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# VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

## FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

# VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

## CONTENTS

## VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

### INCOME STATEMENT

### FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2009<br>$ | 2008<br>$ |
|---|---|---|---|
| Revenue | 2 | 3,747,565 | 3,711,290 |
| Employee benefits expense | | (1,907,410) | (1,975,480) |
| Depreciation and amortisation expenses | 21 | (122,876) | (89,651) |
| Finance costs | 3 | (8,489) | (29,187) |
| Other expenses | | (1,587,426) | (2,206,985) |
| **Surplus/(Deficit) from operations** | | **121,364** | **(590,013)** |

The accompanying notes form part of these financial statements.

## VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

## BALANCE SHEET

## AS AT 30 JUNE 2009

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 5 | 534,764 | 186,382 |
| Trade and other receivables | 6 | 210,697 | 355,157 |
| Loans receivable - unsecured | 6 | 116,630 | 100,416 |
| Loans receivable - secured | 6 | 54,638 | 80,000 |
| Work in progress | 7 | 4,375 | 46,324 |
| Investments in associated entities | 8 | 38 | 38 |
| Other current assets | 8 | - | 33,333 |
| **TOTAL CURRENT ASSETS** | | 921,142 | 801,650 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 9 | 627,252 | 731,442 |
| Loans receivable - secured | 6 | - | 139,176 |
| Loans receivable - unsecured | 6 | - | 79,584 |
| **TOTAL NON-CURRENT ASSETS** | | 627,252 | 950,202 |
| **TOTAL ASSETS** | | 1,548,394 | 1,751,852 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 10 | 829,233 | 972,117 |
| Loans payable | 11 | - | 182,516 |
| Provisions | 12 | 402,696 | 343,740 |
| Other current liabilities | 13 | - | 3,590 |
| **TOTAL CURRENT LIABILITIES** | | 1,231,929 | 1,501,963 |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions | 12 | 20,772 | 75,560 |
| **TOTAL NON-CURRENT LIABILITIES** | | 20,772 | 75,560 |
| **TOTAL LIABILITIES** | | 1,252,701 | 1,577,523 |
| **NET ASSETS** | | **295,693** | **174,329** |
| **EQUITY** | | | |
| Reserves | 14 | 432,500 | 432,500 |
| Accumulated Surplus/(Deficit) | | (136,807) | (258,171) |
| **TOTAL EQUITY** | | **295,693** | **174,329** |

The accompanying notes form part of these financial statements.

# VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

## STATEMENT OF RECOGNISED INCOME AND EXPENSES

## AS AT 30 JUNE 2009

| | Retained Earnings | Asset revaluation reserve | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance at 1 July 2007** | 331,842 | 432,500 | 764,342 |
| Deficit attributable to members for 2007-08 | (590,013) | - | (590,013) |
| **Balance at 30 June 2008** | (258,171) | 432,500 | 174,329 |
| Surplus attributable to members for 2008-09 | 121,364 | - | 121,364 |
| **Balance at 30 June 2009** | (136,807) | 432,500 | 295,693 |

The accompanying notes form part of these financial statements.

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2009<br>$ | 2008<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from members | | 3,893,701 | 3,956,625 |
| Payments to suppliers and employees | | (3,622,041) | (4,120,497) |
| Interest received | | 53,606 | 37,599 |
| Other receipts/payments (net) | | | (2,521) |
| **Net cash (used in)/provided by operating activities** | 20(b) | 325,266 | (128,794) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (62,398) | (16,631) |
| Proceeds from sales of motor vehicles | | 43,712 | 91,894 |
| **Net cash generated from (used in) investing activities** | | (18,686) | 75,263 |
| | | - | - |
| **Cash flows from financing activities** | | | |
| Repayment of hire purchase loans on motor vehicles | | (137,547) | (191,522) |
| Proceeds/(Payments) from borrowings | | 179,349 | 44,969 |
| **Net cash used in financing activities** | | 41,802 | (146,553) |
| Net Increase/(decrease) in cash held | | 348,382 | (200,084) |
| Cash at the beginning of the year | | 186,382 | 386,466 |
| Cash at the end of the year | 20(a) | 534,764 | 186,382 |

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

## 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**

*Reporting Basis and Conventions*

The financial report has been prepared on an accrual basis using historical costs modified by the evaluation 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.

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.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Property, Plant and Equipment (continued)

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**

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

| *Class of Fixed Asset:* | *Depreciable Rate* |
|---|---|
| Buildings | 4% |
| Building improvements | 10% |
| Plant and equipment | 20% |
| Motor vehicles | 20% |
| Computer equipment and mobile phones | 33% |
| Computer software | 20% |
| Furniture and fittings | 10% |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation relating to that asset are transferred to retained earnings.

### (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.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Financial Assets (continued)

**Financial liabilities**

on-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 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.

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

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Revenue

Membership revenue is recognized on an earnings basis whereby revenue is billed and is deferred and recognized over the membership year to which it relates.
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) 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 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 strengthening of previous accounting systems and financial management skills available.

