904	2.9	2.8
Receivables	-	-	-	-	-	-	241,955	240,134	241,955	240,134	n/a	n/a
Other Financial Assets	-	-	-	-	-	-	540,497	496,803	540,497	496,803	n/a	n/a
Total	4,260,635	4,760,508	-	-	-	-	782,887	737,333	5,043,522	5,497,841		
(ii) Financial Liabilities												
Interest Bearing Debt	-	-	-	-	-	-	-	-	-	-	n/a	n/a
Payables	-	-	-	-	-	-	646,389	623,269	646,389	623,269	n/a	n/a
Non Interest Bearing Liabilities	-	-	-	-	-	-	-	-	-	-	n/a	n/a
Total	-	-	-	-	-	-	646,389	623,269	646,389	623,269		
Net Financial Assets/(Liabilities)	4,260,635	4,760,508	-	-	-	-	136,498	114,064	4,397,133	4,874,572		

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

14. Financial Instruments (cont'd)

b. Net Fair Values

The net fair value of the investments in commercial bills/securities at 30 June 2016 is estimated at \$nil (2015: \$nil). The net fair value of the Union's other financial assets and financial liabilities are not expected to be significantly different from the class of assets and liabilities as disclosed above and recognised in the statement of financial position as at 30 June 2016.

c. Sensitivity Analysis

Interest rate risk

The entity has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current period results and equity which could result from a change in this risk.

Interest rate sensitivity analysis

At 30 June 2016, the effect on profit and equity as a result of changes in interest rates, with all other variables remaining constant, would be as follows:

	2016	2015
	\$	\$
Change in profit		
Increase in interest rate by 2%	85,213	95,210
Decrease in interest rate by 2%	(85,213)	(95,210)
Change in equity		
Increase in interest rate by 2%	85,213	95,210
Decrease in interest rate by 2%	(85,213)	(95,210)

d. Past due receivables

There were receivables past their due by date at 30 June 2016 totalling \$6,125 which were collected subsequent to 30 June 2016. Hence no impairment provision was recorded.

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

15. Fair Value Measurement

The Union measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- freehold land and buildings.

The Union does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

a. Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Union selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected are consistent with one or more of the following valuation approaches:-

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Union gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

15. Fair Value Measurement (cont'd)

a. Fair Value Hierarchy (cont'd)

The following tables provide the fair values of the Union's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation with the fair value hierarchy.

	30 June 2016			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements				
Financial assets at fair value through profit or loss:	-	-	-	-
Available-for-sale financial assets:	-	453,744	-	453,744
Total financial assets recognised	-	453,744	-	453,744
<i>Non-financial assets</i>				
Freehold land & buildings	-	313,189	-	313,189
Total non-financial assets recognised	-	313,189	-	313,189

	30 June 2015			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements				
Financial assets at fair value through profit or loss:	-	-	-	-
Available-for-sale financial assets:	-	453,744	-	453,744
Total financial assets recognised at fair value	-	453,744	-	453,744
<i>Non-financial assets</i>				
Freehold land & buildings	-	319,549	-	319,549
Total non-financial assets recognised at fair value	-	319,549	-	319,549

b. Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

Description	Fair Value at 30 June 2016 \$	Valuation Technique(s)	Inputs Used
Available for sale financial assets	\$453,744	Income approach using discounted cash flow methodology	Price per share, market yield
<i>Non-financial assets</i> Freehold land & buildings	\$313,189	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Price per square metre, borrowing rate

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

15. Fair Value Measurement (cont'd)

c. Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the statement of financial position, but their fair values are disclosed in the notes:-

- accounts receivable and other debtors;
- accounts payable and other payables; and
- lease liabilities.

