

**VICTORIAN HOSPITALS' INDUSTRIAL
ASSOCIATION**

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2008

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

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VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
Revenue	2	3,711,290	3,880,919
Employee benefits expense		(1,975,480)	(1,890,153)
Depreciation and amortisation expenses	18	(89,651)	(119,278)
Finance costs	3	(29,187)	(40,360)
Other expenses		<u>(2,206,986)</u>	<u>(2,325,890)</u>
Surplus/(Deficit) from operations		<u>(590,013)</u>	<u>(494,762)</u>

The accompanying notes form part of these financial statements.

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

BALANCE SHEET

AS AT 30 JUNE 2008

	Note	2008 \$	2007 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	186,382	386,466
Trade and other receivables	6	535,573	803,176
Work in progress	7	46,324	213,910
Investments in associated entities	8, 16	38	38
Other current assets	8	33,371	24,108
TOTAL CURRENT ASSETS		<u>801,650</u>	<u>1,427,698</u>
NON-CURRENT ASSETS			
Property, plant and equipment	9	731,442	922,293
Loans receivable - secured		139,176	-
Loans receivable - unsecured		79,584	-
TOTAL NON-CURRENT ASSETS		<u>950,202</u>	<u>922,293</u>
TOTAL ASSETS		<u><u>1,751,852</u></u>	<u><u>2,349,991</u></u>
CURRENT LIABILITIES			
Trade and other payables	10	972,117	937,350
Loans payable	11	182,516	83,734
Short-term provisions	12	219,882	166,816
Other current liabilities	13	3,590	5,377
TOTAL CURRENT LIABILITIES		<u>1,378,105</u>	<u>1,193,277</u>
NON-CURRENT LIABILITIES			
Loans payable	11	-	218,669
Long-term provisions	12	199,418	173,703
TOTAL NON-CURRENT LIABILITIES		<u>199,418</u>	<u>392,372</u>
TOTAL LIABILITIES		<u><u>1,577,523</u></u>	<u><u>1,585,649</u></u>
NET ASSETS		<u><u>174,329</u></u>	<u><u>764,342</u></u>
EQUITY			
Reserves	14	432,500	432,500
Accumulated Surplus/(Deficit)		(258,171)	331,842
TOTAL EQUITY		<u><u>174,329</u></u>	<u><u>764,342</u></u>

The accompanying notes form part of these financial statements.

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION
STATEMENT OF RECOGNISED INCOME AND EXPENSES
AS AT 30 JUNE 2008

	Retained Earnings	Asset revaluation reserve	Total
	\$	\$	\$
Balance at 1 July 2006	826,605	367,688	1,194,293
Deficit attributable to members for 2006-07	179,110	-	179,110
Retroactive adjustments to the previous year's reported surplus	(673,873)	0	(673,873)
Revaluation of freehold land and buildings by the Directors	-	64,812	64,812
Balance at 30 June 2007	<u>331,842</u>	<u>432,500</u>	<u>764,342</u>
 Deficit attributable to members for 2007-08	 (590,013)	 -	 (590,013)
	<u>(258,171)</u>	<u>432,500</u>	<u>174,329</u>
Balance at 30 June 2008	<u><u>(258,171)</u></u>	<u><u>432,500</u></u>	<u><u>174,329</u></u>

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from members		3,956,625	3,707,783
Payments to suppliers and employees		(3,472,561)	(3,384,437)
Interest received		37,599	75,164
Other receipts/payments (net)		(2,522)	236,141
Net cash provided by operating activities	18(b)	<u>519,142</u>	<u>634,651</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(16,631)	(271,845)
Carrying value of motor vehicles sold		<u>117,831</u>	<u>135,500</u>
Net cash generated from (used in) investing activities		<u>101,200</u>	<u>(136,345)</u>
Cash flows from financing activities			
Repayment of hire purchase loans on motor vehicles		(191,522)	-
Reduction of retained earnings*		(673,873)	-
Proceeds from borrowings		44,969	(528,224)
Net cash used in financing activities		<u>(820,426)</u>	<u>(528,224)</u>
Net decrease in cash held		(200,084)	(29,918)
Cash at the beginning of the year		<u>386,466</u>	<u>416,384</u>
Cash at the end of the year	18(a)	<u><u>186,382</u></u>	<u><u>386,466</u></u>

* For retroactive correction of errors and estimates in 2006-07.

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of Schedule 1 to the **Workplace Relations Act 1996** (Cth).

This financial report covers Victorian Hospitals' Industrial Association as an individual entity. Victorian Hospitals' Industrial Association is an association incorporated under the Workplace Relations Act 1996 (Cth). The financial report of Victorian Hospitals' Industrial Association as an individual entity complies with all Australian equivalents of the International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Association in the preparation of this financial report. The accounting policies have been applied consistently over time, unless otherwise stated.

