

Health Services Union NSW (formerly HSUeast)

ABN: 85 037 751 682

Financial Statements

For the Period Ended 30 September 2012

Health Services Union NSW (formerly HSUeast)

ABN: 85 037 751 682

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Health Services Union NSW (formerly HSUeast)

ABN: 85 037 751 682

Council's Certificate

We, M STERREY, G HAYES and A LILLICRAP, being three members of the Union Council ('the Council') of Health Services Union NSW ('the Union'), do state on behalf of the Council, and in accordance with a resolution passed by the Council that:

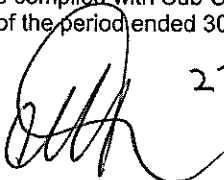
(a) In the opinion of the Council, the attached financial report shows a true and fair view of the financial affairs of the Union as at 30 September 2012.

(b) In the opinion of the Council, meetings of the Council were held during the period ended 30 September 2012 in accordance with the rules of the Union.

(c) To the knowledge of any member of the Council, there have been no instances where records of the Union or other documents (not being documents containing information made available to a member of the Union under Sub-Section 512(2) of the Industrial Relations Act 1991, as applied by Sub-Section 282(3) of the Industrial Relations Act 1996) or copies of these records or documents, or copies of the rules of the Union, have not been furnished, or made available to the members in accordance with the requirements of the Industrial Relations Act 1991, the Regulations thereto, or the rules of the Union.

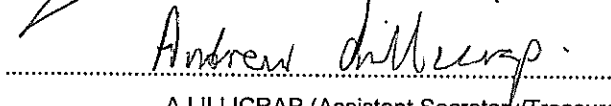
(d) The Union has complied with Sub-Sections 517(1) and (5) of the Industrial Relations Act 1991, in relation to the financial report in respect of the period ended 30 September 2012, and the Auditors' Report thereon.

Dated

 27th March 2013.

.....
M STERREY (President)


.....
G HAYES (Secretary)


.....
A LILLICRAP (Assistant Secretary/Treasurer)

The accompanying notes form part of these financial statements.

Health Services Union NSW (formerly HSUeast)

ABN: 85 037 751 682

Accounting Officer's Report

I, A LILLICRAP, being the Officer responsible for keeping the accounting records of Health Services Union NSW, certify that as at 30 September 2012, the number of members of the Union was 30,111.

In my opinion:

- (a) The attached financial report shows a true and fair view of the financial affairs of the Union as at 30 September 2012.
- (b) A record has been kept of all moneys paid by, or collected from, members and all moneys so paid or collected have been credited to the bank account to which those moneys are to be credited, in accordance with the rules of the Union.
- (c) Before any expenditure was incurred by the Union, approval of the incurring of expenditure was obtained in accordance with the rules of the Union.
- (d) With regard to funds of the Union raised by compulsory levies or voluntary contributions from members, or funds other than the General Fund operated in accordance with the rules, no payments were made out of any such fund for the purposes other than those for which the fund was operated.
- (e) No loans or other financial benefits were made to persons holding office in the Union.
- (f) The register of members of the Union was maintained in accordance with the Industrial Relations Act 1996.
- (g) give a true and fair view of the financial position as at 30 September 2012 and of the performance for the period 1 July 2012 to 30 September 2012.

..... Andrew Lillcrap

Dated 27th March 2013.

Health Services Union NSW (formerly HSUeast)

ABN: 85 037 751 682

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Independent Audit Report to the members of Health Services Union NSW (formerly HSUeast)

Report on the Financial Report

We have audited the accompanying financial report of Health Services Union NSW (formerly HSUeast), which comprises the statement of financial position as at 30 September 2012, the statement of comprehensive income, statement of changes in accumulated funds and statement of cash flows for the period 1 July 2012 to 30 September 2012, notes comprising a summary of significant accounting policies and other explanatory information, and Union Council's (the 'Council's') certificate and the Accounting Officer's certificate.

Council's, Secretary's and Assistant Secretary/Treasurer's Responsibility for the Financial Report

The Union Council, Secretary and Assistant Secretary/Treasurer of Health Services Union NSW (formerly HSUeast) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Industrial Relations Act 1996. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, Secretary and Assistant Secretary/Treasurer, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Sydney Office

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Health Services Union NSW (formerly HSUEast)

ABN: 85 037 751 682

**Independent Audit Report to the members of Health Services Union NSW
(formerly HSUEast)**

Opinion

In our opinion,

- (i) There were kept by the Union, in respect of the period 1 July 2012 to 30 September 2012 under review, satisfactory records detailing the sources and nature of income of the Union (including income from members) and the nature and purposes of expenditure, and
- (ii) The attached financial report, including the Certificates of the Council and the Accounting Officer are prepared in accordance with Section 510 of the Industrial Relations Act 1991 (NSW), as applied by Section 282 (3) of the Industrial Relations Act 1996. The report has been prepared from the accounting records of the Union and is properly drawn up so as to give a true and fair view of:
 - (a) the financial position of the Union as at 30 September 2012; and
 - (b) the financial performance of the Union for the period 1 July 2012 to 30 September 2012;and is in accordance with the Industrial Relations Act 1996 and Australian Accounting Standards.

Other Matters

Without qualification to the opinion expressed above, we draw attention to notes 1(b)(i) 'Comparative Figures' and note 3 'Appointment of Administrator'. As reported in the public media, there are a number of allegations against the former General Secretary of the Union. These allegations form part of a current police investigation and the Union continues to assist police in their investigation. An Administrator was appointed by order of the Federal Court on 21 June 2012, in response to the seriousness of these claims. As a result of this, an audit was not performed on the comparative figures. The comparative figures in the financial statements are therefore unaudited.



Nexia Court & Co
Chartered Accountants



Robert Mayberry
Partner

Sydney
Dated: 28 MARCH 2013

Health Services Union NSW (formerly HSUeast)

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**Statement of Comprehensive Income
For the Period Ended 30 September 2012**

		1 July to 30 September 2012	1 October 2011 to 30 June 2012
	Note	\$	\$
Revenue	5	5,205,431	19,817,590
Other income		73,855	405,825
Interest revenue	5	35,872	26,651
Employee expenses	6	(1,683,781)	(8,784,473)
Depreciation and impairment expense	6	(1,247,656)	(938,901)
Administrator costs		(897,523)	(82,434)
Consulting and professional fees		(144,866)	(1,142,793)
Utilities and telephone expenses		(275,431)	(813,101)
Insurance expenses		(281,439)	(1,167,857)
Computer and IT expenses		(301,493)	(1,093,672)
Office administration expenses		(208,083)	(1,561,007)
Other expenses		(404,008)	(3,241,387)
Finance costs		(352,140)	(1,148,983)
Total surplus for the year		(481,262)	275,458
Other comprehensive income:			
Actuarial Gain/(Loss) on Defined Benefit Superannuation Plans	16(c)	1,098,035	(2,579,700)
Total comprehensive income for the year		616,773	(2,304,242)

The accompanying notes form part of these financial statements.