The following table provides the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation techniques(s) and inputs used:

Description	Fair Value at Hierarchy Level	Valuation Technique(s)	Inputs Used
<i>Assets</i> Accounts receivable and other debtors	3	Income approach using discounted cash flow methodology	Market interest rates for similar assets

Description	Fair Value at Hierarchy Level	Valuation Technique(s)	Inputs Used
<i>Liabilities</i> Accounts payable and other payables	3	Income approach using discounted cash flow methodology	Market interest rates for similar assets
Lease liabilities	2	Income approach using discounted cash flow methodology	Current commercial borrowing rates for similar instruments

16. Affiliation Fees

	2016 \$	2015 \$
South West Trades & Labour Council	1,125	1,500
Australian Labour Party Victorian Branch	96,412	120,610
Victorian Trades Hall Council	53,350	52,280
Bendigo Trades Hall Council	1,080	810
Geelong & Region Trades & Labour Council	3,645	3,565
Sunraysia Trades & Labour Council	1,300	2,100
Gippsland Trade & Labour Council	1,455	387
	<u>158,367</u>	<u>181,252</u>

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

17. Other Disclosures

The Union did not receive financial support from any other reporting unit during the year, nor did it provide such financial support. Except as disclosed in the Statement of Profit and Loss, there were no expenses in connection with holding meetings of members of the Union and any conferences or meetings of councils, committees, panels or other bodies for the holding of which the Union was wholly or partly responsible.

There was no restructuring or amalgamation of the Branch with any other reporting entity during the year.

At the end of the reporting period, \$77,035 (2015: 127,324) of legal fees were included in creditors and accruals. These legal fees are related to other matters. There were no unpaid commissions for employer payroll deductions at the end of the reporting date (2015: \$nil).

There were no compulsory or voluntary levies, fees and allowances or grants paid by the Union (2015: \$nil) except as already disclosed in this report. There were no penalties paid via the RO Act or Regulations this year (2015: \$nil).

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE AUSTRALIAN WORKERS UNION
(VICTORIAN BRANCH)
YEAR ENDED 30 JUNE 2016**

To the Members of Australian Workers Union (Victorian Branch)

Scope

The financial report and Branch Executive responsibility

The financial report comprises the Certificate of Branch Executive, Statement of Profit & Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement, and accompanying notes to the financial statements for the Australian Workers Union for the period ended 30 June 2016 set out on pages 3 to 30.

The Branch Executive are responsible for the preparation and true and fair presentation of the financial report in accordance with Australian Accounting Standards, the Reporting Guidelines of the General Manager of FWC and other mandatory financial reporting requirements in Australia. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the Victorian Branch. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with Australian Accounting Standards, the Reporting Guidelines of the General Manager of FWC and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Union's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting estimates made by members of the Branch Executive.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

**INDEPENDENT AUDIT REPORT
(cont'd)**

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion


In our opinion, under the Fair Work (Registered Organisations) Act 2009, the general purpose financial report is presented fairly in accordance with any of the following that apply in relation to the reporting unit:

- a. Australian Accounting Standards, and Australian Accounting interpretations;
- b. in relation to recovery of wages activity;
 - (i) that the scope of the audit encompassed recovery of wages activity
 - (ii) that the financial statements and notes and recovery of wages activity fairly report all information required by the reporting guidelines of General Manager of FWC, including;
 - 1. Any fees charged to or reimbursements of expenses claimed from members and others for recovery of wages activity; and
 - 2. Any donations or other contributions deducted from recovered money; and
- c. Any other requirements imposed by these Reporting Guidelines or the Fair Work (Registered Organisations) Act 2009.

In our opinion, there were kept by the organisation satisfactory accounting records detailing the source and nature of all income and the nature of all expenditure.

As part of our audit of the organisation for the year ended 30 June 2016, we are of the opinion that management's use of the going concern basis of accounting in the preparation of its financial statements is appropriate.