Basis of Preparation

After the restatement of the comparative figures for the year ended 30 June 2007 referred to in Note 1(k), the accounting policies set out below have been consistently applied to the years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accrual basis using historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Income Tax

Victorian Hospitals' Industrials Association is an entity whose income is exempt from income tax under section 50-15, Item 3.1(b) of the Income Tax Assessment Act (1997) (as amended)

(b) Work in Progress

Work in progress is measured at fair value based on time charged in relation to contracted prices for work undertaken..

(c) Property, Plant and Equipment

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

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Board of Management's Finance Committee to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Costs of construction and/or installation are included in a non-current asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Association and the cost of the item can be measured reliably. All other costs of work done on a non-current asset are treated as repairs and maintenance or other specific operating costs which are included in the operating statement for the reporting period in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation reserve in equity. Decreases that offset previous increases for the same asset are charged directly against the revaluation reserve in equity; all other decreases are charged to the operating statement.

Depreciation

With effect from 1 July 2007, the Association changed its depreciation policy from a mix of straight line and reducing balance calculations to a uniform policy of depreciating property, plant and equipment on a straight-line basis over the estimated useful life of each class of assets from the month in which they are held ready for use.

The depreciation rate and useful life in years used for each class of depreciable asset are:

<i>Class of Fixed Asset:</i>	<i>Old Rate</i>	<i>New Rate</i>	<i>Asset Life</i>
Buildings	2.5%	4%	25 years
Building improvements	10%	10%	10 years
Plant and equipment	20%	20%	5 years
Motor vehicles	15%	20%	5 years
Computer equipment and mobile phones	33.3%	33.3%	3 years
Computer software	33.3%	20%	5 years
Furniture and fittings	20%	10%	10 years

The estimated reduction in depreciation expense for the year as a result of the above changes was approximately \$12,000.

An asset's carrying amount has been written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amounts of plant, office and computer equipment, software and other technological assets have been estimated informally by the Board pending a comprehensive inventory and valuation of these assets in 2008-09.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset. The gains or losses are included in the operating statement. When a revalued asset is sold, any amount included in the revaluation reserve relating to that asset is transferred to retained earnings as a realised gain.

(d) Financial Assets

Recognition

Financial instruments are initially measured at cost on the trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are stated at fair value and loans are measured at amortised cost using the effective interest rate method.

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Financial liabilities

Non-derivative financial liabilities for loans are recognised at amortised cost, comprising original debt less principal payments and amortisation up to the reporting date. Financial liabilities for trade and other payables are measured at fair value which is usually the contracted amount of the debt.

Derivative instruments

The Association's policy is not to acquire or dispose of any derivative financial instruments.

Fair value

Fair value is determined based on contracted prices for receivables, payables and loans. At the reporting date, unlisted equity investments were valued at fair value, in the light of the minority nature of the holdings.

Impairment

At each reporting date, the Association assesses whether there is objective evidence that a financial instrument has been impaired. In the case of accounts receivable and loans the prospects of on-time collection are evaluated and an allowance is made for impairment if required. Impairment losses are recognised in the operating statement.

(e) Impairment of assets

At each reporting date, the association reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset reliably from market data, the Association estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Employee Benefits

Provision is made for the Association's liability for employee benefits arising from services rendered by employees up to the reporting date. 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. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits, including oncosts and discounted using the long-run Commonwealth Bond Rate.

(g) Provisions

Provisions are recognised when the Association 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.

(h) 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 up to three months. The bank overdraft is shown within financial liabilities and in current liabilities on the balance sheet.

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

(i) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been confirmed.

Revenue from the rendering of a service is recognised upon the delivery of the service to the member or other recipient.

Revenue from the Association's rental property is recognised when the Association has a right to receive the rent in accordance with the lease agreement.

All revenue is stated net of Goods and Services Tax ('GST').

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the balance sheet 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.

(k) Comparative Figures

During the year, a material amount of errors were discovered in the financial statements for 2006-07. The comparative figures in this financial report have been amended to correct those errors and estimates in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The comparative figures in the operating statement for 2006-07 have been amended as follows:

Operating Surplus previously reported as attributable to the members	\$ 179,110
<i>Reductions in Operating Revenue:</i>	
Overstatement of training revenue	(136,707)
Unbillable items included in work in progress	(56,242)
Overstatement of dividend revenue and facilities fees from associates	(77,050)
<i>Increases in Operating Expenses:</i>	
Unrecoverable operating expenses charged to loan accounts, then reversed	(156,381)
Understatement of the provision for long service leave	(141,243)
Understatement of amounts owing for project work where the revenue was recognised in 2006-07	(116,703)
<i>Reduction in Operating Expenses:</i>	
Overstatement of the provision for annual leave	10,454
Restated operating Surplus/(Deficit) for the previous year	<u>(494,763)</u>