### (l) 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.

### (m) Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred.
Borrowing costs include interest on bank overdrafts and hire purchase charges.

### (n) Comparative Figures

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

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended Standards and Interpretations that have mandatory application dates for future reporting periods and which the association has decided not to early adopt. A discussion of those future requirements and their impact on the association is as follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008–3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASB Standards 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 and 139 and Interpretations 9 and 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008–7: Amendments to Australian Accounting Standards — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 and AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These Standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. Neither of these Standards are currently applicable to the association.

- AASB 101: Presentation of Financial Statements, AASB 2007–8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007–10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefine the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the association. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

- AASB 123: Borrowing Costs and AASB 2007–6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 and AASB 138 and Interpretations 1 and 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the association as a policy of capitalising qualifying borrowing costs has been maintained by the association.

- AASB 2008–13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 — Distributions of Non-cash Assets to Owners [AASB 5 and AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners be measured at the lower of carrying value and fair value, less costs to distribute.

- AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed, where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The association does not anticipate early adoption of any of the above reporting requirements and does not expect them to have any material effect on the association's financial statements.

| | | Note | 2009 $ | 2008 $ |
|---|---|---|---|---|
| **2.** | **REVENUE** | | | |
| | Membership fees | | 2,105,947 | 1,897,202 |
| | Consultancy fees | | 572,216 | 1,093,907 |
| | Management Services' fees | | 14,980 | 19,810 |
| | Training fees | | 621,836 | 413,576 |
| | Rental revenue | | 67,197 | 67,197 |
| | Recovery of costs incurred on behalf of others | | 211,562 | 157,023 |
| | Dividends received | | 70,000 | - |
| | Interest received | 2(a) | 53,606 | 37,599 |
| | Other income | | 30,221 | 24,976 |
| | **Total Revenue** | | 3,747,565 | 3,711,290 |
| (a) | Interest received from: | | | |
| | Associated entities | | 26,989 | 28,162 |
| | Other corporations | | 26,617 | 9,437 |
| | | | 53,606 | 37,599 |
| **3.** | **OPERATING SURPLUS/DEFICIT** | | | |
| | **The operating surplus/deficit includes the following expenses:** | | | |
| | External Finance costs: | | 8,489 | 29,187 |
| | | | 8,489 | 29,187 |
| | Bad and doubtful debts | | 20,812 | 13,665 |
| | Net Profit/(Loss) on disposal of non-current assets: | | | |
| | Property, plant and equipment | | 20,886 | (25,936) |
| **4.** | **AUDITOR'S REMUNERATION** | | | |
| | Auditing | | 10,830 | 15,775 |
| | Accounting and other services provided by related practices of the auditor | | - | 35,953 |
| | | | 10,830 | 51,728 |

| | Note | 2009<br>$ | 2008<br>$ |
|---|---|---|---|

## 5. CASH AND CASH EQUIVALENTS

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| Petty cash | | 200 | 200 |
| Cash at bank - National Australia Bank Ltd | | 23,921 | 95,949 |
| Cash at bank - Commonwealth Bank of Australia Ltd | | 159,793 | 89,691 |
| OnLine Saver - Commonwealth Bank of Australia Ltd | | 350,850 | - |
| Cash at bank - NAB Cash Maximiser | | - | 542 |
| | | 534,764 | 186,382 |

## 6. TRADE AND OTHER RECEIVABLES

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| **CURRENT** | | | |
| Trade receivables | | 250,697 | 375,157 |
| *Less* provision for doubtful debts | | (40,000) | (20,000) |
| | | 210,697 | 355,157 |
| *Other accounts receivable* | | | |
| Loan - Health Legal Pty Ltd – secured* | | 54,638 | 80,000 |
| Loan - Health Financial Pty Ltd - unsecured | | 116,630 | 100,416 |
| | | 171,268 | 180,416 |
| **NON-CURRENT** | | | |
| Loan - Health Legal Pty Ltd – secured* | | - | 139,176 |
| Loan - Health Financial Pty Ltd - unsecured | | - | 79,584 |
| | | - | 218,760 |

* The loan to Health Legal Pty Ltd is secured by a Mortgage Debenture over the assets of the business.