Health Services Union NSW (formerly HSUeast)

ABN: 85 037 751 682

Statement of Financial Position**As At 30 September 2012**

		30 September 2012	30 June 2012
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	486,562	417,734
Trade and other receivables	8	2,937,572	2,196,131
Other financial assets	9	141,859	997,712
Other assets	12	313,950	-
TOTAL CURRENT ASSETS		3,879,943	3,611,577
NON-CURRENT ASSETS			
Property, plant and equipment	10	10,474,576	10,841,305
Investment property	11	13,126,106	14,079,405
TOTAL NON-CURRENT ASSETS		23,600,682	24,920,710
TOTAL ASSETS		27,480,625	28,532,287
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	1,271,516	1,622,271
Borrowings	14	17,304,640	17,215,084
Short-term provisions	15	103,670	112,170
Employee benefits	16	2,893,708	3,883,671
Derivatives	17	415,177	402,013
TOTAL CURRENT LIABILITIES		21,988,711	23,235,209
NON-CURRENT LIABILITIES			
Employee benefits	16	4,937,436	6,419,022
TOTAL NON-CURRENT LIABILITIES		4,937,436	6,419,022
TOTAL LIABILITIES		26,926,147	29,654,231
NET ASSETS		554,478	(1,121,944)
EQUITY			
Accumulated Funds		554,478	(1,121,944)
TOTAL EQUITY		554,478	(1,121,944)

The accompanying notes form part of these financial statements.

Statement of Changes in Accumulated Funds
For the Period Ended 30 September 2012

30 September 2012

	Note	Accumulated Funds	Total Accumulated Funds
		\$	\$
Balance at 1 July 2012		(1,121,944)	(1,121,944)
Total (Deficit) Surplus for the Period		(481,262)	(481,262)
Transactions with owners in their capacity as owners			
Actuarial Gain/(Loss) on Defined Benefit Superannuation Plans		1,098,035	1,098,035
Distribution from demerger		1,059,649	1,059,649
Sub-total		1,676,422	1,676,422
Balance at 30 September 2012		554,478	554,478

30 June 2012

	Note	Accumulated Funds	Total Accumulated Funds
		\$	\$
Balance at 1 October 2011		1,182,298	1,182,298
Total (Deficit) Surplus for the Period		275,458	275,458
Transactions with owners in their capacity as owners			
Actuarial Gain/(Loss) on Defined Benefit Superannuation Plans		(2,579,700)	(2,579,700)
Sub-total		(2,304,242)	(2,304,242)
Balance at 30 June 2012		(1,121,944)	(1,121,944)

The accompanying notes form part of these financial statements.

Health Services Union NSW (formerly HSUeast)

ABN: 85 037 751 682

Statement of Cash Flows**For the Period Ended 30 September 2012**

	1 July 2012 to 30 September 2012	1 October 2011 to 30 June 2012
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	5,714,300	22,519,042
Payments to suppliers and employees	(6,251,496)	(20,635,323)
Interest received	32,123	26,561
Interest paid	(338,976)	(1,016,439)
Net cash provided by (used in) operating activities	25 <u>(844,049)</u>	<u>893,841</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	140,409	194,160
Proceeds from sale of investment	855,853	-
Purchase of property, plant and equipment	(172,941)	(443,739)
Payment for investments	-	(31,301)
Net cash used by investing activities	<u>823,321</u>	<u>(280,880)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans to related parties	-	(336,132)
Repayment of borrowings	(26,319)	(155,046)
Net cash used by financing activities	<u>(26,319)</u>	<u>(491,178)</u>
Net increase (decrease) in cash and cash equivalents held	(47,047)	121,783
Cash and cash equivalents at beginning of year	417,734	295,951
Cash and cash equivalents at end of the period	7 <u><u>370,687</u></u>	<u><u>417,734</u></u>

The accompanying notes form part of these financial statements.

Health Services Union NSW (formerly HSUeast)

ABN: 85 037 751 682

Notes to the Financial Statements

For the Period Ended 30 September 2012

The financial report covers Health Services Union NSW (formerly HSUeast) ('the Union') as an individual entity, incorporated and domiciled in Australia. The Union is an organisation of employees registered under the New South Wales Industrial Relations Act 1996. In accordance with the Act the Union is a body corporate and has perpetual succession. By virtue of this method of incorporation, the Union is not subject to the Corporations Act 2001.

The financial report of the Health Service Union NSW for the period ended 30 September 2012 was authorised for issue in accordance with a resolution of the Union Council ('the Council') on 27 March 2013.

1 Summary of Significant Accounting Policies

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the New South Wales Industrial Relations Act 1996.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Comparative figures

(i) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period. Comparative figures have been included for the period 1 October 2011 to 30 June 2012. As explained in Note 3 'Appointment of Administrator' and Note 4 'Demerger', the Union experienced a number of allegations against senior officials and was placed into Administration by order of the Federal Court on 21 June 2012. As a result, the Administrator appointed the auditor to audit the period 1 July 2012 to 30 September 2012, with the comparative period, as disclosed in the accounts, being unaudited.

(ii) Retrospective accounting policy

When the Union applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be presented.

(c) Property, plant and equipment

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

Notes to the Financial Statements

For the Period Ended 30 September 2012

1 Summary of Significant Accounting Policies continued

(c) Property, plant and equipment continued

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the asset.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Union commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
Motor Vehicles	22.5%
Office Furniture and Equipment	5% - 20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the statement of comprehensive income in the year that the item is derecognised.

(d) Investment property

Investment property is held at cost which includes expenditure that is directly attributable to the acquisition of the investment property. The investment properties are depreciated on a straight line basis over 40 years.

(e) Investments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the Union commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

All investments and other financial assets are initially measured at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date, which is the date on which the entity commits to purchase, or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Notes to the Financial Statements

For the Period Ended 30 September 2012

1 Summary of Significant Accounting Policies continued

(e) Investments continued

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

The Union does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost .

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Union's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Notes to the Financial Statements

For the Period Ended 30 September 2012

1 Summary of Significant Accounting Policies continued

(e) Investments continued

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Union sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

The Union did not hold any held-to-maturity investments in the current or comparative financial period.

(iv) Available-for-sale financial assets

Investments, which are classified as available for sale, are measured at fair value. Unrealised gains or losses on these investments are recognised directly in other comprehensive income in the Available-for-sale Investment Reserve until the investment is sold or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported for that asset is included in the Statement of Comprehensive Income.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Union has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment - financial assets

Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions in the stock exchange. At the end of each reporting period, the Union assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

However, any reversal in the value of an impaired available for sale asset is taken through other comprehensive income rather than profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of comprehensive income.

Notes to the Financial Statements

For the Period Ended 30 September 2012

1 Summary of Significant Accounting Policies continued

(e) Investments continued

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

When available-for-sale investments are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(f) Impairment - non-financial assets

The carrying amounts of non current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purpose of assessing value in use of assets not held primarily to generate cash, this represents depreciated current replacement cost, as the Union is a not-for-profit organisation.