The comparative figures in the balance sheet for 30 June 2007 have been amended as follows

Reduction of accounts receivable (current asset)	136,707
Reduction of loans receivable (current asset)	233,431
Reduction of work in progress (current asset)	56,242
Increase in the provision for long service leave	141,243
Reduction in the provision for annual leave	(10,454)
Increase in accounts payable current liability)	116,703
<i>Changes to the Operating Result for 2006-07</i>	<u>673,873</u>
Operating Surplus previously reported for 2006-07	179,110
Reduction in Equity and Net Assets at 30 June 2007	<u><u>494,763</u></u>

(l) Going Concern Assumption

The carrying amounts of the Association's assets and liabilities in this financial report are based on the continuing operation of the Association in accordance with its Rules. The changes to the comparative figures described above and the material operating deficit reported for 2007-08 have reduced retained earnings to an accumulated deficit of \$258,171 although net assets remain positive at \$174,329. The Board has chosen to adopt the going concern assumption to underpin the carrying amounts in this report on the basis of strong net cash inflows from operations, positive budgeted results for 2008-09 and major strengthen of previous accounting systems and financial management skills available.

(m) Critical accounting estimates and adjustments

Board members evaluate estimates and judgements incorporated into the financial report based on historical knowledge, experience and the best available current information. Estimates rely on expert advice, assume reasonable forecasts of future events and are based on current trends and economic data, obtained both externally and within the Association.

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
2. REVENUE			
Revenue			
Membership fees		1,897,202	1,728,254
Consultancy fees		1,093,907	599,470
Management Services' fees		19,810	694,412
Training fees		413,576	458,409
Rental revenue		67,197	65,889
Recovery of costs incurred on behalf of others		157,023	-
Dividends received		-	33,950
Interest received	2(a)	37,599	75,164
Other income		24,976	252,591
Total Revenue		<u>3,711,290</u>	<u>3,908,138</u>
(a) Interest received from:			
Associated entities		28,162	16,086
Other corporations		9,437	59,078
		<u>37,599</u>	<u>75,164</u>
3. OPERATING DEFICIT			
The operating deficit includes the following expenses:			
Finance costs:			
External		29,187	40,360
Total finance costs		29,187	40,360
Bad and doubtful debts		13,665	9,939
Net loss on disposal of non-current assets:			
Property, plant and equipment		25,936	17,339
		<u></u>	<u></u>
4. AUDITOR'S REMUNERATION			
Auditing		15,775	11,896
Accounting and other services provided by related practices of the auditor		35,953	17,282
Due diligence services re potential acquisition		-	8,472
Specialist one-off taxation services provided by a related practice of the auditor		-	18,619
		<u>51,728</u>	<u>56,269</u>

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
5. CASH AND CASH EQUIVALENTS			
Petty cash imprest float		200	9
Cash at bank - National Australia Bank Ltd		95,949	216,619
Cash at bank - Commonwealth Bank of Australia Ltd		89,691	148,392
Term deposits		-	20,904
Cash at bank - NAB Cash Maximiser		542	542
		<u>186,382</u>	<u>386,466</u>
6. TRADE AND OTHER RECEIVABLES			
CURRENT			
Trade receivables		375,157	220,845
Less provision for impairment of receivables		<u>(20,000)</u>	<u>(10,000)</u>
		355,157	210,845
<i>Other accounts receivable</i>			
Loan - Health Financial Pty Ltd		100,416	280,000
Loan - Health Legal Pty Ltd		80,000	292,600
Health Communications' Branch expenses carried forward		-	19,769
		<u>535,573</u>	<u>803,214</u>
7. WORK IN PROGRESS			
CURRENT			
Work in progress - at fair value		<u>46,324</u>	<u>213,910</u>
8. OTHER ASSETS			
CURRENT			
Prepaid expenses		33,333	24,070
Investments in associated entities		<u>38</u>	<u>38</u>
		33,371	24,108
9. PROPERTY, PLANT AND EQUIPMENT			
Buildings		620,000	620,000
Less accumulated depreciation		<u>(47,763)</u>	<u>(22,963)</u>
		572,237	597,037

