

**AUTOMOTIVE, FOOD, METALS, ENGINEERING,
PRINTING AND KINDRED INDUSTRIES UNION**

NATIONAL COUNCIL

**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Cont'd)**

20. ACCUMULATED FUNDS SUMMARY

Funds	Opening Balance 1 Oct 2017	Contributio ns into Funds	Net Expenditure and transfers of funds	Profit and Loss of General Fund	Closing Balance 30 Sep 2018
	\$	\$	\$	\$	\$
National Council Political	1,623,266	555,196	(624,422)	-	1,554,040
Education	7,774,357	270,073	(365,183)	-	7,679,247
Hardship	7,847,332	725,940	(725,940)	-	7,847,332
Vehicle Division Education	209,052	-	(105,961)	-	103,091
Campaign and Organising	2,649,490	937,572	(1,888,146)	-	1,698,916
Strategic Plan Resource	-	398,838	(79,884)	-	318,954
Fairfax Chapel Dispute	50,953	-	-	-	50,953
Australian Printing Federation	33,023	-	-	-	33,023
York Endowment	46,313	-	-	-	46,313
General	101,054,664	(2,887,619)	3,789,536	34,141,924	136,098,505
	<u>121,288,450</u>	<u>-</u>	<u>-</u>	<u>34,141,924</u>	<u>155,430,374</u>

NET TRANSFER TO FUNDS

Net transfers to National Council Political Fund	(69,226)
Net transfers to Education Fund	(95,110)
Net transfers to Hardship	-
Net transfers to Vehicle Division Education Fund	(105,961)
Net transfers to Campaign and Organising Fund	(950,574)
Net transfers to Strategic Plan Resource Fund	318,954
Total Net transfers to Other Funds	<u>(901,917)</u>
Total Other comprehensive income for the year	<u>35,043,841</u>

NET SURPLUS FOR YEAR – GENERAL FUND

34,141,924

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**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Cont'd)**

20. ACCUMULATED FUNDS SUMMARY (Cont'd)

FUNDS	THE SPECIFIC PURPOSE OF THE FUND
National Council Political	Established under Rule to further the political objectives of the Union amongst the membership and the wider community.
Education	Established to assist members and employees to gain knowledge and skills which strengthen their participation in Union activities.
Hardship	Established for the welfare of Union members who require relief from hardship.
Vehicle Division Education	Established to assist members and employees to gain knowledge and skills which strengthen their participation in the Union's activities.
Campaign and Organising	Established to strengthen the Union's core campaign and organising objectives and to represent the interests of members and influence broader policy and debate.
Fairfax Chapel Dispute	Established during a major industrial dispute at Fairfax Chullora that commenced in 1976, contributions were received to support the families of the workers involved.
Australian Printing Federation	Established to promote the industries and occupations of our members in printing.
York Endowment	The late Eric Percival York bequeathed his estate to the AMF&SU to be invested for the benefit of the Union.
General	The working account of the AFMEPKIU National Office.
Strategic Plan	Established for initiatives arising from the National Strategic Plan or the National Industry Committees

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**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Cont'd)**

21. FINANCIAL RISK MANAGEMENT

(a) General objectives, policies and processes

The National Council is exposed to risks that arise from its use of financial instruments. This note describes the National Council's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the National Council's exposure to financial instrument risk, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The National Council's financial instruments consist mainly of deposits with banks and receivables. The main risks the National Council is exposed to through its financial instruments are interest rate risk (see section (e) below), liquidity risk and credit risk.

The National Council has overall responsibility for the determination of the National Council's risk management objectives and policies.

(b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the National Council incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the National Council.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provision for doubtful debts, as disclosed below:

	2018	2017
	\$	\$
Receivables		
National Entitlement Security Trust	5,211,659	5,077,925
Trade and Sundry Debtors	<u>538,932</u>	<u>270,384</u>
	<u>5,750,591</u>	<u>5,348,309</u>

There has been no history of default, no amounts are past due and all receivables are likely to be repaid within the expected terms.

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**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Cont'd)**

21. FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Liquidity Risk

Liquidity risk is the risk that the National Council may encounter difficulties raising funds to meet commitments associated with financial instruments.

