SHOP, DISTRIBUTIVE AND ALLIED EMPLOYEES' ASSOCIATION

ANNUAL FINANCIAL REPORT
30 June 2020

Contents

Contents (continued)

Operating Report

For the year ended 30 June 2020

The members of the National Executive present their Operating report together with the financial report of Shop, Distributive & Allied Employees' Association ('the Association') for the financial year ended 30 June 2020 and the auditor's report thereon.

1. Membership

Membership of the Association as at 30 June 2020 was 207,859 (2019: 203,867).

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

2. Committee of management

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

Name	Experience
Mr Michael Donovan National President	National Executive Member since 1996 National Vice President 2014-2018 National President since November 2018
Ms Barbara Nebart National Vice President	National Executive Member since 2004 National Vice President since November 2018
Mr Gerard Dwyer National Secretary-Treasurer	National Executive Member since 2005 National President 2008-2014 National Secretary-Treasurer since 2014
Ms Julia Fox National Assistant Secretary	National Executive Member since 2016 National Assistant Secretary since 2016
Mr Paul Griffin	National Executive Member since 1990
Mr Josh Peak	National Executive Member since 2019
Mr Bernie Smith	National Executive Member since 2014
Mr Chris Gazenbeek	National Executive Member since 2014
Mr Peter O'Keeffe	National Executive Member since 2014

Operating Report (continued)

3. Affiliations & Directorships

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

The Association is affiliated with the Australian Council of Trade Unions ("ACTU"). The National Secretary-Treasurer is Senior Vice President of the ACTU, and a director of ACTU Trustee companies ACTU Member Connect Pty Ltd and The Union Education Foundation Limited. Three other representatives of the Association are also members of the ACTU Executive. Officials of the Association are active on a range of ACTU Committees, including finance, governance, tax, health and safety, women, vocational education and training, workers capital, international and industrial legislation.

The Association is affiliated to Union Network International ("UNI"). Various officials of the Association hold elected positions within UNI. The National Secretary-Treasurer is Vice President of UNI-APRO. The National Secretary-Treasurer is President of UNI-APRO Commerce Sector. The National Assistant Secretary is Vice President of UNI World Women's Committee.

4. Principal activities

The Association maintained its industrial awards and agreements and produced a range of publications for its members.

During the Coronavirus pandemic the Association has worked to protect the health and safety, and financial security, of essential retail, fast food, pharmacy and warehousing workers who have continued to work tirelessly at the frontline.

During the year ended 30 June 2020, the Association continued with its significant campaign on Customer Violence & Abuse in Retail and Fast Food, called "No One Deserves A Serve". This campaign produced a range of materials to address the increased levels of customer abuse and violence experienced by members as a result of the COVID-19 pandemic.

Enterprise agreements were negotiated with a range of employers, including but not limited to Dan Murphy's, Officeworks, KFC, Just Group, Freedom Furniture, Dulux Trade and a range of warehouse agreements. These agreements all resulted in improved wages and working conditions for the employees covered by them.

The Association continues its defence of penalty rates in the Hair and Beauty Award and also protects other entitlements from attack by employers. The Association also promotes and protects members interests by participating in a range of legislative inquiries and reviews.

There were no significant changes in the Association during the financial year in the nature of its activities and financial affairs. At 30 June 2020, there were 16.2 effective full-time equivalent employees of the National Office of the Association (2019: 16.1).

Further information is available on the SDA National website at www.sda.org.au.

5. SDA Report to the Workplace Gender Equality Agency

The Shop, Distributive and Allied Employees' Association, as required by the *Workplace Gender Equality Act 2012,* lodged its public report for the reporting year 2019-2020, to the Workplace Gender Equality Agency, on the 30 July 2020. The report is available on the SDA National website at www.sda.org.au.

Operating Report (continued)

6. Superannuation Trustees

Four representatives of the Association hold positions as Directors of the Retail Employees' Superannuation Trust ("REST"). Below are the directors as at 30 June 2020, and those nominated as alternate Employee Directors.

Directors:	Alternates:
• Dr Adam Walk	• Mr Gerard Dwyer
• Mr Ian Blandthorn	• Mr Michael Donovan
• Mr Michael Tehan	• Ms Aliscia Di Mauro
• Ms Julia Fox	• Ms Helen Cooney

7. Information to be provided to Members or General Manager

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

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

Dated at Melbourne this 15th day of September, 2020.

Michael Donovan
National President

Gerard Dwyer
National Secretary – Treasurer

Committee of Management Statement

For the year ended 30 June 2020

We, Gerard Dwyer and Michael Donovan, being two members of the National Executive of the Association, do state on behalf of the National Executive and in accordance with a resolution passed by the National Executive on 15th September 2020 in relation to the accompanying general purpose financial report that, in the opinion of the National Executive:

(a) the financial statements and notes set out on pages 10 to 57 comply with the Australian Accounting Standards;

(b) the financial statements and notes set out on 10 to 57 comply with any other requirements imposed by the Reporting Guidelines or Part 3 of Chapter 8 of the Fair Work (Registered Organisations) Act 2009 (the RO Act);

(c) the financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the association for the financial year ended 30 June 2020;

(d) there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable; and

(e) during the financial year ended 30 June 2020 and since the end of that year:

(i) meetings of the committee of management were held in accordance with the rules of the organisation including the rules of a branch concerned; and

(ii) the financial affairs of the Association have been managed in accordance with the rules of the organisation including the rules of a branch concerned; and

(iii) the financial records of the Association have been kept and maintained in accordance with the RO Act; and

(iv) where the organisation consists of two or more reporting units, the financial records of the reporting unit have been kept, as far as practicable, in a consistent manner with each of the other reporting units of the organisation; and

(v) where information has been sought in any request by a member of the reporting unit or Commissioner duly made under section 272 of the RO Act has been provided to the member or Commissioner; and

(vi) where any order for inspection of financial records has been made by the Fair Work Commission under section 273 of the RO Act, there has been compliance.

This declaration is made in accordance with a resolution of the committee of management.

Dated at Melbourne this 15th day of September, 2020.