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
Leasehold land		110,043	110,043
Less accumulated amortisation		<u>(110,043)</u>	<u>(110,043)</u>
		-	-
Building improvements		51,204	45,300
Less accumulated depreciation		<u>(45,694)</u>	<u>(45,300)</u>
		5,510	-
Total land and buildings		<u><u>577,747</u></u>	<u><u>597,037</u></u>
Plant and equipment		78,307	77,539
Less accumulated depreciation		<u>(70,659)</u>	<u>(62,905)</u>
		7,648	14,634
Furniture & Fittings		78,001	78,001
Less accumulated depreciation		<u>(46,639)</u>	<u>(38,838)</u>
		31,362	39,163
Internet equipment and software		58,455	58,455
Less accumulated depreciation		<u>(53,455)</u>	<u>(52,461)</u>
		5,000	5,994
Motor vehicles		152,339	305,783
Less accumulated depreciation		<u>(67,655)</u>	<u>(67,686)</u>
		84,684	238,097
Computer equipment and software		213,933	194,718
Less accumulated depreciation		<u>(188,933)</u>	<u>(169,288)</u>
		25,000	25,430
Mobile Phones		9,256	9,256
Less accumulated depreciation		<u>(9,256)</u>	<u>(7,318)</u>
		-	1,938
Total plant and equipment		<u><u>153,694</u></u>	<u><u>325,256</u></u>
Total property, plant and equipment		<u><u>731,441</u></u>	<u><u>922,293</u></u>

(a) Movements in carrying amounts:

For disclosure of the movements in these carrying amounts please refer to Note 19 later in this financial report.

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
10. TRADE AND OTHER PAYABLES			
CURRENT			
Trade creditors		348,516	759,344
Accrued expenses		85,089	100,868
Fringe benefits liabilities		(979)	30,122
Payroll Tax payable		7,500	29,417
Superannuation liabilities		58,980	17,597
Income invoiced in advance		53,624	-
Members' fees received in advance		327,590	-
Amounts received on behalf of others		91,798	-
		<u>972,117</u>	<u>937,348</u>
11. LOANS PAYABLE			
CURRENT			
Bank overdraft - secured		44,969	-
Hire purchase loans on motor vehicles		137,547	83,734
		<u>182,517</u>	<u>83,734</u>
NON-CURRENT			
Hire purchase loans on motor vehicles		<u>-</u>	<u>218,669</u>
12. PROVISIONS			
Employee entitlements:			
Provision for annual leave:			
Balance at the beginning of the year		150,819	129,344
Reduction of the provision raised for prior years		-	(10,454)
Additional provision raised for the current year		50,854	31,929
Balance at the end of the year		<u>201,673</u>	<u>150,819</u>
Provision for long service leave:			
Balance at the beginning of the year		189,700	176,395
Additional provision raised for prior years		-	141,243
Additional provision raised for the current year		27,929	(127,938)
Balance at the end of the year		<u>217,629</u>	<u>189,700</u>

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
Total Provisions:			
Balance at the beginning of the year		340,519	305,739
Provision for annual leave		50,854	21,475
Provision for long service leave		<u>27,929</u>	<u>13,305</u>
Balance at the end of the year		<u><u>419,302</u></u>	<u><u>340,519</u></u>
Analysis of Total Provisions:			
Current		219,882	166,816
Non-current		<u>199,420</u>	<u>173,703</u>
		<u><u>419,302</u></u>	<u><u>340,519</u></u>
 13. OTHER LIABILITIES			
CURRENT			
Income Holding Account:			
Refundable deposits		<u>3,590</u>	<u>5,377</u>
 14. RESERVES			
Asset Revaluation Reserve			
The asset revaluation reserve records revaluations of non-current assets. The Association's Rules prohibit any distribution of retained earnings or assets to members of the Association.			
 15. FINANCIAL INSTRUMENTS			

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

15. FINANCIAL INSTRUMENTS

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, for each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to these financial statements.

(b) Categories of the Association's Financial Instruments

The Association's financial instruments comprise non-derivative deposits with and an advance from banks, local money market instruments, short-term investments, accounts receivable and payable, secured and unsecured loans to related parties and hire purchase and lease liabilities.

The main purpose of the Association's financial instruments is to fund its operating activities and to fund new initiatives within the Association's Rules.

The Association did not hold or utilise any derivative financial instruments during the reporting period or at the end of that period.

Financial assets	Note(s)	Category	Carrying Amount	Carrying Amount
			2008	2007
Cash and cash equivalents	5 and 18	Cash	186,382	386,466
Accounts receivable - measured at fair value	6	Loans and receivables	355,157	210,845
Loans - measured at fair value	6	Loans and receivables	399,176	592,369
Equity investments in unlisted securities - at cost	16	Equity investments	38	38
Financial liabilities				
Accounts payable - measured at fair value	10	Financial liabilities	972,117	937,348
Financial liabilities - measured at fair value	11	Financial liabilities	44,969	-
Financial liabilities - measured at amortised cost	11	Financial liabilities	137,547	302,403

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

15. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Risks Arising from the Association's Financial Assets and Liabilities