The National Council is not significantly exposed to this risk; as at 30 September 2018 it had \$2,599,705 (2017: \$2,017,040) of cash and cash equivalents to meet its obligations as they fall due, and a further \$3,569,201 (2017: \$5,511,965) held in short term deposits. The Financial liabilities recorded in the financial statements at 30 September 2018 were \$760,369 (2017: \$612,451). The National Council manages liquidity risk by monitoring cash flows.

(d) Market Risk

Market risk arises from the use of interest bearing, tradable financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or other market factors (other price risk).

(e) Interest Rate Risk

The National Council's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and liabilities are summarised below:

The Union's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

30 September 2018	Floating interest rate	Fixed interest rate	Non- interest bearing	Total
Financial Assets	\$	\$	\$	\$
Cash Assets	2,563,700	-	36,055	2,599,705
Receivables	-	5,211,659	538,932	5,750,591
Managed Funds/Other	66,220,486	-	46,670	66,267,156
Short term deposits	-	3,569,201	-	3,569,201
	<u>68,784,186</u>	<u>8,780,860</u>	<u>621,657</u>	<u>78,186,653</u>
Weighted average Interest rate	0.20%	2.76%		
Financial Liabilities				
Payables	-	-	(760,369)	(760,369)
			<u>(760,369)</u>	<u>(760,369)</u>
Net Financial Assets	<u>68,784,186</u>	<u>8,780,860</u>	<u>(138,712)</u>	<u>77,426,284</u>

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**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Cont'd)**

21. FINANCIAL RISK MANAGEMENT (Cont'd)

30 September 2017	Floating interest rate	Fixed interest rate	Non- interest Bearing	Total
Financial Assets	\$	\$	\$	\$
Cash Assets	1,984,370	-	32,670	2,017,040
Receivables	-	5,077,925	270,383	5,348,308
Managed Funds	67,230,982	-	46,670	67,277,652
Short term deposits	-	5,511,965	-	5,511,965
	<u>69,215,352</u>	<u>10,589,890</u>	<u>349,724</u>	<u>80,984,011</u>
Weighted average Interest rate	0.52%	2.26%		
Financial Liabilities				
Payables	-	-	(615,451)	(615,451)
	-		<u>(615,451)</u>	<u>(615,451)</u>
Net financial assets (liabilities)	<u>69,215,352</u>	<u>10,589,890</u>	<u>(265,727)</u>	<u>80,368,560</u>

Sensitivity Analysis

2018	Carrying Amount	+1.00% (100 basis points) Profit	-1.00% (100 basis points) Loss
	\$	\$	\$
Cash Assets	2,563,700	256,370	(256,370)
Receivables	5,211,659	5,211,659	(5,211,659)
Managed Funds	66,220,486	66,220,486	(66,220,486)
Short term deposits	3,569,201	3,569,201	(3,569,201)
2017	Carrying Amount	+1.00% (100 basis points) Profit	-1.00% (100 basis points) Loss
	\$	\$	\$
Cash Assets	1,984,370	19,844	(19,844)
Receivables	5,077,925	50,779	(50,779)
Managed Funds	67,277,652	672,777	(672,777)
Short term deposits	5,511,966	55,120	(55,120)

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**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Cont'd)**

21. FINANCIAL RISK MANAGEMENT (Cont'd)

(f) Other Price Risks

The National Council invests surplus cash in managed funds, and in doing so it exposes itself to the fluctuations in price that are inherent in such a market. The National Council manages other price risks by monitoring the allocations made by the funds. The National Council's exposure to equity price risk is as follows:

Sensitivity Analysis - Managed Funds (external)

	2018	2017		2018	2017
Fund Allocation (%):			Fund Allocation (\$):		
Domestic Shares	20.40%	16.36%	Domestic Shares	13,509,590	10,996,048
International Shares	16.90%	6.88%	International Shares	11,192,047	4,628,557
Domestic Listed Property	1.24%	1.97%	Domestic Listed Property	822,407	1,324,408
International Listed Property	5.97%	5.56%	International Listed Property	3,951,303	3,739,396
Domestic Fixed Interest	24.35%	16.91%	Domestic Fixed Interest	16,127,851	11,368,954
International Fixed Interest	14.98%	19.06%	International Fixed Interest	9,917,933	12,813,243
Cash	16.16%	33.26%	Cash	10,699,355	22,360,376
Total	100%	100%	Total	66,220,486	67,230,982