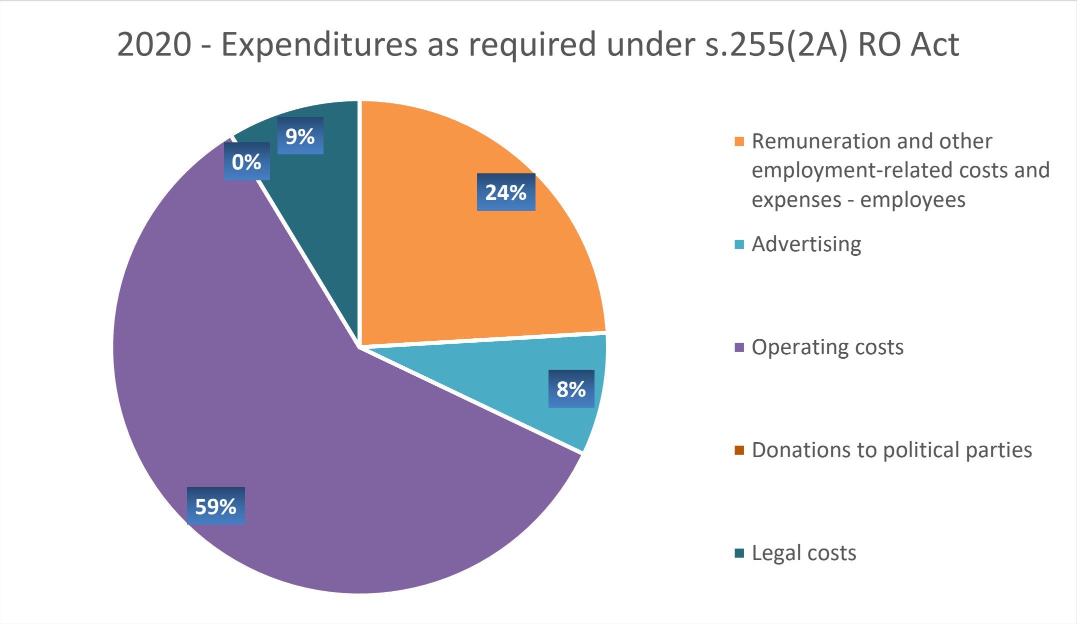
Michael Donovan
National President

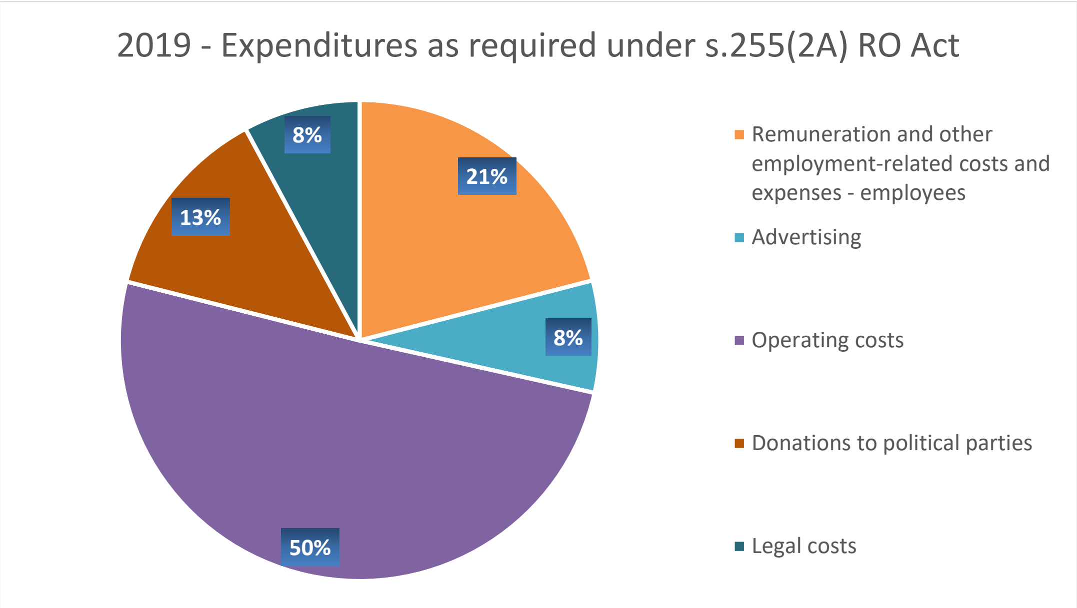
Gerard Dwyer
National Secretary - Treasurer

Expenditure Report Required Under Subsection 255(2A)

For the year ended 30 June 2020

The committee of management presents the expenditure report as required under subsection 255(2A) on the Association for the year ended 30 June 2020.





Dated at Melbourne this 15th day of September, 2020.

Michael Donovan
National President

Gerard Dwyer
National Secretary - Treasurer

Officer Declaration Statement

I, Gerard Dwyer, being the National Secretary-Treasurer of the Shop Distributive & Allied Employees' Association, 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 revenue via compulsory levies
- receive other income via grants or donations
- receive other income via revenue from undertaking recovery of wages activity
- incur fees as consideration for employers making payroll deductions of membership subscriptions
- pay capitation fees to another reporting unit
- pay compulsory levies
- pay a penalty imposed under the RO Act or the Fair Work Act 2009
- have a receivable with other reporting units
- have a payable to an employer for that employer making payroll deductions of membership subscriptions
- have a fund or reserve account in equity for compulsory levies, voluntary contributions or required by the rules of the organisation
- transfer to or withdraw from a fund or reserve account in equity (other than the general fund in equity), account, asset or controlled entity
- have a balance within the general fund in equity
- have another entity administer the financial affairs of the reporting unit
- make a payment to a former related party of the reporting unit

Dated at Melbourne this 15th day of September, 2020.

Gerard Dwyer
National Secretary - Treasurer

Statement of Financial Position

As at 30 June 2020

	Note	2020 $	2019 $
Assets			
Cash and cash equivalents	*10*	1,347,172	1,426,029
Trade and other receivables	*11*	521,912	509,352
Other financial assets	*12*	27,974,333	27,000,000
Total current assets		29,843,417	28,935,381
Property, plant and equipment	*14*	935,954	600,188
Investment property	*15*	27,500,000	28,000,000
Employee benefits	*17*	5,468	192,903
Total non-current assets		28,441,422	28,793,091
TOTAL ASSETS		**58,284,839**	**57,728,472**
Liabilities			
Trade and other payables	*16*	376,649	376,627
Employee benefits	*17*	963,392	808,698
Total current liabilities		1,340,041	1,185,325
Employee benefits	*17*	12,679	33,657
Total non-current liabilities		12,679	33,657
TOTAL LIABILITIES		**1,352,720**	**1,218,982**
NET ASSETS		**56,932,119**	**56,509,490**
Equity			
Retained earnings		56,932,119	56,509,490
TOTAL EQUITY		**56,932,119**	**56,509,490**

The notes on pages 14 to 57 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020	2019
		$	$
Revenue			
Affiliation fees	21	6,681,505	6,566,153
Rental income	15(a)	1,536,546	1,423,322
Total revenue		8,218,051	7,989,475
Other income	6	1,001,017	5,225,820
Total other income		1,001,017	5,225,820
Total income		**9,219,068**	**13,215,295**
Expenditure			
53 Queen St, Melbourne - direct operating expenses	15(a)	650,028	634,483
53 Queen St, Melbourne – fair value decrement	15(a)	500,000	-
Advertising		776,776	716,007
Affiliation fees	21	2,243,498	2,147,376
Audit fees	22	35,002	33,836
Depreciation	14	116,892	98,990
Grants and donations	8	228,140	1,618,565
Legal costs	9	840,195	748,510
Administration expenses	7	734,272	707,747
Information communications technology		579,600	327,731
Other expenses	13	613,054	395,792
Personnel expenses	18	2,332,520	1,996,972
Travel expenses		158,490	192,599
Total Expenses		**9,808,467**	**9,618,608**
Result from Operating Activities		**(589,399)**	**3,596,687**
Finance income			
Interest income	12	312,642	621,727
Net gain on financial instruments held at fair value through profit or loss	12	774,333	-
Total finance income		**1,086,975**	621,727
Income tax expense	4(m)	**-**	**-**
Surplus / (deficit) for the year		**497,576**	**4,218,414**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Re-measurement of defined benefit asset (loss)/gain	17	(74,947)	(184,338)
Income tax on other comprehensive income		-	-
Items that are or may be reclassified to profit or loss		-	-
Other comprehensive (loss)/income, net of tax		(74,947)	(184,338)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**422,629**	**4,034,076**

The notes on pages 14 to 57 are an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2020

	Note	Retained earnings $	Total equity $
Balance at 1 July 2019		56,509,492	56,509,490
Total comprehensive income for the period			
Surplus / (deficit) for the period		497,576	497,576
Other comprehensive income			
Re-measurement of defined benefit asset, net of tax	*17*	(74,947)	(74,947)
Total comprehensive income for the period		422,629	422,629
Transactions with members of the Association, recognised directly in equity		-	-
Balance at 30 June 2020		**56,932,119**	**56,932,119**

		Retained earnings $	**Total equity $**
Balance at 1 July 2018		52,475,414	52,475,414
Total comprehensive income for the period			
Surplus / (deficit) for the period		4,218,414	4,218,414
Other comprehensive income			
Re-measurement of defined benefit asset, net of tax	*17*	(184,338)	(184,338)
Total comprehensive income for the period		4,034,076	4,034,076
Transactions with members of the Association, recognised directly in equity		-	-
Balance at 30 June 2019		**56,509,490**	**56,509,490**