(i) Impairment loss

Assets that have an allocated impairment loss are reviewed for reversal indicators at the end of each reporting period. After recognition of an impairment loss, the amortisation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Impairment losses are recognised as an expense immediately, unless the relevant asset is property, plant and equipment held at fair value (other than investment property carried at a revalued amount) in which case the impairment loss is treated as a revaluation decrease as described in the accounting policy for property, plant and equipment.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(h) Employee benefits

Provision is made for the Union's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on costs.

Other employee benefits payable later than one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. In the case of Long Service Leave this results in an amount not materially different to that achieved by discounting future cash flows.

Employees of the Union are entitled to benefits from superannuation plans on retirement, disability or death.

Notes to the Financial Statements

For the Period Ended 30 September 2012

1 Summary of Significant Accounting Policies continued

(h) Employee benefits continued

Defined benefit superannuation schemes

In respect of defined benefit plans, the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted every three years, with interim valuations performed on an annual basis. Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligations adjusted for any unrecognised actuarial gains and losses and unrecognised past service costs less the fair value of the plan's assets. Any asset recognised is limited to unrecognised actuarial losses, plus the present value of available refunds and reductions in future contributions to the plan.

Actuarial gains and losses are amortised over the expected average remaining working lives of the participating employees in the scheme. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in the statement of comprehensive income when Health Services Union NSW (formerly HSUeast) is demonstrably committed to the curtailment or settlement.

Past services costs are recognised when incurred to the extent that the benefits are vested, and are otherwise amortised on a straight-line basis over the vesting period.

(i) Provisions

Provisions are recognised when the Union has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(j) Borrowings

Secured and unsecured loans have been obtained. These have not been discounted to present values. Carrying amounts therefore represent amount expected to be repaid at settlement. Unsecured loans are considered to be repayable at call and therefore presented as current liabilities.

(k) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(l) Income tax

No provision for income tax is necessary as the Union is exempt from income tax under Section 50 - 15 of the *Income Tax Assessment Act 1997*.

(m) Leases

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

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

Notes to the Financial Statements

For the Period Ended 30 September 2012

1 Summary of Significant Accounting Policies continued

(n) Revenue and other income

Interest revenue

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Subscriptions

Revenue from the provision of membership subscriptions is recognised on a straight line basis over the financial period.

(o) Goods and services tax (GST)

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Functional and presentation currency

The functional currency of each of Health Services Union NSW (formerly HSUeast)'s entities is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

(q) Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical knowledge and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Union makes estimates and assumptions concerning the future. The resulting accounting estimates by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities include the determination of employee entitlements for long service leave, the asset or liability in respect of the defined superannuation plans, depreciation of property, plant and equipment, the fair value of available for sale financial assets and the going concern basis.

Critical judgments in applying the Union's accounting principles

The critical judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are those described in Notes 1(b), 1(c), 1 (d), 1 (e), 1 (g), 1 (h) and 1 (q).

Notes to the Financial Statements

For the Period Ended 30 September 2012

1 Summary of Significant Accounting Policies continued

(r) Going concern

The financial report has been prepared on a going concern basis.

The Union has classified \$17,185,765 in bank bills as current liabilities on the basis that the facilities are due to expire within 12 months of the balance date. As a result the Union has a deficit in current assets compared to current liabilities of \$18,108,768. Also, \$799,828 in employee provisions have been classified as current liabilities on the basis that the employees have reached their entitlement date.

Management has assessed the use of the going concern assumption given the deficit noted and believes that the going concern assumption is appropriate on the basis that :

- The Union Council have been able to renegotiate the bank loans subsequent to year end. Previously, these loans were long term and during the term where an Administrator was appointed to manage the Union, the loans were renegotiated for the immediate short term. This was done so that the Administrator did not lock in the newly elected Union Council and provided greater flexibility for the Union;

- Management do not believe that the employee provisions for long service leave will be required to be settled in the short term;

- Management have prepared a cash flow forecast and have determined that the Union has sufficient cash inflows to support the business over the next 12 months.

For the Union to be able to continue as a going concern, it requires the generation of sufficient cash from its operations or its financiers.

The Union Council ('the Council') is of the opinion that the Union will generate sufficient future positive cash flows from operations and financiers to be able to continue as a going concern. Subsequent to year end, the Union has renegotiated the bank loans and they have been extended.

(s) New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Union has decided against early adoption of these Standards . The following table summarises those future requirements, and their impact on the Union:

Notes to the Financial Statements

For the Period Ended 30 September 2012

1 Summary of Significant Accounting Policies continued

(s) New accounting standards for application in future periods continued

Standard name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments and amending standards AASB 2009-11 / AASB 2010-7	30 June 2016	- Changes to the classification and measurement requirements for financial assets and financial liabilities. - New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined as the entire standard has not been released
AASB 2011-2 Amendments to Australian Accounting Standards arising from Trans-Tasman convergence – Reduced Disclosure Requirements	30 June 2014	Highlights the disclosures not required in AASB 1054 for entities applying the RDR.	The entity is not adopting the RDR and therefore this standard is not relevant.
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to ABS GFS Manual and Related Amendments	30 June 2013	Standard is applicable for whole of government and general government financial statements only. AASB 2011 provides details of changes in accounting treatment due to the Government Finance Statistics manual.	Standard is not applicable and therefore there will be no impact on adoption.
AASB 13 Fair Value Measurement. AASB 2011-8 - Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	30 June 2014	AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted. There are a number of additional disclosure requirements.	Fair value estimates currently made by the entity will be revised and potential changes to reported values may be required. The entity has not yet determined the magnitude of any changes which may be needed. Some additional disclosures will be needed.
AASB 2011 – 4 - Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	30 June 2014	Remove individual key management personnel disclosure requirements (i.e. components of remuneration) for disclosing entities.	The entity is not a disclosing entity and therefore this will have no impact.
AASB 2011-9 - Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income.	30 June 2013	Entities will be required to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).	The items shown in other comprehensive income will be separated into two categories.

Notes to the Financial Statements

For the Period Ended 30 September 2012

1 Summary of Significant Accounting Policies continued

(s) New accounting standards for application in future periods continued

Standard name	Effective date for entity	Requirements	Impact
AASB 119 Employee Benefits (September 2011) AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	30 June 2014	The main changes in this standard relate to the accounting for defined benefit plans and are as follows: - elimination of the option to defer the recognition of gains and losses (the 'corridor method'); - requiring remeasurements to be presented in other comprehensive income; and - enhancing the disclosure requirements.	The entity has not yet determined the magnitude of any changes which may be needed.
AASB 1053	30 June 2014	This standard allows certain entities to reduce disclosures.	Health Services Union NSW (formerly HSUeast) is not able to apply this standard or the impact of this standard has not yet been determined as the entity has a choice on whether to apply
AASB 2010-10	30 June 2014	Makes amendments to AASB 1	No impact since the entity is not a first-time adopter of IFRS.