2018	Carrying Amount	+10.00% (1000 basis points) Other Equity Profit	- 10.00% (1000 basis points) Other Equity Loss
	\$	\$	\$
Domestic Shares	13,509,590	1,350,959	(1,350,959)
International Shares	11,192,047	1,119,205	(1,119,205)
Domestic Listed Property	822,407	82,241	(82,241)
International Listed Property	3,951,303	395,130	(395,130)
Domestic Fixed Interest	16,127,851	1,612,785	(1,612,785)
International Fixed Interest	9,917,933	991,793	(991,793)
Cash	10,699,355	1,069,936	(1,069,936)
Total	66,220,486	6,622,049	(6,622,049)

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FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Cont'd)**

21. FINANCIAL RISK MANAGEMENT (Cont'd)

(f) Other Price Risks (Cont'd)

2017	Carrying Amount	+10.00% (1000 basis points) Other Equity Profit	-10.00% (1000 basis points) Other Equity Profit
	\$	\$	\$
Cash & Bonds	22,360,376	2,236,038	(2,236,038)
Domestic Shares	10,996,048	1,099,605	(1,099,605)
International Shares	4,628,557	462,856	(462,856)
Domestic Listed Property	1,324,408	132,441	(132,441)
International Listed Property	3,739,396	373,940	(373,940)
Domestic Fixed Interest	11,368,954	1,136,895	(1,136,895)
International Fixed Interest	12,813,243	1,281,324	(1,281,324)
Total	67,230,982	6,723,099	(6,723,099)

(g) Foreign Exchange Risk

The National Council is not directly exposed to foreign exchange rate risk.

22. SUPERANNUATION

Superannuation plans are defined contribution plans. The benefits provided under these plans are based on accumulated contributions and earnings for each employee. The Union's liability is limited to paying the contributions to the plans

23. RELATED PARTIES

- (i) The aggregate amount of remuneration paid to office holders during the financial year is disclosed in the statement of comprehensive income under Salaries Officials as disclosed at note 6 to the accounts.
- (ii) The aggregate amount paid during the financial year to a superannuation plan in respect of office holders was \$693,696 (2017: \$654,375).
- (iii) There have been no other transactions between the office holders and the union other than those relating to their membership of the union and reimbursement by the union in respect of expenses incurred by them in the performance of their duties. Such transactions have been on conditions no more favourable than those which it is reasonable to expect would have been adopted by parties at arm's length. Delegation and international expenses for office holders totalled \$724,815 in the year (2017: \$543,725) as disclosed in Note 8 to the accounts.

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**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Cont'd)**

23. RELATED PARTIES (Cont'd)

- (iv) The National Council received income of \$2,694,184 (2017: \$2,689,087) from its associate, U Cover Pty Ltd during the year.
- (v) The National Council held amounts receivable of \$534,696 (2017: \$534,696) from its associate, Industrial Printing and Publishing Ltd as at balance date.

24. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the National Council and National Administrative and Budget Committee. Key management personnel have been determined to consist of the National Secretary, National President, National Executive Officer, All State Secretaries, Assistant National Secretaries, National Secretary (Vehicle Division), National Secretary (Food & Confectionary Division), National Secretary (Print Division) and the NSW Printing Division Secretary. Remuneration received or due by key management personnel of the National Council for management of its affairs are as follows:

	2018	2017
Short-term employee benefits	\$	\$
Salary (including annual leave taken)	1,728,304	1,639,169
Annual leave accrued	127,344	124,238
Service entitlement/performance bonus accrued	60,250	59,250
Total short-term employee benefits	<u>1,915,898</u>	<u>1,822,657</u>
Post-employment benefits:		
Superannuation	215,695	186,275
Total post-employment benefits	<u>215,695</u>	<u>186,275</u>
Other long-term benefits:		
Long-service leave	41,387	40,377
Total other long-term benefits	<u>41,387</u>	<u>40,377</u>
Termination benefits	352,052	-
Total	<u>2,525,032</u>	<u>2,049,309</u>

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**NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018 (Cont'd)**

25. CONTINGENT LIABILITIES

The National Council is not aware of any contingent liabilities that would require disclosure in this financial report.