The notes on pages 14 to 57 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020	2019
		$	$
Cash flows from operating activities			
Cash receipts from operations			
Cash receipts from other reporting units	*19b*	8,272,516	8,602,216
Cash receipts from other sources		1,717,725	1,811,598
Total cash receipts from operations		**9,990,241**	**10,413,814**
Cash payments used in operations			
Cash paid to suppliers		(8,264,330)	(9,009,723)
Cash paid to employees		(1,286,485)	(1,138,764)
Cash paid to other reporting units	*19b*	(274,045)	(182,433)
Total cash payments used in operations		(9,824,860)	(10,330,920)
Cash generated/(used in) from operations		165,381	82,894
Interest, dividends & capital gains received		1,183,629	617,762
Net cash from/(used in) operating activities	*19a*	**1,349,010**	**700,656**
Cash flows from investing activities			
(Acquisition of) /proceeds from term deposits		21,800,000	(300,000)
(Acquisition of) /proceeds from managed funds		(22,774,333)	-
(Acquisition of) property, plant and equipment	*14*	(457,790)	(126,506)
(Acquisition of) fixtures and fittings for investment property	*15*	-	(111,570)
Proceeds from sale of property, plant and equipment		4,256	10,180
Net cash (used in)/from investing activities		**(1,427,867)**	**(527,896)**
Cash flows from financing activities			
Net cash from/(used in) financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		(78,857)	172,760
Cash and cash equivalents at 1 July		1,426,029	1,253,269
CASH AND CASH EQUIVALENTS AT 30 JUNE	*10/19a*	**1,347,172**	**1,426,029**

The notes on pages 14 to 57 are an integral part of these financial statements.

Notes to Financial Statements

1. Reporting entity

Shop, Distributive & Allied Employees' Association (the 'Association') is an Association domiciled in Australia. The address of the Association's registered office is Level 6, 53 Queen Street, Melbourne. The financial report of the Association for the financial year ended 30 June 2020 comprises the National Account and the International Fund. The Association is a not-for-profit entity and primarily is involved in retail trade union activities.

2. Basis of preparation

a) Statement of compliance

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 Organisations) Act 2009.

The financial statements were approved by the National Executive on the 15th day of September, 2020.

b) Basis of measurement

The financial statements have been prepared on an accrual basis and in accordance with the historical cost, except for the following material items in the statement of financial position:

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

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.

c) Functional and presentation currency

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

d) Comparative amounts

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

e) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Judgements

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

- Note 15 – Investment property.

Notes to Financial Statements (continued)

2. Basis of preparation (continued)

e) Use of estimates and judgments (continued)

(ii) Assumptions and estimation uncertainties (continued)

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

- Note 17 – Employee benefits.

Measurement of fair values

A number of the Association's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Association has an established control framework with respect to the measurement of fair values. Significant fair value measurements are overseen and reviewed regularly, including unobservable inputs and valuation adjustments. If third party information is used to measure fair values, the Association assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASBs, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reviewed by the Association's Audit and Risk Committee.

When measuring the fair value of an asset or a liability, the Association uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Association recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 12 – Other financial assets
- Note 15 – Investment property.

Notes to Financial Statements (continued)

3. New Australian Accounting Standards

a) Adoption of new Australian accounting standards

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

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

- AASB 15 Revenue from Contracts with Customers, which replaces AASB 118 Revenue, and AASB 1058 Income of Not-for-Profit-Entities, which replaces in the income recognition requirements of AASB 1004 Contributions; and
- AASB 16 Leases and amending standards, which replaces AASB117 Leases.

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

AASB 15 Revenue from Contracts with Customers supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. AASB 15 also includes implementation guidance to assist not-for-profit entities to determine whether particular transactions, or components thereof, are contracts with customers. If a transaction is outside the scope of AASB 15, the recognition and measurement of income arising from the transaction may instead be specified by another Standard, for example AASB 1058 Income of Not-for-Profit Entities.

AASB 1058 replaces the income recognition requirements in AASB 1004 Contributions that had previously applied to the Association. AASB 1058 provides a more comprehensive model for accounting for income of not-for-profit entities and specifies that:

- the timing of revenue or income recognition will depend on whether a performance obligation is identified or a liability is recognised;
- not-for-profit lessees can elect to recognise assets, including leases provided at significantly less than fair value, at their fair value; and
- all not-for-profit entities can elect to recognise volunteer services at fair value if the fair value of those services can be reliably measured.

The Association adopted AASB 15 and AASB 1058 using the modified retrospective method of adoption, with the date of initial application of 1 July 2019. In accordance with the transition approach, the Association recognised the cumulative effect of applying these new standards as an adjustment to opening retained earnings at the date of initial application, i.e., 1 July 2019. Consequently, the comparative information presented has not been restated and continues to be reported under the previous standards on revenue and income recognition.

The adoption of AASB 15 and AASB 1058 did not have a material impact on the Association's financial statements.

Notes to Financial Statements (continued)

3. New Australian Accounting Standards (continued)

a) Adoption of new Australian accounting standards (continued)

Impact on adoption of AASB 16 Leases

AASB 16 Leases supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases—Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have an impact for leases where the Association is the lessor.

The Association has adopted AASB 16 using the modified retrospective method of transition, with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Association elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 July 2019.

Instead, the Association applied the standard only to contracts that were previously identified as leases applying AASB 117 and Interpretation 4 at the date of initial application. The Association does not have any lease contracts as a lessee at 1 July 2019.

The Association leases to third parties some of the floors of its investment property, 53 Queen Street, Melbourne. The Association is not required to make any adjustments on transition to AASB 16 where it is a lessor. Accordingly, AASB 16 does not have any impact on the Association.

b) Future Australian accounting standards requirements

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

(i) AASB 2020-1 – Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. For example, the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. This Standard applies to annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

Notes to Financial Statements (continued)

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements by the Association.

a) Revenue

(i) Affiliation fees

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies:

Nature and timing of satisfaction of performance obligation	Revenue recognition under AASB 15 and AASB 1058 (applicable from 1 July 2019)	Revenue recognition before 1 July 2019 by the Association
Affiliation fees are fees received from the Branches of the Association in accordance with the rules of the Association. Such fees are referred to as affiliation fees in the rules and are calculated as a percentage of gross Branch membership income and paid annually in March for the financial year (1 July to 30 June).	Affiliation fees that are enforceable with sufficiently specific performance obligations are recognised over the financial year to which it relates and accounted for on an accrual basis. The consideration received or receivable is allocated based on the relative stand-alone price to the performance obligation. The stand-alone price is determined in accordance with the rules of the Association.	Revenue (received or receivable) from affiliation fees is accounted for on an accrual basis under AASB 118 Revenue standard and is recorded as revenue in the financial year to which it relates. Revenue is measured at the fair value of the consideration received or receivable.

AASB 15 uses the terminology 'Customers' to describe the source of the revenue. The most significant source of revenue for the Shop, Distributive & Allied Employees Association comes from Branches. Branches pledge themselves to advance the objectives of the organisation, make financial contributions to further those objectives and receive in return access to mutual assistance consistent with the organisation's objectives. Whilst in many senses the mutuality of Branches means they are the organisation, for the purposes of the accounting standards the term 'Branches' and its meaning in terms of revenue is the same as the accounting term of 'Customers' in the standard AASB 15.