(i) *Credit Risk*

Credit risk arises during the Association's operating cycle from providing credit to members and associated entities for voluntary membership, contracted consulting fees and training fees and recovery of costs of co-location with associated entities based on service agreements. These transactions are conducted on credit and invoices are due for payment at no more than thirty-day intervals. Risks arise where member organisations may not renew their membership, cancel their attendance at training courses, cannot be located or where members merge or experience financial distress. The Association considers, based on past experience and a reasonably close connection with its members' senior personnel in many cases, that this risk is low but an allowance is made for impaired collection where required. The criteria for assessing the allowance are known collection issues with long overdue receivables, capacity to negotiate for payment and the Association's ability to continue to contact the debtor. Any bad debts written off are reviewed and approved by the Association's Finance Committee. Any disputed debts are negotiated and expensed if no other option remains. In very rare cases, services may be withheld until a long overdue debt is paid.

The Association has a material credit risk exposure to secured and unsecured loans receivable from two associated entities. This exposure is managed using formal loan agreements, agreed repayment schedules and market interest rates. A registered mortgage debenture secures a fixed and floating charge over the assets and operations of Health Legal Pty Ltd. The Association holds a minority equity interest in the capital of the company and a member of the Association's Board of Management is a director of that company. These processes ensure continuing flow of information to that Board member about the collectibility of the loan account balance. Indebtedness of Health Financial Pty Ltd is governed by a loan agreement which provides for quarterly repayments and is to be secured by a fixed and floating charge over the assets and operations of the company. The Association holds a minority interest in the capital of the company and two senior executives of the Association are directors of the company and hold minority equity interests in the company in their own right. It is intended that the ownership of the company will be restructured with the Association's support during 2008-09. At the reporting date, no overdue amounts existed on the loan account of either company.

The Association actively manages credit risk by regularly reviewing its aged debtors' balances and monitoring the timeliness of loan account principal and interest payments. Credit risk is measured by applying an overall assessment of the collectibility of debts outstanding for more than sixty days plus any amounts that are known to be uncollectible.

The amount that best represents the Association's maximum exposure to credit risk at the reporting date without taking account of any collateral held or other credit enhancements, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

All short-term cash investments are made with a major local bank which offers AAA-rated deposits at call and for fixed periods at market interest rates.

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

15. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Risks Arising from the Association's Financial Assets and Liabilities

(i) Credit Risk (Continued)

The following table shows an analysis of the loans and receivables that are either past due or impaired.

		2008				
Financial Assets						
		Not Past Due and Not Impaired	Past Due But Not Impaired			Impaired Financial Assets
	Carrying Amount		Less than one month	1-3 Months	3 Months to One Year	1-5 Years
Receivables	375,157	137,019	74,606	11,195	145,002	-
Loans	399,176	399,176	-	-	-	-
	774,333	536,195	74,606	11,195	145,002	-
						20,000

The Association does not consider it necessary to hold collateral or other credit enhancements as security for the receivables amount above.

(ii) Liquidity Risk

The Association views liquidity risk as factors which may adversely affect its ability to fund its payment obligations over successive operating cycles and obtain an optimal return on funds not required immediately. A corollary of this view is that the Association will manage liquidity risk so as to pay its debts as and when they fall due.

The principal liquidity risk arises from the heavily skewed cash inflows from members' fees almost all of which occur in the first quarter of the financial year. This position offers both opportunities and risks which are managed in accordance with relevant budgets and cash flow forecasts. Other fee revenue, rents and cost recoveries occur more evenly and provide a significant level of current cash inflow throughout the year. At the reporting date, the maximum liquidity risk is the total of the carrying amounts of the liabilities shown in the balance sheet.

The policies and processes used to achieve the above objectives and manage liquidity risk include monthly budgeting and cash flow forecasting, maintaining unused borrowing facilities in case of need and setting a base level of cash to be available at all times to meet payments to employees, suppliers and statutory authorities or their agents. In addition, cash that is not required immediately is invested in interest-bearing bank deposits with an appropriate maturity profile in terms of the forecast cash requirements. The Association maintains an investment policy that sets an acceptable risk profile and mandates a narrow class of low risk investments with a maturity profile that meets the Association's needs.

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

15. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Risks Arising from the Association's Financial Assets and Liabilities

(ii) Liquidity Risk (Continued)

The following table sets out the interest rate and maturity profile of the Association's financial assets and liabilities

	2008	Weighted Average Effective Interest Rate (%)	Carrying Amount	Interest Rate Exposure		
				Fixed Interest Rate	Floating Interest Rate	Non-Interest Bearing
Cash at bank		4.5%	186,382	-	186,382	-
Receivables		Nil	375,157	-	-	387,822
Loans		10.0%	399,176	219,176	-	180,000
			960,715	219,176	186,382	567,822

Note: There are no financial assets that have had their terms renegotiated so as to prevent them from falling due or being impaired.