(t) Related Party Disclosures

Related parties for the purpose of the disclosures made in Note 23 of this financial report include Officers and entities in which Officers have a significant interest, and the Union.

2 Information to be Provided to Members or Registrar

In accordance with the requirements of the Industrial Relations Act, 1991 (NSW) the attention of members is drawn to the provisions of Sub-Sections (1) and (2) of Section 512 which read as follows:

(a) A member of an organisation, or the Industrial Registrar, may apply to the organisation for specified information prescribed by the regulations in relation to the organisation.

(b) An organisation must, on the making of such an application, make the specified information available to the member or the Industrial Registrar in the manner, and within the time, prescribed by the regulations.

Notes to the Financial Statements

For the Period Ended 30 September 2012

3 Appointment of Administrator

There are a number of allegations reported in the public media against the former General Secretary, Michael Williamson. These matters are subject to a police investigation which is continuing at the date of this report. The Union is co-operating with the police investigation. As a result of the seriousness of the claims being made against Mr Williamson and other senior officials, the Minister for Employment and Workplace Relations, Bill Shorten, made an application to the Federal Court for the appointment of an Administrator to HSUEast and HSU East Branch. On 8 June 2012, the Federal Court appointed an interim Administrator, the Honourable Michael Moore, until such further orders of the Court.

On 21 June 2012, the Federal Court appointed the Honourable Michael Moore as Administrator of HSUEast and HSU East Branch. The key appointment of the Administrator is to demerge HSUEast and the HSU East Branch. The Federal Court judgement gave the Administrator full powers to engage employees and consultants, together with governing the use of Union funds. The Administration period ended on 30 November 2012, after both the demerger (finalised on 21 August 2012) and election of officials were completed.

4 Demerger

As described above in note 3, Appointment of Administrator, an administrator, the Honourable Michael Moore, was appointed as the Administrator of HSUEast and HSU East Branch on 21 June 2012 by order of the Federal Court. On 21 August 2012, the Administrator entered into a Deed Poll to facilitate the demerger of these two entities back to the structure that existed as at 24 May 2010. The orders of the Federal Court stated specifically in Clause 18:

"On the Amendment Date, the Administrator shall apportion and distribute the assets and liabilities of the NSW Union and the HSU East Branch to the NSW Union and the demerged Branches having regard to:

- 18.1 the proportion of assets and liabilities that each Branch contributed to the HSU Branch at the Merger Date;
- 18.2 the proportion of assets and liabilities that each Branch contributed to the NSW Union;
- 18.3 the respective number of members of each Branch;
- 18.4 the income and expenses of the HSU East Branch and the NSW Union since the Merger Date; and
- 18.5 what the Administrator considers is fair just and appropriate in the circumstances."

An assessment was performed on the contribution of each of the 3 Branches to the HSU East Branch and the HSUEast (State Union) on the merger date of 24 May 2010. A review was performed by the Administrator to ensure that allocations of assets and liabilities were appropriate given consideration of the right and title of assets, the assignment of the responsibility of liabilities and to ensure that the new demerged entities were economically viable. Cash flow forecasts were prepared by management to assist in the demerger and determine the requirements to allow the demerged entities to be able to be economically viable and self-sustaining. On 21 August 2012, the HSU East Branch and HSUEast were demerged in accordance with the Deed Poll.

Health Services Union NSW (formerly HSUeast)

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Notes to the Financial Statements
For the Period Ended 30 September 2012**5 Revenue and Other Income**

	1 July to 30 September 2012	1 October 2011 to 30 June 2012
	\$	\$
Revenue		
- membership contributions	4,753,687	17,172,881
- service fees	172,487	1,366,359
- interest received	35,872	26,651
- rental income	279,257	1,278,350
Total Revenue	5,241,303	19,844,241

6 Result for the Year**Expenses**

Depreciation and Amortisation		
Depreciation - buildings	168,040	500,642
Depreciation - motor vehicles	53,785	195,929
Depreciation - furniture and fixtures	78,261	242,330
Total Depreciation and Amortisation	300,086	938,901
Interest expense	352,140	1,148,983
Impairment expense	947,570	-
Employee expense	1,683,781	8,784,473

7 Cash and Cash Equivalents

	30 September 2012	30 June 2012
	\$	\$
Cash at bank and in hand	486,562	417,734

8 Trade and Other Receivables**CURRENT**

Trade receivables from related parties	52,572	14,282
Loan HSU Victoria No.1 Branch	2,885,000	-
Intercompany - HSU East Branch	-	2,181,849
Total current trade and other receivables	2,937,572	2,196,131

9 Other Financial Assets**CURRENT**

Available for sale financial assets	1,915	1,915
Held-to-maturity financial assets	139,944	995,797
Total current assets	141,859	997,712

Health Services Union NSW (formerly HSUeast)

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Notes to the Financial Statements

For the Period Ended 30 September 2012

10 Property, Plant and Equipment

	30 September 2012	30 June 2012
	\$	\$
Building		
At cost	8,935,678	8,935,678
Accumulated depreciation	(1,728,561)	(1,668,630)
Total buildings	<u>7,207,117</u>	<u>7,267,048</u>

Valuation of Properties

The following valuations of properties have been conducted:

Property	Certified Practising Valuer	Valuation Date	Fair Value \$
Unit 1, 2 Frost Drive, Mayfield West NSW	1	25 August 2010	450,000
Unit 23/126-128 Auburn Street, Wollongong NSW	2	24 August 2010	435,000
Unit 5/2-6 Hunter Street, Parramatta NSW	3	31 August 2010	480,000
Level 2, 109 Pitt Street Sydney NSW	4	31 August 2010	5,000,000
Lot 34/SP70031 Level 8, 109 Pitt Street Sydney NSW	4	1 September 2010	400,000
Unit 13, 15 Meadow Way, Banksmeadow NSW	5	31 August 2010	650,000
Total Property			<u>7,415,000</u>
Investment Property			
Level 3, 370 Pitt Street Sydney NSW	4	1 September 2010	3,350,000
Level 4, 370 Pitt Street Sydney NSW	4	1 September 2010	3,650,000
Lot 50/SP52105, 370 Pitt Street Sydney NSW	4	1 September 2010	430,000
Lot 32 & Lot 34/SP46628, 370 Pitt Street Sydney NSW	4	1 September 2010	120,000
Level 3, 109 Pitt Street Sydney NSW	4	31 August 2010	4,500,000
Level 9, 109 Pitt Street Sydney NSW	4	31 August 2010	3,100,000
Lot 55-60/SP71295 Level 10, 109 Pitt Street Sydney NSW	4	31 August 2010	1,850,000
Lot 87/SP72095 Level 15, 109 Pitt Street Sydney NSW	4	31 August 2010	700,000
Total Investment Property			<u>17,700,000</u>

1. Lauren Payne, AAPI Certified Practising Valuer, Registered Valuer No. 010638, of Newmark Knight Frank Pty Ltd.
2. James Sharpe, FAPI Certified Practising Valuer, Registered Valuer No. 2857, of Southern Valuers Pty Ltd.
3. John Kovacic, AAPI Certified Practising Valuer, Registered Valuer No 3179, of Macquarie Bell Pty Ltd.
4. Anthony Mangioni, FAPI Certified Practising Valuer, Registered Valuer No. 2723, of DTZ Australia (NSW) Pty Ltd.
5. Nancy Louie, AAPI Certified Practising Valuer, Registered Valuer No. 7046, of Egan National Valuers Pty Ltd.