(ii) Rental Income

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

Notes to Financial Statements (continued)

4. Significant accounting policies (continued)

b) Finance income and finance costs

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

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Interest income is recognised on an effective interest rate basis except for debt instruments other than those financial assets that are recognised at fair value through profit or loss. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

c) Sale of assets

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

d) Affiliation fees and levies

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

e) Employee benefits

(i) Defined benefit plans

The Association's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Association, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Association determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Association recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Notes to Financial Statements (continued)

4. Significant accounting policies (continued)

e) Employee benefits

(ii) Other long-term employee benefits

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

(iii) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts and expensed based on remuneration wage and salary rates that the Association expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Amounts that are expected to be settled beyond 12 months are measured in accordance with long term benefits.

f) Leases

The Association assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Association applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Association recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Association recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Association at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Notes to Financial Statements (continued)

4. Significant accounting policies (continued)

f) Leases (continued)

(i) As a lessee (continued)

Lease liabilities

At the commencement date of the lease, the Association recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Association and payments of penalties for terminating the lease, if the lease term reflects the Association exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

In calculating the present value of lease payments, the Association uses the implicit the interest rate or incremental borrowing rate if the implicit lease rate is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Association's short-term leases are those that have a lease term of 12 months or less from the commencement. It also applies the lease of low-value assets recognition exemption to leases that are below $5,000. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Notes to Financial Statements (continued)

4. Significant accounting policies (continued)

f) Leases (continued)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Association allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Association acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Association makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Association considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Association is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Association applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Association applies AASB 15 to allocate the consideration in the contract.

The Association applies the de-recognition and impairment requirements in AASB 9 to the net investment in the lease. The Association further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Association recognises lease payments received under operating leases as income on a straightline basis over the lease term.

Generally, the accounting policies applicable to the Association as a lessor in the comparative period were not different from AASB 16.

g) Cash

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

Notes to Financial Statements (continued)

4. Significant accounting policies (continued)

h) Financial instruments

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

Financial assets

(i) Initial recognition and measurement

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

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

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Association commits to purchase or sell the asset.

(ii) Subsequent measurement

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

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

Notes to Financial Statements (continued)

4. Significant accounting policies (continued)

h) Financial instruments (continued)

(ii) Subsequent measurement (continued)

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

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

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

The Association's financial assets at amortised cost includes trade and other receivables, term deposits held with the Commonwealth Bank of Australia (see note 12) and cash and cash equivalents.

(iii) De-recognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Association has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

  a) the Association has transferred substantially all the risks and rewards of the asset; or

  b) the Association has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

(iv) Offsetting

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

Notes to Financial Statements (continued)

4. Significant accounting policies (continued)

h) Financial instruments (continued)

Impairment of financial assets

(i) Trade receivables

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

Therefore, the Association does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Association has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(ii) Debt instruments other than trade receivables

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

(iii) Debt instruments other than trade receivables

ECLs are recognised in two stages:

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

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

Notes to Financial Statements (continued)

4. Significant accounting policies (continued)

h) Financial instruments (continued)

Financial liabilities

(i) Initial recognition and measurement

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

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

The Association's financial liabilities include trade and other payables.

(ii) Subsequent measurement

After initial recognition, trade payables and other payables are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

(iii) De-recognition

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

Share capital

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

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Association at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

Notes to Financial Statements (continued)

4. Significant accounting policies (continued)

i) Contingent assets and liabilities

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

j) Property, plant and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

Notes to Financial Statements (continued)

4. Significant accounting policies (continued)

j) Property, plant and equipment

(iii) Depreciation

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

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and adjusted as appropriate.

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

	2020	2019
Leasehold improvements	**5 – 20 years**	**5 – 20 years**
Fixtures and fittings	**4 – 20 years**	**4 – 20 years**
Motor vehicles	**8 years**	**8 years**

(iv) De-recognition

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

k) Investment property

Investment properties are properties held to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit and loss in the period in which they arise. Refer to note 15(b) for details of determination of fair value.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Notes to Financial Statements (continued)

4. Significant accounting policies (continued)

k) Investment property (continued)

When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

l) Impairment of non-financial assets

The carrying amounts of the Association's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. 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 Association were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

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

m) Taxation

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

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST excluded, as the Association reports to the ATO for GST on a cash-basis. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

n) Provisions

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

Notes to Financial Statements (continued)

4. Significant accounting policies (continued)

o) Fair value measurements

A number of the Association's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 23a.

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 Association. 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.

The Association 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 Association 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. External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. For the purpose of fair value disclosures, the Association 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.

p) Segment reporting

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

Notes to Financial Statements (continued)

4. Significant accounting policies (continued)

q) Financial risk management

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

i) Credit risk
ii) Liquidity risk
iii) Market risk
iv) Operational risk

Risk Management Framework

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

A detailed assessment of the Association's exposure to the above risks is included in note 23.

5. Events after the reporting period

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 Association 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 Association. 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 Association, the results of those operations, or the state of affairs of the Association in subsequent financial periods. .

Notes to Financial Statements (continued)

6. Other income

	Note	2020	2019
		$	$
Investment property - fair value increment	*15*	-	3,888,430
ACTU trust distributions	*21*	32,849	25,719
SDA Branch reimbursements	*21*	838,964	1,254,043
REST director's fees	*21*	67,580	58,790
Government COVID-19 Cash Boost		62,500	-
Gain/(loss) on disposal of assets		(876)	(1,162)
Total other income		**1,001,017**	**5,225,820**

7. Administration expenses

	2020	2019
	$	$
Delegates expenses/allowances – meetings and conferences	456,056	186,009
Conference and meeting expenses	110,501	326,593
Information technology support	42,230	36,321
Office expenses	54,867	62,405
Printing & photocopier	20,365	23,779
Subscriptions	22,789	42,325
Telecommunication	27,464	30,315
Total administration expense	**734,272**	**707,747**

8. Grants or donations

	2020	2019
	$	$
Grants:		
Total expensed that were $1,000 or less	-	-
Total expensed that exceeded $1,000	-	-
Donations:		
Total expensed that were $1,000 or less	-	-
Total expensed that exceeded $1,000	228,140	1,618,565
Total grants or donations	**228,140**	**1,618,565**

Notes to Financial Statements (continued)

9. Legal costs

	2020	2019
	$	$
Litigation	-	66,159
Other legal matters	840,195	682,351
Total legal costs	**840,195**	**748,510**

10. Cash and cash equivalents

	2020	2019
	$	$
Cash at bank	840,824	19,857
Cash management account	402,726	1,245,548
Short term deposits	103,622	160,624
Total cash and cash equivalents	**1,347,172**	**1,426,029**

11. Receivables

	2020	2019
	$	$
Other receivables:		
Accrued interest income	1,283	97,937
Sundry debtors	411,903	273,996
Prepayments	108,726	137,419
Total receivables net of impairment provision	**521,912**	**509,352**

Notes to Financial Statements (continued)

12. Other financial assets

	2020 $	2019 $
Managed Funds	22,774,333	-
Term deposits	5,200,000	27,000,000
Total other financial assets	**27,974,333**	**27,000,000**

Term deposits have stated interest rates of 0.28 to 0.56 percent (2019: 1.96 to 2.37 percent) and mature in 30 days or more. The Association's exposure to credit and interest rate risk is disclosed in note 23.

During the year ended 30 June 2020, the Association received interest income of $312,642 (2019: $621,727) from the Term Deposits. Dividends and capital growth of $774,333 (2019: nil) was generated on Managed Funds which are recognised as financial assets at fair value through profit and loss.

Measurement of fair value

Level 2 fair value – valuation technique and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Managed funds	Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds. The Fund may make adjustments to the value based on considerations such as; liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions.	Not applicable	Not applicable

The Association did not hold any financial assets with fair value measurements using significant unobservable inputs (level 3) at 30 June 2020 (2019: nil).