	2007	Weighted Average Effective Interest Rate (%)	Carrying Amount	Interest Rate Exposure		
				Fixed Interest Rate	Floating Interest Rate	Non-Interest Bearing
Cash at bank		2.2%	386,466	-	386,466	-
Receivables		Nil	220,845	-	-	220,845
Loans		10.0%	499,176	219,176	-	280,000
			1,106,487	219,176	386,466	500,845

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

15. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Risks Arising from the Association's Financial Assets and Liabilities

(iii) Market Risk

Market risk is the risk that future cash flows from our financial instruments or their fair values will fluctuate as a result of changes in market prices, especially interest rates. The Association is exposed to market risk through interest rates being the price of funds it invests or the cost of funds it borrows. The Association is not exposed to other market risks arising from foreign currency, publicly traded securities, hedging, derivatives or speculative transactions.

The Association works to limit its interest rate risk by investing selectively and only borrowing from large, mainstream institutions providing loans that meet the Association's needs specifically. The interest-bearing loans in financial assets and borrowings from banks and non-bank financial institutions are the subject of fixed interest rate agreements where the applicable rates are set to achieve an effective return over the period of the loan based on present interest rate expectations, inflation forecasts and predicted performance of the securities and money markets. A detailed business case is required before an investment is made in an unlisted security or an asset where selling opportunities are limited by a market that is narrow or shallow. Comprehensive criteria are applied in evaluating this type of investment. The following sensitivity analysis shows that two interest rate changes that are considered to be reasonably possible in the next financial year will have a limited impact on the Association's operating results and net assets.

Sensitivity Analysis - Interest Rate Exposure

	Current Rate at Reporting Date	Carrying Amount	Approximate Current Return*	If Interest Rates were to Fall by ...		
				1%	2%	Possible Effect on the Operating Statement
Cash at bank	6.5%	186,382	12,115	10,251	8,387	(3,728)
Receivables	Nil	375,157	-	-	-	-
Loans	10.0%	399,176	39,918	35,926	31,934	(7,984)
		960,715	52,032	46,177	40,321	(11,711)

* A new loan agreement was executed with Health Financial Pty Ltd on 3 July 2008 which provides for an annual interest rate of 10 percent on the outstanding balance of the loan. This arrangement is on similar terms to the Association's loan to Health Legal Pty Ltd.

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
16. INVESTMENTS IN ASSOCIATED ENTITIES			
At the reporting date, the Association held shares in the following associated entities. The shares are valued at cost at the date of allotment to the Association..			
Health Financial Pty Ltd - 25% of the issued ordinary shares		1	1
Health Legal Pty Ltd - 35% of the issued ordinary shares		35	35
Workplace Legal Pty Ltd - 50% of the issued ordinary shares		2	2
		<u>38</u>	<u>38</u>
17. CONTINGENT LIABILITIES - Secured			
On 3 April 2008, the Commonwealth Bank of Australia executed a bank guarantee in favour of the landlord of the Association's leased offices at 499 St Kilda Road, Melbourne. The guarantee may be enforced by the landlord in the event of the Association defaulting in paying the rent due under its lease for an amount up to			
		<u>101,250</u>	<u>-</u>
This guarantee is secured by a registered first mortgage over the Association's property at 150 Albert Road, South Melbourne.			
This guarantee replaced an equivalent guarantee provided previously by the National Bank of Australia Ltd.			
		<u>-</u>	<u>101,250</u>
On 22 April 2008 the Commonwealth Bank of Australia provided a bank overdraft facility to the Association. The facility is secured by a registered first mortgage over the Association's property at 150 Albert Road, South Melbourne. The total amount of the facility is			
		300,000	-
At the reporting date, the actual liability under the facility was			
		44,969	-
Unused amount of the facility at the reporting date			
		<u>255,031</u>	<u>-</u>
18. CASH FLOW INFORMATION			
(a) Reconciliation of Cash			
Cash at the end of financial year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:			
Cash on hand		200	9
Cash at bank		186,182	365,553
Term deposit		-	20,904
		<u>186,382</u>	<u>386,466</u>

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$	2007 \$
(b) Reconciliation of the cash flow from operations with the deficit from operations			
Deficit from ordinary activities		(590,013)	(494,762)
<i>Non-cash items in Deficit from Ordinary Activities:</i>			
Depreciation and amortisation		89,651	119,278
Net loss on disposal of motor vehicles		-	17,339
Other non-cash items		-	22,400
<i>Changes in Assets and Liabilities:</i>			
(Increase)/Decrease in receivables		41,008	342,340
(Increase)/Decrease in other assets		(9,301)	48,641
(Increase)/Decrease in work in progress inventory		223,828	(20,964)
(Increase)/Decrease in loans to associated entities		378,012	233,432
Increase/(Decrease) in payables		149,721	332,704
Increase/(Decrease) in financial liabilities		26,665	-
Increase/(Decrease) in provisions		209,571	34,781
(Increase)/Decrease in Refundable GST			(538)
Net cash inflows/(outflows) from operating activities		519,142	634,651