Health Services Union NSW (formerly HSUeast)

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Notes to the Financial Statements
For the Period Ended 30 September 2012

10 Property, Plant and Equipment continued

	30 September 2012	30 June 2012
	\$	\$
Furniture, fixture and fittings		
At cost	5,352,724	5,419,596
Accumulated depreciation	(2,681,912)	(2,613,639)
Total furniture, fixture and fittings	2,670,812	2,805,957
Motor vehicles		
At cost	871,379	1,137,911
Accumulated depreciation	(274,732)	(369,611)
Total motor vehicles	596,647	768,300
Total plant and equipment	3,267,459	3,574,257
Total property, plant and equipment	10,474,576	10,841,305

(a) Movements in Carrying Amounts

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

	Buildings	Furniture, Fixtures and Fittings	Motor Vehicles	Total
	\$	\$	\$	\$
Balance at 1 July 2012				
Balance at the beginning of period	7,267,048	2,805,957	768,300	10,841,305
Additions	-	3,510	67,050	70,560
Disposals	-	(60,394)	(184,918)	(245,312)
Depreciation expense	(59,931)	(78,261)	(53,785)	(191,977)
Balance at 30 September 2012	7,207,117	2,670,812	596,647	10,474,576
Balance at 1 October 2011				
Balance at the beginning of period	7,447,766	3,048,287	781,970	11,278,023
Additions	-	-	306,339	306,339
Disposals - written down value	-	-	(124,080)	(124,080)
Depreciation expense	(180,718)	(242,330)	(195,929)	(618,977)
Balance at 30 June 2012	7,267,048	2,805,957	768,300	10,841,305

Health Services Union NSW (formerly HSUeast)

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Notes to the Financial Statements

For the Period Ended 30 September 2012

11 Investment Property

	30 September 2012	30 June 2012
	\$	\$
Balance at beginning of the period	14,079,405	14,399,329
Acquisitions	102,380	-
Depreciation	(108,109)	(319,924)
Impairment expense	(947,570)	-
Balance at end of the period	13,126,106	14,079,405

The fair value of the investment property is \$ 17,700,000. The fair value of investment properties is included in Note 10 above.

12 Other Assets

CURRENT

Prepayments

313,950	-
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13 Trade and Other Payables

CURRENT

Unsecured liabilities

Trade payables

769,903	923,597
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Rental bonds collected

34,240	34,240
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GST payable

204,517	357,006
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PAYG withholding payable

140,002	150,031
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Other payables

122,854	157,397
---------	---------

1,271,516	1,622,271
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14 Borrowings

CURRENT

Secured liabilities:

Bank overdraft

115,875	-
---------	---

Bank loans

17,188,765	17,215,084
------------	------------

17,304,640	17,215,084
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(a) Security Provided

The bank loans and Commercial Bank Bills are secured by mortgages over all the freehold properties of the Union except for:

- Unit 5/2-6 Hunter Street, Parramatta NSW
- Lot 50/SP52105, 370 Pitt Street, Sydney NSW
- Lot 32, 34/SP46628, 370 Pitt Street, Sydney NSW

The carrying amount approximates fair value in respect to the Interest Bearing Liabilities.

Health Services Union NSW (formerly HSUeast)

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Notes to the Financial Statements

For the Period Ended 30 September 2012

15 Provisions

	30 September 2012	30 June 2012
	\$	\$
CURRENT		
Building make good provision	103,670	112,170

16 Employee Benefits

	30 September 2012	30 June 2012
	\$	\$
CURRENT		
Long service leave	799,828	830,143
Provision for employee benefits	2,093,880	3,053,528
	<u>2,893,708</u>	<u>3,883,671</u>
NON-CURRENT		
Long service leave	369,871	753,422
Defined benefit fund	4,567,565	5,665,600
	<u>4,937,436</u>	<u>6,419,022</u>

Defined Benefit Plan

Employees of The Union are entitled to benefits from superannuation plans on retirement, disability or death.

The Union participated in six employer-sponsored superannuation plans. Two of these, State Authorities Superannuation Scheme (SASS) and State Authorities Non-contributory Superannuation Scheme (SANCS) are defined benefit plans.

The following sets out details in respect of the defined benefit superannuation plans only.

(a) Reconciliation of amounts in the statement of financial position

	30 September 2012	30 June 2012
	\$	\$
The amounts included in the Statement of Financial Position as Net Asset (Liability) Defined Benefits Superannuation Plans are as follows:		
State Authorities Superannuation Scheme (SASS)	4,069,312	5,016,803
State Authorities Non-contributory Superannuation Scheme (SANCS)	498,253	648,797
	<u>4,567,565</u>	<u>5,665,600</u>

(b) Amounts in the statement of comprehensive income

	30 September 2012	30 June 2012
	\$	\$
The amounts recognised in the statement of comprehensive income are as follows:		
State Authorities Superannuation Scheme (SASS)	41,625	124,873
State Authorities Non-contributory Superannuation Scheme (SANCS)	7,344	22,032
	<u>48,969</u>	<u>146,905</u>

Notes to the Financial Statements

For the Period Ended 30 September 2012

16 Employee Benefits continued

(c) Amounts recognised in other comprehensive income

	30 September 2012	30 June 2012
	\$	\$
Actuarial (gains) / losses		
State Authorities Superannuation Scheme (SASS)	(947,908)	2,253,050
State Authorities Non-contributory Superannuation Scheme (SANCS)	(150,118)	326,650
	<u>(1,098,026)</u>	<u>2,579,700</u>
Balance at the end of the year		

Accounting policy for recognising actuarial gains/losses

Actuarial gains and losses are recognised in other comprehensive income in the year they occur.

General description of the type of plan

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)
- State Superannuation Scheme (SSS)
- Police Superannuation Scheme (PSS)

These schemes are defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership.

The schemes are closed to new members.