Notes to Financial Statements (continued)

13. Other Expenses

	2020	2019
	$	$
Consultants and professional services	578,558	341,251
Motor vehicle running costs	16,820	25,578
Other	17,676	28,963
Total other expenses	**613,054**	**395,792**

14. Property, plant and equipment

Cost	Furniture and fittings	Motor Vehicles	Leasehold Improvements	Total
	$	$	$	$
Balance at 1 July 2019	297,774	62,857	816,087	1,176,718
Acquisitions	9,971	48,055	399,764	457,790
Disposals	(21,435)	(21,818)	-	(43,253)
Balance at 30 June 2020	**286,310**	**89,094**	**1,215,851**	**1,591,255**
Balance at 1 July 2018	290,345	96,463	697,010	1,083,818
Acquisitions	7,429	-	119,077	126,506
Disposals	-	(33,606)	-	(33,606)
Balance at 30 June 2019	**297,774**	**62,857**	**816,087**	**1,176,718**
Depreciation and impairment losses				
Balance at 1 July 2019	172,784	38,418	365,328	576,530
Depreciation expense for the year	23,535	14,260	79,097	116,892
Disposals	(21,435)	(16,686)	-	(38,121)
Balance at 30 June 2020	**174,884**	**35,992**	**444,425**	**655,301**
Balance at 1 July 2018	144,534	51,389	303,881	499,804
Depreciation expense for the year	28,250	9,293	61,447	98,990
Impairments	-	(22,264)	-	(22,264)
Balance at 30 June 2019	**172,784**	**38,418**	**365,328**	**576,530**
Carrying amounts				
At 1 July 2019	124,990	24,439	450,759	600,188
At 30 June 2020	**111,426**	**53,102**	**771,426**	**935,954**
At 1 July 2018	145,811	45,074	393,129	584,014
At 30 June 2019	**124,990**	**24,439**	**450,759**	**600,188**

Notes to Financial Statements (continued)

15. Investment Property

(a) Reconciliation of carrying amount

	2020	2019
	$	$
Property		
Opening balance as at 1 July	28,000,000	24,000,000
Capital Improvements	-	111,570
Net gain/(loss) from fair value adjustment	(500,000)	3,888,430
Closing balance as at 30 June	**27,500,000**	**28,000,000**

Investment property comprises a commercial property located at 53 Queen Street, Melbourne. The Association retains possession of levels 6 and 7 as its registered head office and leases the remaining floors to third parties. Each of the leases contains an initial non-cancellable period of a minimum of three years, with fixed percentage annual rent increases. Some lease incentives were paid towards tenancy fit-outs and are being amortised over the period of the leases on a straight line basis. No contingent rents are paid. Further information about these leases are contained in Note 20.

Rental income earned and received from the investment property during the year was $1,536,546 (2019: $1,423,322).

Direct expenses incurred in relation to the investment properties that generated rental income during the year was $650,028 (2019: $634,483). During the year and as at year-end, no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal were present. The Association does not have any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

(b) Measurement of fair value

(i) Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Association's investment property at least every two years. In years where external, independent valuations are not obtained, these are substituted with Association management performing internal valuations utilising publicly available market data for properties with similar characteristics to the Association's investment property.

The fair value measurement for investment property of $27,500,000 was determined at 30 June 2020 by Gary Longden, Director and certified practising valuer of M3 Property P/L, a registered independent appraiser having an appropriate recognised professional qualification from Australian Property Institute and recent experience in the location and category of the property being valued. The fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 4(o)).

Notes to Financial Statements (continued)

15. Investment Property (continued)

(b) Measurement of fair value (continued)

(ii) Level 3 fair value – valuation technique and significant unobservable inputs

The following shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation techniques: Discounted cash flow approach (2020), Discounted cash flow approach (2019)

Discounted cash flow approach: The discounted cash flow approach involves formulating a projection of net income over a specified horizon, typically ten years, and discounting this cash flow including the projected terminal value at the end of the projection period at an appropriate rate.

The present value of this discounted cash flow represents the Market value of the property.

Significant unobservable inputs:

- 2020: Discount rate 6.49%,
- 2019: Discount rate 6.50%.

Inter-relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- 2020: The discount rate was lower (higher),
- 2019: The discount rate was lower (higher).

16. Trade and Other payables

	2020	2019
	$	$
Payables to other reporting units		
SDA Victoria	7,099	5,931
Total related party payables	**7,099**	**5,931**
Litigation	-	-
Other legal matters	93,470	44,311
PAYG withholding tax	41,273	38,864
Tenant security deposits	100,922	157,924
Other	133,885	129,597
Total other payables	**376,649**	**376,627**
Total trade and other payables are expected to be settled in:		
No more than 12 months	275,727	218,703
More than 12 months	100,922	157,924
Total trade and other payables	**376,649**	**376,627**

Notes to Financial Statements (continued)

17. Employee Benefits

	2020	2019
	$	$
Current liability		
Office holders		
Liability for long service leave	194,799	167,178
Liability for annual leave	69,288	53,331
Separation and redundancies	-	-
Other	-	-
	264,087	220,509
Employees other than office holders		
Liability for long service leave	350,832	284,947
Liability for annual leave	348,473	303,242
Separation and redundancies	-	-
Other	-	-
	699,305	588,189
	963,392	**808,698**
Non-current liability		
Employees other than office holders		
Liability for long-service leave	12,679	33,657
	12,679	**33,657**
Non-current asset		
Office holders and other employees		
Present value of funded obligations	2,382,332	2,245,200
Fair value of plan assets - funded	(2,387,800)	(2,438,103)
Recognised (asset) for defined benefit obligations	**(5,468)**	**(192,903)**

The Association makes contributions to the SDA (Victoria Branch) benefit superannuation plan, a sub-plan of the Retail Employees' Superannuation Trust, that provide defined benefit amounts for office holders and other employees upon retirement. The Association has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (such as minimum funding requirements) of the plan of the respective jurisdictions, the present value of refunds or reductions in future contributions is not lower than the balance of the fair value of the plan assets less the total present value of obligations. As such, no decrease in the defined benefit asset is necessary at 30 June 2020 (30 June 2019: no decrease in the defined benefit asset).

The following tables analyse plan assets, present value of defined benefit obligations, expense recognised in profit or loss, actuarial assumptions and other information for the plan.

Notes to Financial Statements (continued)

17. Employee Benefits (continued)

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

	2020	2019
	$	$
Net (asset)/liability for defined benefit obligations at 1 July	(192,903)	(467,459)
Contributions paid into the plan	-	-
Amount recognised in other comprehensive income - actuarial	74,947	184,338
Expenses recognised in statement of comprehensive income	112,488	90,218
Net (asset)/liability for defined benefit obligations at 30 June	**(5,468)**	**(192,903)**

Movement in the present value of the defined benefit obligations

	2020	2019
	$	$
Defined benefit obligations at 1 July	2,245,200	1,827,723
Current service cost	198,105	231,835
Interest cost	58,317	65,915
Actuarial losses/(gains) recognised in other comprehensive income (see below)	(14,351)	245,039
Benefits paid by the plan	(83,754)	(80,438)
Taxes, premium & expenses paid	(21,185)	(44,874)
Defined benefit obligations at 30 June	**2,382,332**	**2,245,200**

All benefits are vested at the end of the reporting period.