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

19. (a) MOVEMENT IN CARRYING AMOUNTS

Movements in carrying amounts for each class of property, plant and equipment

	Leasehold land \$	Building improvements \$	Buildings \$	Plant and equipment \$	Motor vehicles \$	Computer equipment & software \$	Furniture and fittings \$	Total \$
Balance at 1 July 2006	23,241	5,820	558,392	80,298	263,669	33,664	1,280	966,364
Additions	-	-	42,412	1,819	251,922	18,254	-	314,407
Disposals	-	-	-	-	(239,200)	-	-	(239,200)
Depreciation Expense	(23,241)	(5,820)	(3,767)	(12,171)	(38,143)	(30,290)	(5,846)	(119,278)
Balance at the beginning of the year	-	-	597,037	69,946	238,248	21,628	(4,566)	922,293
Reclassifications and adjustments	-	-	-	(55,311)	(151)	11,733	43,729	-
Additions	-	5,904	-	768	-	9,959	-	16,631
Disposals	-	-	-	-	(117,831)	-	-	(117,831)
Depreciation Expense	-	(394)	(24,800)	(7,754)	(35,583)	(13,321)	(7,800)	(89,651)
Carrying amount at 30 June 2008	-	5,511	572,237	7,649	84,683	30,000	31,363	731,442

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

Members' access to financial records - Information to be provided to members or Registrar

Section 272 of part 3 of Chapter 8 of Schedule 1 to the Workplace Relations Act 1996, provides that:

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

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION


STATEMENT BY MEMBERS OF THE BOARD

The Board hereby declares that, in the opinion of its members -

- (a) the financial statements and notes in the general purpose financial report set out on pages 3 to 24 ('the GPFR') comply with the Australian Accounting Standards;
- (b) the financial statements and notes in the GPFR comply with the reporting guidelines of the Industrial Registrar;
- (c) the GPFR present fairly the financial performance, financial position and cash flows of the Association for the financial year to which it relates;
- (d) there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable; and
- (e) during the year to which the GPFR relates and since the end of that year:
 - the Association was and is a single reporting unit and has no branches; and
 - meetings of the Board were held in accordance with the Rules of the Association; and
 - the financial affairs of the Association have been managed in accordance with the Rules of the Association; and
 - the financial records of the reporting unit have been kept and maintained in accordance with the RAO Schedule and the RAO Regulations
 - no information has been requested by a member of the Association or requested by a Registrar in a request duly made under section 272 of the Reporting and Accountability of Organisations Schedule (Schedule 1) to the Workplace Relations Act 1996 ('the Schedule') and no information of that type has been furnished to a member of the Association or to a Registrar; and
 - to our knowledge, no order has been made for inspection of the Association's financial records by the Australian Industrial Relations Commission under section 273 of the Schedule; and
 - the Association has not engaged in any recovery of wages activity.

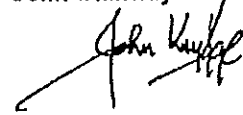
This statement is made in accordance with a resolution passed by the Board on 24 October 2008 and is signed for and on behalf of the Board by:

President



John Stanway

Deputy President



John Krygger

Dated this 28th day of November 2008

VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION OPERATING REPORT FOR THE YEAR ENDED 30 JUNE 2008

Principal Activities

The principal activities of the Association during the financial year were:

- to represent public health sector employers in industry enterprise bargaining negotiations with relevant health industry union;
- to provide industrial advice to members in diverse industrial disputes and represent such members in proceedings in the Australia Industrial Relations Commission;
- to assist and advise members of their own and their employees' industrial obligations under award and certified agreements;
- to represent members in relevant negotiations and liaise with the Victorian Department of Human Services having regard to their obligations under diverse government policies;
- to encourage and foster sound consultative arrangements designed to prevent disputation and facilitate resolution of potential or actual disputes.

Results of Principal Activities

The foregoing activities of the Association resulted in fair and reasonable industrial agreements, the minimization of industrial disputes and the fostering of a stable and fair industrial relations environment in the Victorian public health sector.

Significant Changes in Nature of Principal Activities

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

Significant Changes in the Association's Financial Affairs

No matters or circumstances arose during the reporting year which would significantly affect the financial affairs of the Association except as set out in the accompanying general purpose financial report.