(d) Reconciliation of present value of the defined benefit obligation

	2012 SASS	2012 SANCS
	\$	\$
Present value of partly funded defined benefit obligations at 1 October 2011	9,467,780	1,120,254
Current service cost	323,810	50,002
Interest cost	389,211	45,942
Contributions by Fund participants	143,499	-
Actuarial (gains) / losses	1,036,478	216,397
Benefits paid	(1,398,510)	(260,005)
	<u>9,962,268</u>	<u>1,172,590</u>
Present value of partly funded defined benefit obligations at 30 September 2012		

Notes to the Financial Statements

For the Period Ended 30 September 2012

16 Employee Benefits continued

(e) Reconciliation of the fair value of fund assets

	2012 SASS	2012 SANCS
	\$	\$
Fair value of fund assets at 1 October 2011	6,686,284	815,851
Expected return on Fund assets	546,523	66,568
Actuarial gains / (losses)	(223,590)	16,845
Employer contributions	138,749	35,078
Contribution by fund participants	143,499	-
Benefits paid	(1,398,510)	(260,005)
Fair value of plan assets at 30 September 2012	5,892,955	674,337

(f) Reconciliation of the assets and liabilities recognised in the statement of financial position

	2012 SASS	2012 SANCS
	\$	\$
Description Title		
Present value of partly funded defined benefit obligation at 30 September 2012	9,962,268	1,172,590
Fair value of Fund assets at end of year	(5,892,955)	(674,337)
<i>Subtotal</i>	4,069,313	498,253
Unrecognised past service cost	-	-
Unrecognised gain / (loss)	-	-
Adjustment for limitation on net asset	-	-
Net (asset) / liability to be recognised in statement of financial position	4,069,313	498,253

(g) Total expense recognised in the statement of comprehensive income

	2012 SASS	2012 SANCS
	\$	\$
Components recognised in Statement of Comprehensive Income		
Current service cost	323,810	50,002
Interest cost	389,211	45,942
Expected return on Fund assets (net of expenses)	(546,523)	(66,568)
Actuarial losses / (gains) recognised in year	-	-
Past service cost	-	-
Movement in adjustment for limitation on net asset	-	-
Curtailment or settlement (gain) / loss	-	-
Expense / (income) recognised	166,498	29,376

Notes to the Financial Statements

For the Period Ended 30 September 2012

16 Employee Benefits continued

(h) Fund assets

The percentage invested in each asset class at the balance sheet date:

	30 September 2012	30 June 2012
Australian equities	32 %	28 %
Overseas equities	24 %	24 %
Australian fixed-interest securities	5 %	5 %
Overseas fixed-interest securities	2 %	2 %
Property	9 %	9 %
Cash	15 %	19 %
Other	13 %	13 %
	100 %	100 %

Fair value of Fund Assets

All Fund assets are invested by STC at arm's length through independent fund managers.

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

Actual return on fund assets

	2012 SASS \$	2012 SANCS \$
Actual return on Fund assets for the period 1 October 2011 to 30 September 2012	713,865	83,413

(i) Actuarial assumptions

(i) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Health Services Union NSW (formerly HSUeast)

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Notes to the Financial Statements

For the Period Ended 30 September 2012

16 Employee Benefits continued

(i) Actuarial assumptions continued

(ii) Economic Assumptions

	30 September 2012	30 June 2012
Salary increase rate (excluding promotional increases)	2.5% pa	2.5% pa
Rate of CPI increase	2.5% pa	2.5% pa
Expected rate of return on assets	8.60%	8.60%
Discount rate	2.93% pa	3.06% pa

(iii) Demographic Assumptions

The demographic assumptions at 30 September 2012 are those that were used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

(j) Historical Analysis of Defined Benefit Obligations

	SASS \$	SANCS \$
Present value of the defined benefit obligation	9,962,268	1,172,590
Fair value of Fund assets	(5,892,955)	(674,337)
Surplus/(deficit) in Fund	4,069,312	498,253
Experience adjustments - Fund liabilities	1,036,478	216,397
Experience adjustments - Fund assets	223,590	(16,845)

(k) Employer contributions

	2012 SASS \$	2012 SANCS \$
Expected employer contributions to be paid in the next reporting period	105,000	28,000

Funding Arrangements for Employer Contributions

(a) Surplus/deficit

The following is a summary of the 30 September 2012 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	2012 SASS \$	2012 SANCS \$
Accrued Benefits	7,521,530	990,807
Net market value of Fund assets	(5,892,955)	(674,337)
Net (surplus) / deficit	1,628,575	316,470

Health Services Union NSW (formerly HSUeast)

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Notes to the Financial Statements

For the Period Ended 30 September 2012

16 Employee Benefits continued

(k) Employer contributions continued

(b) Contribution recommendations

Recommended contribution rates for the entity are:

	SASS	SANCS
	multiple of member contributions	% member salary
	n/a	n/a

(c) Funding method

Contribution rates are set after discussions between the employer, STC and NSW Treasury.

(d) Economic assumptions

The economic assumptions adopted for the 2009 actuarial review of the Fund are:

Weighted-Average Assumptions

Expected rate of return on Fund assets backing current pension liabilities	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa
Expected salary increase rate	4.0% pa
Expected rate of CPI increase	2.5% pa

Nature of Asset/Liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

17 Derivatives

	2012	2011
Note	\$	\$
CURRENT		
Interest rate swap	<u>415,177</u>	<u>402,013</u>

Health Services Union NSW (formerly HSUeast) entered into an interest rate swap agreement on 6 October 2010 with a sole purpose to hedge/fix the variable interest rate of the \$5,200,000 loan. The interest rate swap/hedge instrument has a face value of \$5,200,000.

Health Services Union NSW (formerly HSUeast)

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Notes to the Financial Statements

For the Period Ended 30 September 2012

18 Capital and Leasing Commitments

Operating lease commitments

The following amounts are payable in respect of:

	30 September 2012	30 June 2012
Note	\$	\$
The lease of the Union's office equipment		
- no later than 1 year	128,624	164,799
- between 1 year and 5 years	77,161	103,288
- greater than 5 years	-	-
	<u>205,785</u>	<u>268,087</u>

Operating leases have been taken out for computer equipment.

19 Lessor Commitments

Operating lease commitments receivable - Union as lessor

Health Services Union NSW (formerly HSUeast) leases out its investment property (see note 11) under commercial leases. These non-cancellable leases have terms between 3 and 6 years. All leases include provisions for Health Services Union NSW (formerly HSUeast) to increase rent to CPI to 4% per annum with current market rental assessments performed regularly in accordance with the lease agreements.

The future minimum lease payments under non-cancellable leases are:

	30 September 2012	30 June 2012
	\$	\$
- no later than 1 year	731,029	607,138
- between 1 year and 5 years	1,652,304	423,294
- greater than 5 years	394,876	-
Total minimum lease payments	<u>2,778,209</u>	<u>1,030,432</u>

20 Financial Risk Management

The main risks Health Services Union NSW (formerly HSUeast) is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and equity price risk.

The Union's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, bank loans and overdrafts, loans to and from related parties, bills, leases, preference shares, and derivatives.