Stannards Accountants & Advisors


MB Shulman
Registered Company Auditor (163888)
Holder of Current Public Practice Certificate
Approved Auditor (FWC Act and Regulations)

AWU (Vic Branch) Remuneration Report

Pursuant to the rules and the FWC Legislation, the Branch Executive makes the following disclosure for the year ended 30 June 2016:-

Remuneration received by any officeholder in connection with them holding office this year at AWU (Vic Branch) or as a member of a Board where such position is held because the officer is an officer of the Branch or was nominated for the position by the Branch or a peak council, as set out below for the 2 highest paid officeholders was:-

	Short Term Benefits \$	Post-Employment Benefits \$	Other Revenue \$
Ben Davis	111,382	11,423	130
Jimmy Mastrandonakis	94,595	14,378	130

AWU (Vic Branch)
Personal Interests

Pursuant to the rules, the Branch Executive confirms that no officer of the Branch held any personal interest in a matter that the officer has or acquired, or a relative of the officer has or acquired that relates to the affairs of the Union.

AWU (Vic Branch) Related Party Transactions

Pursuant to rules, the Branch Executive confirms that the following payments / receipts occurred in relation to related parties and / or declared parties for the year ended 30 June 2016:

Transactions with National Office, Branches and Related Entities

AWU (Vic Branch) paid levies/subsidies to the National Office.

	2016 \$	2015 \$
During the year, AWU (Vic Branch) paid to the National Office a subsidy calculated in accordance with the rules.	638,262	691,063
It also paid an IR levy as follows:-	15,528	24,269

AWU (VIC Branch) also paid the following sundry charges to Branches:-

	2016 \$	2015 \$
Queensland Branch	-	1,078
NSW Branch	2,523	2,624
WA Branch	-	-
NCLE Branch	-	-

AWU (VIC Branch) received sponsorships from National Office this year as follows:

2016 \$	2015 \$
49,500	45,000

Related Party balances at year end

Amounts receivable/(payable) at reporting date
– Federal office and other branches

	2016 \$	2015 \$
National Office	(29,042)	1,850
AWU NSW Branch	-	-
AWU Queensland Branch	-	-
NCLE Branch	-	-
Chifley Financial Services	-	(2,872)
	(29,042)	(1,022)

A loan owing to the National Office of \$1,231,180 is interest free and unsecured.

**AUSTRALIAN WORKERS UNION
VICTORIAN BRANCH
(AWU)**

**AUDIT
FOR THE YEAR
ENDED 30 JUNE 2016**

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1. INTRODUCTION

1.1 Purpose of Report

We have completed our interim and final balance date audits of AWU for the year ended 30 June 2016. This report sets out a summary of our findings.

1.2 Scope of Review

In undertaking our audit this year, our principal procedures this year included:

- On-going review of the internal control environment adopted by AWU;
- reconciliation of AWU's divisional results (as reported in the 30 June 2016 management accounts) to source documentation;
- a comparison of results reported in the current period to those of prior periods, aimed at identifying unusual or significant trends;
- a review of major balance sheet account reconciliations prepared by management, aimed at identifying unusual or long standing reconciling items; and
- a search for unrecorded liabilities.

Significant matters arising from our review are set in Section 2 of this report.

The nature of an audit is influenced by selective testing and the availability of persuasive rather than conclusive evidence and therefore cannot guarantee that all misstatements have been detected. Our audit process focuses on those risks with the potential for a significant financial statement impact.

It should however be noted, on the basis of the procedures outlined above, we have no reason to believe that AWU's results from operations (as summarised below) for the year ended 30 June 2016 and its financial position at that date are not reasonably stated. Further, we shall be in a position to sign AWU's accounts, once they have been approved by the Branch Executive of AWU.

Set out below are the results generated by AWU this year.

Results from Operations

	<i>Profit after Tax</i> <i>30 June 2016</i> <i>\$000</i>	<i>Profit after Tax</i> <i>30 June 2015</i> <i>\$000</i>
Membership Income	5,835	6,074
OH&S Training Fees	97	76
Insurance Brokerage Fee	752	781
Grants	682	649
Meeting & Social Functions	14	27
Sponsorships	137	137
Other Income	164	478
Gross Revenue	7,681	8,222
Employee Costs	(4,396)	(4,687)
Other Costs	(3,368)	(3,930)
Net (Loss) / Profit	(83)	(395)

The overall result of AWU this year has improved vis-à-vis the 2015 year (albeit a loss has been recorded). Revenue has decreased by some \$0.541 million overall (predominantly as a result of reduced membership income arising from reduced membership numbers). During the period, expenditure has been well controlled and as a result, it fell by some \$0.853 million. Given the above, AWU incurred a loss in 2016 of \$0.083 million.