Movement in the present value of plan assets

	2020	2019
	$	$
Fair value of plan assets at 1 July	2,438,103	2,295,181
Expected return on plan assets at discount rate	143,934	207,533
Actuarial (losses)/gains recognised in other comprehensive income (see below)	(89,298)	60,701
Contributions paid	-	-
Benefits paid	(83,754)	(80,438)
Taxes and expenses	(21,185)	(44,874)
Fair value of plan assets at 30 June	**2,387,800**	**2,438,103**

Expense recognised in profit or loss

	2020	2019
	$	$
Current service costs	198,105	231,835
Net interest costs	(85,617)	(141,617)
	112,488	**90,218**

Notes to Financial Statements (continued)

17. Employee Benefits (continued)

Re-measurements of net defined benefit liability/asset

	2020	2019
		$
Loss/(Gain) on defined benefit obligation	(14,351)	245,039
(Gain)/Loss on assets	89,298	(60,701)
Recognised in other comprehensive income	**74,947**	**184,338**

Actuarial gains (and losses) recognised in other comprehensive income

	2020	2019
	$	$
Cumulative amount at 1 July	5,456	189,794
Recognised during the period	(74,947)	(184,338)
Cumulative amount at 30 June	**(69,491)**	**5,456**

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

	2020	2019
Australian Equity	17%	17%
International Equity	23%	23%
Fixed Income	6%	6%
Property	11%	9%
Cash	7%	8%
Other	36%	37%

Actuarial assumptions

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

	2020	2019
Discount rate at 30 June	2.10%	2.40%
Future salary increases	3.00%	3.75%

Notes to Financial Statements (continued)

17. Employee Benefits (continued)

Sensitivity analysis

The calculation of the defined benefit obligation (DBO) is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	2020	2019
	$	$
Additional DBO for a 1% decrease in the discount rate	193,630	175,773
Reduction in DBO for a 1% increase in the discount rate	168,116	153,801

The above sensitivities are based on the average duration of the benefit obligation determined by the actuary as at 30 June 2020 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Historical information

	2020	2019
	$	$
Present value of the defined benefit obligation	2,382,332	2,245,200
Fair value of plan assets - funded	(2,387,800)	(2,438,103)
Recognised (asset)/liability for defined benefit obligation	**(5,468)**	**(192,903)**

Funding

The plan is fully funded by the Association. The funding requirements are based on the plan fund's actuarial measurement framework set out in the funding policies of the plan. The funding is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. Employees are not required to contribute to the plan.

The Association expects to contribute NIL (2020: NIL) to its defined benefit superannuation fund during the year ending 30 June 2021 as it is currently on a contributions holiday.

Notes to Financial Statements (continued)

18. Personnel Expenses

	2020	2019
	$	$
Holders of office:		
Wages and salaries	323,760	303,720
Superannuation (including expenses related to defined benefit)	36,222	24,946
Leave and other entitlements	43,578	11,646
Separation and redundancies	-	-
Other employee expenses	52,200	54,645
Total employee expenses - holders of office	**455,760**	**394,957**
Employees other than office holders:		
Wages and salaries	1,497,381	1,326,445
Superannuation (including expenses related to defined benefit)	144,975	116,341
Leave and other entitlements	90,138	77,695
Separation and redundancies	53,425	-
Other employee expenses	90,841	81,534
Total employee expenses - employees other than office holders	**1,876,760**	**1,602,015**
Total employee expenses	**2,332,520**	**1,996,972**

Notes to Financial Statements (continued)

19. Cash Flow Reconciliation and Information

19a. Cash Flow Reconciliation

Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement:

	2020	2019
	$	$
Cash and cash equivalents as per:		
Cash flow statement	1,347,172	1,426,029
Balance sheet	1,347,172	1,426,029
Difference	-	-

Reconciliation of profit/(loss) to net cash from operating activities:

	2020	2019
	$	$
Profit/(loss) for the year	497,576	4,218,414
Adjustments for non-cash items		
Depreciation	116,892	98,990
Fair value movements in investment property	500,000	(3,888,430)
Loss/(gain) on disposal of assets	876	1,162
Actuarial gains/(losses) recognised in equity on defined benefit plan	(74,947)	(184,338)
Changes in assets/liabilities		
Change in accrued interest income	96,654	(3,965)
Change in prepayments	28,693	(23,792)
Change in sundry debtors	(137,907)	139,077
Change in pension asset/ (liability)	187,435	274,556
Change in trade and other payables	22	(20,359)
Change in provisions and employee benefits	133,716	89,341
Net cash from/(used by) operating activities	**1,349,010**	**700,656**

Notes to Financial Statements (continued)

19. Cash Flow Reconciliation and Information (continued)

19b. Cash Flow Information

	2020	2019
	$	**$**
Cash inflows		
Cash receipts from other reporting units		
SDA Newcastle	526,783	572,913
SDA New South Wales	2,247,995	2,339,436
SDA Queensland	1,362,585	1,458,635
SDA South Australia	984,625	1,055,009
SDA Tasmania	221,247	235,407
SDA Victoria	1,910,008	1,929,067
SDA Western Australia	1,019,273	1,011,749
Total cash inflows	**8,272,516**	**8,602,216**
Cash ouflows		
Cash paid to other reporting units		
SDA Newcastle	-	-
SDA New South Wales	70,055	23,585
SDA Queensland	6,854	51,438
SDA South Australia (State Union)	27,242	-
SDA Tasmania	-	-
SDA Victoria	151,516	81,152
SDA Western Australia (State Union)	18,378	26,258
Total cash outflows	**274,045**	**182,433**

Notes to Financial Statements (continued)

20. Contingent Liabilities, Assets and Commitments

Operating lease commitments—as lessor

The Association leases out its investment property (see note 15a) under operating leases. The future minimum lease income under non-cancellable leases are as follows:

	2020 $	2019 $
Within one year	1,313,886	1,273,597
After one year but not more than five years	1,373,816	1,473,506
After five years	-	-
	2,687,702	**2,747,103**

21. Related Party Disclosures

Terms and conditions of transactions with related parties

All transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances for all transactions at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2020, the association has not recorded any impairment of receivables relating to amounts owed by related parties and declared person or body (2019: $Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Branches

The Association received from its branches the following affiliation fees:

	Affiliation fees	
	2020 $	2019 $
SDA Newcastle	441,676	436,424
SDA New South Wales	1,796,771	1,761,378
SDA Queensland	1,112,495	1,126,093
SDA South Australia	804,710	808,462
SDA Tasmania	184,124	179,448
SDA Victoria	1,497,415	1,456,863
SDA Western Australia	844,314	797,485
	6,681,505	**6,566,153**

Notes to Financial Statements (continued)

21. Related Party Disclosures (continued)

Branches (continued)

The Association received from its branches the following expense reimbursements:

2020	National Website Project	ALP Election Donation	No One Deserves A Serve Campaign	IT: Workit App	IT: Intranet	Other	TOTAL
	$	$	$	$	$	$	$
SDA Newcastle (State Union)	8,843	-	18,150	9,880	-	345	**37,218**
SDA New South Wales	37,596	-	166,052	42,008	-	1,205	**246,861**
SDA Queensland	19,317	-	84,623	21,583	-	696	**126,219**
SDA South Australia	17,860	-	51,552	19,955	-	1,037	**90,404**
SDA Tasmania	3,165	-	10,200	3,536	-	109	**17,010**
SDA Victoria	29,187	-	176,576	32,611	-	582	**238,956**
SDA Western Australia	14,907	-	50,210	16,656	-	523	**82,296**
	130,875	**-**	**557,363**	**146,229**	**-**	**4,497**	**838,964**

2019	National Website Project	ALP Election Donation	No One Deserves A Serve Campaign	IT: Workit App	IT: Intranet	Other	TOTAL
	$	$	$	$	$	$	$
SDA Newcastle (State Union)	-	29,882	43,356	8,901	1,922	345	**84,406**
SDA New South Wales	-	129,048	184,971	38,441	8,301	4,621	**365,382**
SDA Queensland	-	65,616	106,293	19,545	4,221	4,264	**199,939**
SDA South Australia	-	59,307	68,213	17,666	3,815	1,636	**150,637**
SDA Tasmania	-	10,956	19,432	3,264	705	201	**34,558**
SDA Victoria	-	106,462	151,315	31,713	6,848	496	**296,834**
SDA Western Australia	-	48,729	54,884	14,515	3,135	1,024	**122,287**
	-	**450,000**	**628,464**	**134,045**	**28,947**	**12,587**	**1,254,043**

Notes to Financial Statements (continued)

21. Related Party Disclosures (continued)

The amounts paid or payable by the Association to its branches for expenses incurred on its behalf:

	2020	2019
	$	$
SDA New South Wales		
Administration expenses (office supplies)	-	2,138
Delegates expenses	13,768	17,701
Meeting expenses	6,046	-
Motor Vehicle purchase	43,964	-
Other expenses (motor vehicle running costs)	1,311	1,602
SDA Queensland		
Delegates expenses	6,230	3,517
Meeting expenses	-	43,245
SDA South Australia		
State Union - Consulting expenses	24,765	-
SDA Victoria		
Meeting expenses	56,438	-
Personnel expenses (reimbursement of Victorian payroll tax)	89,634	87,082
SDA Western Australia		
State Union – Delegate expenses	17,826	4,631
State Union – Litigation costs	-	19,240

The amounts owed to its branches at 30 June 2020 by the Association are included in payables to other reporting units in Note 16.