Health Services Union NSW (formerly HSUeast)

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Notes to the Financial Statements

For the Period Ended 30 September 2012

20 Financial Risk Management continued

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	30 September 2012	30 June 2012
	\$	\$
Financial Assets		
Cash and cash equivalents	486,562	417,734
Held-to-maturity investments	139,944	995,797
Available-for-sale financial assets:		
- at cost		
- listed investments	1,915	1,915
Total available-for-sale financial assets	<u>1,915</u>	<u>1,915</u>
Total financial assets	<u>628,421</u>	<u>1,415,446</u>
Financial Liabilities		
Financial liabilities at amortised cost		
- Trade and other payables	1,271,516	1,622,270
- Borrowings	17,304,640	17,215,084
Total financial liabilities	<u>18,576,156</u>	<u>18,837,354</u>

Financial risk management policies

The Union Council has overall responsibility for the establishment of Health Services Union NSW (formerly HSUeast)'s financial risk management framework.

The day-to-day risk management is carried out by Health Services Union NSW (formerly HSUeast)'s finance function under policies and procedures which have been approved and adopted by the Administrator. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the policies and procedures. This includes monitoring the levels of exposure to interest rate risk and assessment of market forecasts for interest rate movements.

Health Services Union NSW (formerly HSUeast) does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Mitigation strategies for specific risks faced are described below:

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to Health Services Union NSW (formerly HSUeast) and arises principally from Health Services Union NSW (formerly HSUeast)'s receivables.

The receivables of the Health Services Union NSW are with HSU Victoria No1 Branch and HSU Victoria No 3 Branch. These have been disclosed in the related parties note.

Notes to the Financial Statements

For the Period Ended 30 September 2012

20 Financial Risk Management continued

(b) Liquidity risk

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

- preparing forward-looking cash flow analysis in relation to its operational, investing and financial activities which are monitored on a monthly basis;
- using interest rate swaps to manage interest payments;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Typically, Health Services Union NSW (formerly HSUEast) ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days.

(c) Liquidity Risk - Asset maturity analysis

The table/s below reflect maturity analysis for financial assets.

	Within 1 Year		1 to 5 Years		Total	
	30/09/12	30/06/12	30/09/12	30/06/12	30/09/12	30/06/12
	\$	\$	\$	\$	\$	\$
Financial assets - cash flows realisable						
Cash and cash equivalents	486,562	417,734	-	-	486,562	417,734
Trade, term and loans receivables	52,572	14,282	2,885,000	2,181,849	2,937,572	2,196,131
Held-to-maturity investments	139,944	995,797	-	-	139,944	995,797
Other investments	1,915	1,915	-	-	1,915	1,915
Total anticipated outflows	<u>680,993</u>	<u>1,429,728</u>	<u>2,885,000</u>	<u>2,181,849</u>	<u>3,565,993</u>	<u>3,611,577</u>

Notes to the Financial Statements

For the Period Ended 30 September 2012

20 Financial Risk Management continued

The table/s below reflect an undiscounted contractual maturity analysis for financial liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

Financial liability maturity analysis - Non-derivative

	Within 1 Year		1 to 5 Years		Total	
	30/09/12	30/06/12	30/09/12	30/06/12	30/09/12	30/06/12
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Bank overdrafts and loans	115,875	-	-	-	115,875	-
Trade and other payables (excluding estimated annual leave)	1,271,516	1,622,271	-	-	1,271,516	1,622,271
Borrowings (excluding finance lease)	17,188,765	17,215,084	-	-	17,188,765	17,215,084
Interest rate swap	-	-	415,177	402,013	415,177	402,013
Total contractual outflows	<u>18,576,156</u>	<u>18,837,355</u>	<u>415,177</u>	<u>402,013</u>	<u>18,991,333</u>	<u>19,239,368</u>

The timing of expected outflows is not expected to be materially different from contracted cashflows, with the exception of the borrowings. These have been classified as above due to the expiry date of the facilities.

Assets pledged as collateral

Certain assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts. Refer to Note 14(a) for further details.

(d) Market risk

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

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Union is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is managed by maintaining a portion of borrowings at fixed interest rates through the use of an interest rate swap. At 30 September 2012, approximately 77% of Health Services Union NSW (formerly HSUeast) debt is fixed rate, which includes \$5,200,000 in debt that forms part of the interest rate swap facility.

Notes to the Financial Statements

For the Period Ended 30 September 2012

20 Financial Risk Management continued

The net effective variable interest rate borrowings (i.e. unhedged debt) exposes the Union to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	30 September 2012	30 June 2012
	\$	\$
Floating rate instruments		
Bank overdrafts	115,875	-
Borrowings	3,946,000	3,946,000
	<u>4,061,875</u>	<u>3,946,000</u>

Interest rate swaps are measured at fair value with gains and losses recognised in the statement of comprehensive income. This is because the interest rate swap has not been designated a part of a hedging relationship in accordance with Australian Accounting Standards.

Interest Rate Risk - Sensitivity Analysis

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the end of the reporting period.

An increase of 100 basis points or a decrease of 50 basis points would have increased equity and profit or loss by the amounts shown below. This analysis assumes that other variables are held constant.

	Profit		Equity	
	100 basis points increase	50 basis points decrease	100 basis points increase	50 basis points decrease
30 September 2012	(39,460)	19,730	(39,460)	19,730

The movements in profit are due to higher interest costs from variable rate debt and cash balances.

Notes to the Financial Statements

For the Period Ended 30 September 2012

20 Financial Risk Management continued

Interest Rate Risk

(i) Financial instrument composition and maturity analysis

The Union's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Maturing within 1 Year	
	30/09/12	30/06/12	30/09/12	30/06/12	30/09/12	30/06/12
	%	%	\$	\$	\$	\$
Financial Assets:						
Cash and cash equivalents	-	-	-	-	-	-
Receivables	6.50	-	-	-	2,885,000	-
Total Financial Assets			-	-	2,885,000	-
Financial Liabilities:						
Bank overdrafts	-	-	-	-	-	-
Borrowings	4.67	4.67	9,146,000	9,189,299	8,042,765	8,025,785
Interest rate swaps	5.67	5.67	-	-	415,177	402,013
Total Financial Liabilities			9,146,000	9,189,299	8,457,942	8,427,798

	Non-interest Bearing		Total	
	30/09/12	30/06/12	30/09/12	30/06/12
	\$	\$	\$	\$
Financial Assets:				
Cash and cash equivalents	486,562	417,734	486,562	417,734
Receivables	-	2,181,849	2,885,000	2,181,849
Total Financial Assets	486,562	2,599,583	3,371,562	2,599,583
Financial Liabilities:				
Bank overdrafts	115,875	-	115,875	-
Borrowings	-	-	17,188,765	17,215,084
Interest rate swaps	-	-	415,177	402,013
Total Financial Liabilities	115,875	-	17,719,817	17,617,097

Notes to the Financial Statements

For the Period Ended 30 September 2012

21 Interests of Key Management Personnel

The key management personnel of the Union are the Officers. Their remuneration paid during the period is as follows:

	1 July 2012 to 30 September 2012	1 October 2011 to 30 June 2012
	\$	\$
Wages and salaries	-	1,976,840
Post-employment benefits	-	174,364
	<u>-</u>	<u>2,151,204</u>

During the period 1 July 2012 to 30 September 2012, the Union had been appointed an Administrator by the Federal Court and was operating under the leadership of that Administrator, the Honourable Michael Moore. Total remuneration paid to the Administrator and his assistants was \$137,677.