Trustee or Director of a Trustee Company of a superannuation entity or an exempt Public Sector Superannuation Scheme

No officer or member of the Association was a Trustee or Director of a Trustee Company of a Superannuation Entity or an Exempt Public Sector Superannuation Scheme.

Number of Members

The number of organizations who at the end of the financial year were recorded on the Register of Members was 134.

Number of Employees

The number of persons who were at the end of the financial year, employees of the Association was 19, measured on a full-time equivalent basis.

**VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION
OPERATING REPORT FOR THE YEAR ENDED 30 JUNE 2008**

Members of the Committee of Management ('the Board')

The persons who held office as members of the Board of the Association at the beginning of the financial year (1 July 2007) were:

POSITION	NAME	PERIOD
President	John Stanway	1/7/07 – 30/6/08
Deputy President	John Krygger	1/7/07 – 30/6/08
Board Member	(John Stanway)	
Board Member	Christopher England	1/7/07 – 30/6/08
Board Member	John Richardson	1/7/07 – 30/6/08
Board Member	Gary Gray	1/7/07 – 31/7/07
Board Member	Chris Steinfert	1/7/07 – 30/6/08
Board Member	Gary Templeton	1/7/07 – 30/6/08
Board Member	Christine Fitzherbert	1/7/07 – 30/6/08
Board Member	Merlyn Pritchard	1/7/08 – 7/12/07
Board Member	Penny Newsome	1/7/07 – 30/6/08
Board Member	John Smith	1/7/07 – 30/6/08
Board Member	Chris Scott	1/7/07 – 30/6/08
Board Member	Philip Moran	1/7/07 – 30/6/08
Board Member	Vacancy	
Chief Executive Officer	Alexander Djonoff	

Name: JOHN KRYGGER

Title: DEPUTY PRESIDENT

Signature:



Date: 28th November 2008

**VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION
OPERATING REPORT FOR THE YEAR ENDED 30 JUNE 2008**

Manner of Resignation

TERMINATION OF MEMBERSHIP

- a)
- i. A member may resign from membership of the Association by written notice addressed and delivered to the Chief Executive Officer. Such notice shall be taken to have been received by the Association when delivered to the Chief Executive Officer.
 - ii. A Notice of Resignation that has been received by the Association is not invalid because it was not addressed and delivered to the Chief Executive Officer.
 - iii. A resignation from membership of the Association is valid even if it is not effected in accordance with paragraph 8 (a)(i) if the member is informed in writing by or on behalf of the Association that the resignation has been accepted.
- b) A notice of resignation from membership of the Association takes effect as follows:
- i. where the member ceases to be eligible to become a member of the Association:
 - 1) on the day on which the notice is received by the Association; or
 - 2) on the day specified in the notice, which is a day not earlier than the day when the member ceases to be eligible to become a member,whichever is the later; or
 - ii. in any other case:
 - 1) at the expiration of two (2) weeks after the notice is received by the Association; or
 - 2) on the day specified in the notice;whichever is later.
- c) If a member ceases to be engaged in or as an employer in the industry, the membership of such member may be determined summarily by resolution of the Board, provided however, that such determination shall not affect the liability of the member to pay all monies owing by the member to the Association.
- d) Any dues payable but not paid by a former member of the Association, in relation to a period before the member's resignation or termination from the Association took effect, may be sued for and recovered in the name of the Association in a court of competent jurisdiction, as a debt due to the Association.
- e) Any member who has not paid any subscription within three (3) months from the date on which such subscription became due or payable shall be disqualified from taking part in any proceedings of the Association and may be struck off the roll of membership by order of the Board in accordance with sub-rule 8(f).
- f) If a member becomes unfinancial in accordance with sub-rule 8(e), his/her name may be struck off the Register of Members by order of the Board. Any member shall cease to be a member of the Association as soon as her/his name shall have been struck off the Register of Members by order of the Board and not sooner. Provided that where a member has become unfinancial, and at least twenty eight (28) days before the Board orders that the member be struck off the Register of Members, the Chief Executive Officer shall advise the member in writing, that if he/she fails to pay the outstanding subscriptions and is unable within fourteen (14) days to show cause why they are unfinancial within fourteen (14) days of the date of the letter then he/she will be struck off the Register of Members without further notice. If the member pays the outstanding subscriptions within that time then he/she shall not be struck off the Register of Members.

- g) Any member who shall be expelled from the Association under the provisions of Rule 34 shall thereupon cease to be a member.
- h) Members ceasing to be such from any cause whatsoever shall have no claim of any kind monetary or otherwise on the Association or its assets.
- i) Within 28 days after the Association received from a member a notice of the member's resignation from the Association, the Association will give written notice of the resignation to:
 - 1) the Industrial Registrar; and
 - 2) each organization of employees that is bound by an award when the Association receives the notice from the member, bound the member as a result of membership of the Association.