Notes to Financial Statements (continued)

21. Related Party Disclosures (continued)

Affiliates

The amounts paid or payable by the Association to its affiliates for expenses incurred on its behalf:

	2020	2019
	$	$
ACTU		
Affiliation fees paid	1,353,772	1,328,705
Donations – Bushfire Fund	4,100	-
Meeting expenses – attendance at conferences, forums & training	-	1,732
Union Network International (UNI)		
Affiliation fees paid	889,726	818,671
Donations – UNI-APRO Activities Fund	149,040	277,815
ALP National Secretariat		
Meeting expenses & Fund-raising dinner	-	1,045
Donations	-	1,000,000
ALP NSW		
Donation – Federal Campaign Organiser Salaries	-	116,250
WA Labor		
Donation – Federal Swan & Burt Campaign	-	46,500
ALP SA		
Meeting expenses	-	5,850
ALP Qld		
Donation	-	93,000

The Association received trust distribution income of $32,849 (2019: $25,719) from the ACTU as an affiliate. In accordance with the ACTU "Constitution, Rules and Standing Orders" this was acquitted by the ACTU as additional affiliation fees and is included above.

There were no amounts owed to its affiliates at 30 June 2020 by the Association.

Notes to Financial Statements (continued)

21. Related Party Disclosures (continued)

Other related parties

Key management personnel

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

Name	Position
Michael Donovan	Officer – National Vice-President until November 2018
	Officer – National President from November 2018
Barbara Nebart	Officer – National Vice President from November 2018
Gerard Dwyer	Officer – National Secretary-Treasurer
Julia Fox	Officer – National Assistant Secretary
Bernie Smith	National Executive Member
Paul Griffin	National Executive Member
Josh Peak	National Executive Member from June 2019
Chris Gazenbeek	National Executive Member
Peter O'Keeffe	National Executive Member

Key management personnel remuneration

The National Secretary-Treasurer and National Assistant Secretary are salaried employees of the Association with contributions made for them to a post-employment defined benefit superannuation fund. The Association also provides motor vehicles and parking and the National Secretary-Treasurer is provided accomodation when travelling to the registered National Office in Melbourne. The retiring National President was provided a motor vehicle and parking. The incoming National President and Vice-President receive honorariums. As the National Executive Members are not paid by the Association, there are only 4 remunerated officer holders of the Association for the year.

The Association pays or reimburses travel, accommodation and meal allowances for the National Officers and the National Executive Members whilst attending National Council and/or National Executive meetings or performing other Association duties, and are disclosed in the Statement of profit or loss in Delegate expenses/allowances – meetings and conferences. The National Officers and National Executive Members are allowed to keep any frequent flyer points or rewards earned as a result of such travel, the value of which cannot be determined.

Key management personnel compensation to the National Officers comprised:

	2020	2019
	$	$
Short-term employee benefits	426,867	449,950
Post-employment benefits	54,984	56,001
Other long term benefits	8,373	7,522
	490,224	**513,473**

Note 17 discloses liabilities for annual leave and long service leave for office holders.

Notes to Financial Statements (continued)

21. Related Party Disclosures (continued)

Other related parties (continued)

Key management personnel remuneration (continued)

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

Superannuation

No Contributions (2019: NIL) were made to a post-employment defined benefit fund managed by the Retail Employees' Superannuation Trust ("REST") on behalf of salaried office holders and employees other than office holders.

The Association received director fees of $67,580 (2019: $58,790) from REST for the services performed by nominated office holders and employees employed by the Association. These director fees are included in Other Income in note 6. The directors personally receive Superannuation Guarantee (SG) payments from REST for the above director fees, these are disclosed in post-employment benefits for key management personnel in Note 21.

Transactions with key management personnel and their close family members

	2020	2019
	$	$
Loans/to from key management personnel		
Other transactions with key management personnel		
	-	-
	-	**-**

22. Auditor's Remuneration

	2020	2019
	$	**$**
Audit services		
Auditors of the Association		
KPMG Australia:	35,002	33,836
Audit and review of financial reports	35,002	33,836
Other services		
Auditors of the Association		
KPMG Australia:	2,917	2,810
Other assurance services	2,917	2,810
Total auditors' remuneration	**37,919**	**36,646**

Notes to Financial Statements (continued)

23. Financial Instruments

23a. Categories of Financial Instruments

Financial assets	**2020**	**2019**
	$	**$**
Amortised cost:		
Cash and cash equivalents	1,347,172	1,426,029
Receivables	521,912	509,352
Other financial assets	27,974,333	27,000,000
Total financial assets at amortised cost	**29,843,417**	**28,935,381**
Carrying amount of financial assets	**29,843,417**	**28,935,381**

Financial liabilities	**2020**	**2019**
	$	**$**
Other financial liabilities:		
Trade and other payables	376,649	376,627
Carrying amount of financial liabilities	**376,649**	**376,627**

23b. Net Income and Expense from Financial Assets

	2020	**2019**
	$	**$**
Financial assets at amortised cost		
Interest revenue – cash and cash equivalents	2,623	11,296
Interest revenue – other financial assets	310,019	610,431
Dividend and capital growth revenue – other financial assets	774,333	-
Total income from financial assets at amortised cost	**1,086,975**	**621,727**
Total income from financial assets	**1,086,975**	**621,727**

Notes to Financial Statements (continued)

23. Financial Instruments (continued)

23c. Credit Risk

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

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

	2020	2019
Financial assets	**$**	**$**
Trade and other receivables	521,912	509,352
Cash and cash equivalents	1,347,172	1,426,029
Other financial assets	27,974,333	27,000,000
Total	**29,843,417**	**28,935,381**

Receivables

The Association's exposure to credit risk is influenced mainly by the individual characteristics of each customer or tenant. Credit evaluations are performed on all tenants of the investment property prior to the signing of a lease agreement and security deposits are required by way of bank guarantees or cash, to be held for the term of all leases. None of the Association's receivables are past due (2019: nil) and based on historic default rates and the minimal credit risk, the Association believes no impairment allowance is necessary. None of the tenants were in arrears at the balance sheet date and there is no indication to management that any of the tenants present a significant credit risk. All receivables are with tenants in the Australian geographical region and therefore no impairment loss has been recognised at balance date (2019: no impairment loss).

30 June 2020	Trade and other receivables					
	Days past due					
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	$	$	$	$	$	$
Expected credit loss rate	-%	-%	-%	-%	-%	-%
Estimate total gross carrying amount at default	-	-	-	-	-	-
Expected credit loss	-	-	-	-	-	-

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

Notes to Financial Statements (continued)

23. Financial Instruments (continued)

23c. Credit Risk (continued)

Cash and cash equivalents

The Association held cash and cash equivalents of $1,347,172 at 30 June 2020 (2019: $1,426,029), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties which are located in Australia, currently the CBA with a current long term credit rating of Aa3 (Moody's Investor Services).

Other financial assets

The other financial assets are all bank bills and term deposits issued by the Commonwealth Bank of Australia and the Association believes no impairment allowance is necessary.