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 24: Related Party Transactions.

22 Auditors' Remuneration

	2012	2011
	\$	\$
Remuneration of the auditor of the Union		
- auditing or reviewing the financial statements	40,000	-
- other services	10,000	-

Other services relate to assistance provided in the completion of the financial statements.

23 Contingent Liabilities and Contingent Assets

Contingent Liabilities

Health Services Union NSW (formerly HSUeast) had the following contingent liabilities at the end of the reporting period:

Michael Williamson, Peter Mylan and Kerry Seymour have significant claims against the Union in relation to their employee entitlements upon being stood down as a result of the Federal Court decision to appoint an Administrator. The Union management is disputing the validity of the authorised pay increases from 2011. Provisions for the accrued annual and long service leave have been included in the provision for executive termination at the higher salary rates. This also impacts the valuation of the defined benefit scheme, which again, has been recognised using the higher salary rates. If the Union is successful in disputing the claims, then the provision and defined benefit liability would be lower than what is currently recognised. The claims are continuing and no judgement has been made as at the date of this financial report.

There is a risk of a claim against the Union as a result of past agreements that were entered into and the Union is currently disputing them. No claims have currently been brought against the Union, however, there is a risk that a claim may be made.

Notes to the Financial Statements

For the Period Ended 30 September 2012

23 Contingent Liabilities and Contingent Assets continued

Contingent Assets

The following legal claims are in favour of the Union:

The Union is currently pursuing Michael Williamson (and his family trust) and Peter Mylan in relation to the dealings with the Union's former IT supplier, United Edge Pty Limited. The dispute is in relation to the services provided by the company and the fees charged.

The Union is also pursuing Michael Williamson in relation to recovering the profits made by others earned from United Edge Pty Limited and Canme Services Pty Limited under section 270 of the NSW Industrial Relations Act. The solicitors of the Union are continuing to pursue this matter.

24 Related Party Transactions

Related Parties

(a) Health Services Union NSW

As part of the demerger transaction that occurred on 21 August 2012, Health Services Union NSW loaned HSU Victoria No 1 Branch \$2,885,000. The loan has an interest rate of 6.5% p.a. with interest payable in arrears. At 30 September 2012, interest of \$18,031.

At 30 September 2012, HSU Victoria No 1 Branch and HSU Victoria No 3 Branch owed the Union \$15,574 and \$12,107 respectively, for their share of apportioned expenses.

Net service fees charged to the HSU NSW Branch during the period ended 30 September 2012 was \$170,000. For the period 1 October 2011 to 30 June 2012, net service fees were charged to HSU NSW Branch and HSU Victoria No 1 Branch of \$937,941 and \$420,953 respectively.

Capitation fees and levies charged by HSU National to the Union during the period ended 30 September 2012 was \$120,776 (for the period 1 October 2011 to 30 June 2012, \$461,382 was charged).

(b) Officers of the Union

Michael Williamson is a director and shareholder of United Edge who provided computer and IT services to HSU. During the period ended 30 September 2012, payments to United Edge totalled nil (for the period 1 October 2011 to 30 June 2012 payments to United Edge totalled \$959,549).

The aggregate amount of remuneration paid to Officers during the period is disclosed in Key Management Personnel Compensation.

There have been no other transactions between the Officers and the Union other than those relating to their membership of the Union and the reimbursement by the Union in respect of expenses incurred by them in the performance of their duties.

For details of disclosures relating to key management personnel, refer to Note 21: Interests of Key Management Personnel.

Notes to the Financial Statements

For the Period Ended 30 September 2012

25 Cash Flow Information

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

Reconciliation of net income to net cash provided by operating activities:

	2012	2011
	\$	\$
Surplus for the year	(481,262)	275,458
Cash flows excluded from surplus attributable to operating activities		
Non-cash flows in profit:		
- depreciation	300,086	938,901
- impairment of property, plant and equipment	947,570	-
- net gain on disposal of property, plant and equipment	(49,927)	(70,082)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	(38,290)	666,571
- (increase)/decrease in prepayments	(313,950)	-
- increase/(decrease) in trade and other payables	(350,754)	169,158
- increase/(decrease) in interest rate swap	13,164	114,780
- increase/(decrease) in provisions	(8,500)	112,170
- increase/(decrease) in employee benefits	(862,186)	(1,313,115)
Cashflow from operating activities	<u>(844,049)</u>	<u>893,841</u>

26 Events after the end of the Reporting Period

Subsequent to period end, the Union renegotiated its bank loans for a period of 12 months. The facilities continue to be secured by a first registered mortgage over the properties.

Subsequent to period end, on 30 November 2012, the Union came out of administration as the ballots for the election of the Officers, Union Committee and the Union Council were declared by the Australian Electoral Commission and the relevant people were elected. The following were elected as the officials of Health Services Union of NSW:

President	Mark Sterrey
Senior Vice-President	Margaret Pike
Junior Vice-President	Leanne Burns
Secretary	Gerard Hayes
Assistant Secretary-Treasurer	Andrew Lillicrap
Committee Member	Warren Boon
Committee Member	Bruce Cornwell
Committee Member	Amanda Dowsley
Committee Member	Sharalyn Haynes
Committee Member	Genevieve Partridge

The members of the Union also declared elected the following candidates to be members of the Union Council - Colin Lee, Peter Mitchell, Claire Charles, John Chester, Suzanne Davis, Raymond Dunn, Barry Harris, Sharalyn Haynes, Ronald Henderson, John Holgate, Peter Iffland, Sharon Joseph, Wayne Lloyd, Linden Martin, Deborah Neumann, Shirley O'Riley, Genevieve Partridge, Patricia Reid, Gillian Reilly, Leanne Snow, Darriea Turley, Alan Wilcock, Steven Fraser, Kevin Hicks and Lindy Twyford.

Notes to the Financial Statements

For the Period Ended 30 September 2012

26 Events after the end of the Reporting Period continued

In relation to the provision for executive termination, three of the executives have been settled after 30 September 2012. These related to Gerard Hayes, Kathy Jackson and Marco Bolano. Their respective provisions have been adjusted as at 30 June 2012 to reflect the actual liability settled.

Subsequent to period end, the Union entered into an operating lease to lease out one of the properties. The lease has been entered into for a period of 6 months at \$25,000 per month.

Except for the above, no other matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Union, the results of those operations or the state of affairs of the Union in future financial years.

27 Union Details

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

Health Services Union NSW (formerly HSUeast)

Level 2

109 Pitt Street

SYDNEY NSW 2000