1.2 Scope of Review (cont'd)

For the 2016/17 year AWU is forecasting a loss of \$0.056 million. Despite this year's loss, the net asset backing and cash reserves of AWU will facilitate it operating as a going concern.

Having said this, and despite AWU's asset base, we reiterate prior year comments, that is, AWU must:-

- continue to implement membership retention and growth policies to strengthen its existing membership base;
- closely assess all expenditure (nature and amount), where necessary eliminating discretionary expenditure that does not benefit the organisation and/or its members; and
- ensure its activities do not expose it to financial risks which will impact future cash reserves. In this regard, we are aware that the current ESSO proceedings are ongoing which may impact AWU financially in 2016/17.

2. AUDIT MATTERS

As a result of our audit procedures, we have identified a number of matters that are detailed below for the Branch Executive's information.

2.1 Reconciliations Review

The major assets and liabilities of AWU comprise cash, investments, receivables, plant and equipment, accounts payable and employee entitlements. A summary of our findings from our review of reconciliations of those accounts at 30 June 2016 is as follows:-

Balance Sheet Account	AWU
Cash at Bank	✓
Investments	✓
Receivables	✓
Plant & Equipment	✓
Accounts Payable	✓
Employee Entitlements	✓

✓ Reconciliation adequately completed at 30 June 2016 – no long standing or unreconcilable items exist.

2.2 Employee Entitlements

AWU currently accrues for employee entitlements based upon its organisational policies pertaining to the same. Such policies comply with 'Employment Law' and 'Accounting Standards', albeit, we note (as in 2015) that 'on-costs' have not accrued on year end entitlements. We recommend that consideration be given to accruing on-costs, as a matter of best practice.

2.3 Revenue Recognition

In 2018, the 'new' revenue recognition accounting standard will be operative. Whilst we believe AWU complies with that standard, it will be necessary to assess all sources of revenue, to ensure that the same is not being recognised as income, until control of such income vests with AWU. This approach is currently adopted for Incolink grants and 'like' funding, and will be necessary for all grants and other income sources in 2018.

2.4 *Audit Adjustments*

We note that on completion of our audit, there are no material unadjusted audit differences to report. The financial record keeping of AWU is very satisfactory based upon our knowledge of similar organisations. This facilitates effective decision making based on monthly management accounts prepared by the organisation.

2.5 *FWC Legislation*

AWU is required under the FWC legislation to ensure its annual financial report is lodged in accordance with specified timelines and in adherence with the FWC Act and Regulations. It should ensure compliance thereto to avoid FWC incurring penalties.

We advise based upon our audit procedures, that the Branch accounts (in our view) are fully compliant with FWC legislation.

2.6 *Compliance Review*

As part of our audit of AWU this year, we have again assessed compliance of the Branch with its documented policies and procedures pertaining to expenditure, procurement and card usage. Such assessment was undertaken on a sample basis, and we advise that we did not become aware of any deficiencies based upon our review. In particular, it appears procurement and expenditure is being undertaken appropriately in accordance with the documented policies and procedures.

We also advise that we have reviewed membership numbers reported by AWU, and believe they reflect Section 171A and 172 of the FW Act. We note that this is an area of FWC focus. AWU must continue to ensure any 'exempt' members still qualify as members under section 172, and that the register of members is accurately maintained for new members, resignations and unfinancial members.

3. *GENERAL*

- 3.1 In accordance with our firm policy, we advise that neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party other than AWU in respect of this report, including any errors or omissions therein, arising through negligence or otherwise however caused.
- 3.2 This report is not to be used for any purpose other than those specified herein, nor may extracts or quotations be made without our express pre-written approval.