The Association's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2020 and 2019 is the carrying amounts as illustrated in Note 23c.

23d. Liquidity Risk

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

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

The carrying amount of the Association's financial liabilities is represented by trade and other payables (note 16). The carrying amounts approximate contractual cash flows and all are due in 3 months or less (2019: 3 months or less). The Association has adequate financial assets to meet these liabilities and assesses liquidity risk as minimal.

Contractual maturities for financial liabilities 2020

	On Demand	< 1 year $	1– 2 years $	2– 5 years $	>5 years $	Total $
Trade and other payables	-	376,649	-	-	-	376,649
Total	-	376,649	-	-	-	376,649

Contractual maturities for financial liabilities 2019

	On Demand	< 1 year $	1– 2 years $	2– 5 years $	>5 years $	Total $
Trade and other payables	-	376,627	-	-	-	376,627
Total	-	376,627	-	-	-	376,627

Notes to Financial Statements (continued)

23. Financial Instruments (continued)

23e. Market Risk

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

Currency risk

The Association has limited exposure to currency risks on International Fund transactions (international affiliation fees and donations) that are denominated in a currency other than the functional currency, being the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are Swiss Francs (CHF), Singapore dollars (SGD) and American dollars (USD). The Association uses at its discretion forward exchange contracts (typically 1-3 months) to hedge its currency risk, with maturity dates the same as the due dates of the International Fund transactions. At reporting date there were no forward exchange contracts in place.

Interest rate risk

The Association's interest rate risk arises from its investments in bank bills, term deposits and cash management accounts. Bank bills and term deposits are issued at fixed rates for terms of between 30 and 180 days. The Association maintains a number of different bank bills and term deposits maturing at regular intervals to smooth fluctuations in interest rates being offered. The majority of cash reserves are held in term deposits, with cash management bank accounts (with variable interest rates) used to provide liquidity funds at call.

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

Sensitivity analysis of the interest rate risk that the Association is exposed to for 2020

	Risk variable	Change in risk variable %	Effect on Profit and loss $	Effect on Equity $
Financial assets				
Cash and cash equivalents	Interest rate	**100bp increase**	76,132	76,132
Other financial assets	Interest rate	**100bp increase**	179,881	179,881

Sensitivity analysis of the interest rate risk that the Association is exposed to for 2019

	Risk variable	Change in risk variable %	Effect on Profit and loss $	Effect on Equity $
Financial assets				
Cash and cash equivalents	Interest rate	**100bp increase**	12,606	12,606
Other financial assets	Interest rate	**100bp increase**	284,534	284,534

Notes to Financial Statements (continued)

23. Financial Instruments (continued)

23e. Market Risk (continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Association's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Association's operations. The Association's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Association's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

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

Capital management

The Association's policy is to maintain a strong capital base so as to maintain member, creditor and market confidence and to sustain future development of the union's activities. The National Executive monitors the return on capital and seeks to maintain a conservative position between higher returns and the advantages and security afforded by a sound capital position. There were no changes in the Association's approach to capital management during the year, and the Association is not subject to externally imposed capital requirements.

Notes to Financial Statements (continued)

24. Controlled entities

Parent entity

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

	2020	2019
Controlled Entity	%	%
Ordinary shares		
WT Travel Pty Ltd	-	100

WT Travel Pty Ltd, an Australian controlled entity, was purchased by the Shop Distributive and Allied Employees' Association National Executive on 30 September 1993. It formerly traded as a travel agency, but was deregistered with ASIC on 18 December 2019. Its results and financial position at 30 June 2020 are nil (2019: nil).

25. Fair Value Measurement

25a. Financial Assets and Liabilities

Management of the Association assessed that the fair values of cash, receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

25b. Financial and non-financial assets and liabilities fair value hierarchy

The following table provides an analysis of financial and non-financial assets and liabilities that are measured at fair value, by fair value hierarchy.

Fair value hierarchy – 30 June 2020

Assets measured at fair value	**Date of valuation**	Level 1 $	Level 2 $	Level 3 $
Investment property	30 June 2020	-	-	27,500,000
Other financial assets – managed funds	30 June 2020	-	27,974,333	-
Total assets measured at fair value		-	27,974,333	27,500,000

Fair value hierarchy – 30 June 2019

Assets measured at fair value	**Date of valuation**	Level 1 $	Level 2 $	Level 3 $
Investment property	30 June 2019	-	-	28,000,000
Total assets measured at fair value		-	-	28,000,000

Refer to note 12 and note 15(b) for further detail over fair value measurement of other financial assets and the investment property respectively.

Notes to Financial Statements (continued)

26. Section 272 Fair Work (Registered Organisations) Act 2009

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

Information to be provided to members or Commissioner:

1. A member of a reporting unit, or the Commissioner, may apply to the reporting unit for specified prescribed information in relation to the reporting unit to be made available to the person making the application.

2. The application must be in writing and must specify the period within which, and the manner in which, the information is to be made available. The period must not be less than 14 days after the application is given to the reporting unit.

3. A reporting unit must comply with an application made under subsection (1).

Independent Auditor's Report

To the members of Shop, Distributive and Allied Employees' Association

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of the Shop, Distributive and Allied Employees' Association (the Association).

In our opinion, the accompanying Financial Report of the Association presents fairly, in all material respects, the financial position of the Shop, Distributive and Allied Employees' Association at 30 June 2020, and of its financial performance and its cash flows for the year then ended, in accordance with:

- the *Australian Accounting Standards;* and
- other requirements imposed by the reporting guidelines and Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009*.

The ***Financial Report*** comprises:

- Statement of Financial Position as at 30 June 2020.
- Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended.
- Notes including a summary of significant accounting policies.
- Other explanatory information including the Committee of Management Statement, Officer Declaration Statement and the Expenditure Report required under Subsection 255(2A).

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Association 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 fulfilled our other ethical responsibilities in accordance with the Code.

Restriction on use

The Financial Report has been prepared to assist the Committee of Management of Shop, Distributive and Allied Employees' Association in complying with the financial reporting requirements of the *Fair Work (Registered Organisations) Act* 2009.

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Committee of Management and members of the Shop, Distributive and Allied Employees' Association and should not be used by parties other than the Committee of Management and members of Shop, Distributive and Allied Employees' Association. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the Committee of Management and members of the Shop, Distributive and Allied Employees' Association or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in Shop, Distributive and Allied Employees' Association's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Committee of Management are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Operating Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Committee of Management for the Financial Report

The Committee of Management is responsible for:

- the presentation and fair presentation of the Financial Report in accordance with the financial reporting requirements of Part 3 of Chapter 8 of the *Fair Work (Registered Organisations) Act 2009*;
- implementing necessary internal control to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error; and
- assessing the Association's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate Association 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;
- 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. They 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.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_files/ar4.pdf. This description forms part of our Auditor's Report.

I declare that I am an auditor registered under the *Fair Work (Registered Organisations) Act 2009.*

Report on other legal and regulatory requirements

Opinion

I declare that, as part of the audit of the financial year ended 30 June 2020, the Committee of Management's use of the going concern basis of accounting in the preparation of the Shop, Distributive and Allied Employees' Association's financial report is appropriate.

KPMG

KPMG

Amanda Bond

Partner

Tower Two, Collins Square,
727 Collins Street, Melbourne
15 September 2020

Registered Auditor – Fair Work (Registered Organisations) Act 2009, #AA2019/11

Lead Auditor's Independence Declaration to the Members of the Shop, Distributive and Allied Employees' Association

I declare that, to the best of my knowledge and belief, in relation to the audit of Shop, Distributive and Allied Employees' Association for the financial year ended 30 June 2020 there have been:

i. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Amanda Bond

Partner

Tower Two, Collins Square,

727 Collins Street, Melbourne

15 September 2020

Registered Auditor – Fair Work (Registered Organisations) Act 2009, #AA2019/11

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