26. OPERATING LEASE COMMITMENTS – AS LESSOR

Future minimum rentals receivable under non-cancellable operating leases as at 30 September 2018 are as follows:

	2018	2017
	\$	\$
(i) not later than one year;	2,695,101	3,162,723
(ii) later than one year and not later than five years;	8,267,204	9,595,961
(iii) later than five years;	-	-
	<u>10,962,305</u>	<u>12,758,684</u>
(b) total contingent rents recognised as income in the period;	<u>-</u>	<u>-</u>

General description of the lessor's leasing arrangements

The operating leases applicable to the buildings owned by the Union leased under operating leases of between 1 month and 5 years. The leases are subject to annual lease reviews with increases based on varying levels, subject to varying conditions and inflation.

28. ADDITIONAL INFORMATION

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

Level 4, 133 – 137 Parramatta Road, Granville NSW 2142.

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OFFICER DECLARATION STATEMENT

I Paul Bastian, being the Secretary of the Automotive, Food, Metals, Engineering, Printing & Kindred Industries Union, declare that the following did not occur during the reporting period ending 30 September 2018:

The reporting unit did not:

- Agree to receive financial support from another reporting unit to continue as a going concern
- Acquired 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 of revocation by the General Manager, Fair Work Commission
- Receive capitation fees form another reporting unit
- Receive revenue via compulsory levies
- Receive revenue from undertaking recovery of wages activity
- Pay capitation fees to another reporting unit
- Pay compulsory levies
- Pay a grant that was \$1,000 or less
- Pay a grant that exceeds \$1,000
- Pay a person fees or allowances to attend conferences of meeting as a representation of the reporting unit
- Pay a penalty imposed under the RO Act or the Fair Work Act 2009
- Have a receivable with other reporting unit(s)
- Have a payable with other reporting unit(s)
- Have a payable to an employer for that employer making payroll deductions of membership
- Have another entity administer the financial affairs of the reporting unit
- Make a payment to a former related party of the reporting unit.



National Secretary – Paul Bastian

11 December 2018



Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Automotive, Food, Metals, Engineering, Printing and Kindred Industries Union, National Council.

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Automotive, Food, Metals, Engineering, Printing and Kindred Industries Union, National Council (AFMEPKIU), which comprises the statement of financial position as at 30 September 2018, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, the Committee of Management Statement, the Officer Declaration Statement and the subsection 255(2A) report.

In our opinion the accompanying financial report of AFMEPKIU, presents fairly, in all material respects the AFMEPKIU's, financial position as at 30 September 2018 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and any other requirement imposed by these Reporting Guidelines or Part 3 of Chapter 8 of the Fair Work (Registered Organisations) Act 2009.

Basis for opinion

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

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

Other information

The Committee of Management are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the AFMEPKIU's operating report, but does not include the financial report and our auditor's report thereon.

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



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

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

Responsibilities of the Committee of Management for the Financial Report

The Committee of Management of the reporting unit are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Fair Work (Registered Organisations) Act 2009*, and for such internal control as the Committee of Management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Committee of Management are responsible for assessing the registered entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible entities either intends to liquidate the registered entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

- As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Reporting Unit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee of Management.
- Conclude on the appropriateness of the Committee of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Reporting Unit's ability to



continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Reporting Unit to cease to continue as a going concern.

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

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

This description forms part of our auditor's report.

Declaration by the auditor

I, Grant Saxon, declare that I am an approved auditor, a member of the Chartered Accountants Australia New Zealand and hold a current Public Practice Certificate.

BDO East Coast Partnership

Grant Saxon
Director

Melbourne

Sydney, 11 December 2018

Registration number (as registered by the RO Commissioner under the Act): AA2017/103