## 7. WORK IN PROGRESS

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| **CURRENT** | | | |
| Work in progress - at fair value | | 4,375 | 46,324 |

## 8. OTHER ASSETS

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| **CURRENT** | | | |
| Prepaid expenses | | - | 33,333 |
| Investments in associated entities | 17 | 38 | 38 |
| | | 38 | 33,371 |

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| Buildings at Directors Valuation -30 June 2007 | | 620,000 | 620,000 |
| *Less* accumulated depreciation | | (72,563) | (47,763) |
| | | 547,437 | 572,237 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| Leasehold Improvements | | - | 110,043 |
| *Less* accumulated amortisation | | - | (110,043) |
| | | - | - |
| Building improvements | | - | 51,205 |
| *Less* accumulated depreciation | | - | (45,694) |
| | | - | 5,511 |
| **Total land and buildings** | | 547,437 | 577,748 |
| Plant and equipment | | - | 78,307 |
| *Less* accumulated depreciation | | - | (70,659) |
| | | - | 7,648 |
| Furniture & Fittings | | - | 78,001 |
| *Less* accumulated depreciation | | - | (46,639) |
| | | - | 31,362 |
| Internet equipment and software | | - | 58,455 |
| *Less* accumulated depreciation | | - | (53,455) |
| | | - | 5,000 |
| Motor vehicles | | 161,025 | 152,339 |
| *Less* accumulated depreciation | | (102,769) | (67,655) |
| | | 58,256 | 84,684 |
| Computer equipment and software | | 29,853 | 213,933 |
| *Less* accumulated depreciation | | (8,294) | (188,933) |
| | | 21,559 | 25,000 |
| Mobile Phones | | - | 9,256 |
| *Less* accumulated depreciation | | - | (9,256) |
| | | - | - |
| **Total plant and equipment** | | 79,815 | 153,694 |
| **Total property, plant and equipment** | | 627,252 | 731,442 |

The valuation of Buildings was performed by the Board of Directors on the 30th June 2007, and is based on their assesment of the fair market value at that time.

**Movements in carrying amounts:**

For disclosure of the movements in these carrying amounts please refer to Note 21 later in this financial report.

## 10. TRADE AND OTHER PAYABLES

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| **CURRENT** | | | |
| Trade creditors | | 128,720 | 348,515 |
| Accrued expenses | | 21,052 | 85,089 |
| Fringe benefits liabilities | | - | (979) |
| Payroll Tax payable | | - | 7,500 |
| Superannuation liabilities | | 2,125 | 58,980 |
| Income invoiced in advance | | 4,200 | 53,624 |
| Members' fees received in advance | | 673,136 | 327,590 |
| Amounts received on behalf of others | | - | 91,798 |
| | | 829,233 | 972,117 |

## 11. LOANS PAYABLE

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| **CURRENT** | | | |
| Bank overdraft - secured | | - | 44,969 |
| Hire purchase loans on motor vehicles | | - | 137,547 |
| | | - | 182,516 |

## 12. PROVISIONS

**Employee entitlements:**

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| **Current (i)** | | 218,857 | 201,673 |
| Annual Leave | | 183,839 | 142,067 |
| Long Service Leave | | 402,696 | 343,740 |
| **Non-current (ii)** | | | |
| **Long Service Leave** | | 20,772 | 75,560 |
| | | 432,500 | 419,300 |

(i) Current
All Annual Leave and, Long Service Leave entitlements, representing seven (7) or more years of continuous service.

(ii) Non-current
The amount of Long Service Leave expected to be settled within 12 months after the reporting date is $20,501.

## 12. PROVISIONS (CONTINUED)

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| **Provision for annual leave:** | | | |
| Balance at the beginning of the year | | 201,673 | 150,819 |
| Additional provision raised for the current year | | 17,184 | 50,854 |
| Balance at the end of the year | | 218,857 | 201,673 |
| **Provision for long service leave:** | | | |
| Balance at the beginning of the year | | 217,627 | 189,700 |
| Movement in provision raised for the current year | | (13,016) | 27,927 |
| Balance at the end of the year | | 204,611 | 217,627 |

## 13. OTHER LIABILITIES

**CURRENT**

| | | |
|---|---|---|
| Income Holding Account: | | |
| Refundable deposits | - | 3,590 |

## 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. | 432,500 | 432,500 |

## 15. OPERATING LEASES

**Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalised in the financial statements

| | | |
|---|---|---|
| Payable — minimum lease payments: | | |
| - not later than 12 months | 264,333 | 312,408 |
| - between 12 months and 5 years | 806,501 | 130,120 |
| - greater than 5 years | 46,305 | |
| | 1,117,139 | 442,528 |

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by the lower of CPI or 4% per annum. An option exists to renew the lease at the end of the five-year term for an additional term of five years.

Ricoh Pty Ltd holds a charge over the assets of the association for the finance lease on the photocopier.

## 16. 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 and advances 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 2009 | Carrying Amount 2008 |
|---|---|---|---|---|
| Cash and cash equivalents | 5 and 20 | Cash | 534,764 | 186,382 |
| Accounts receivable - measured at fair value | 6 | Loans and receivables | 210,697 | 355,157 |
| Loans - measured at fair value | 6 | Loans and receivables | 171,268 | 399,176 |
| Equity investments in unlisted securities - at cost | 17 | Equity investments | 38 | 38 |
| **Financial liabilities** | | | | |
| Accounts payable - measured at fair value | 10 | Financial liabilities | 829,233 | 972,117 |
| Financial liabililties - measured at fair value | 11 | Financial liabilities | - | 44,969 |
| Financial liabililties - measured at amortised cost | 11 | Financial liabilities | - | 137,547 |

## 16. 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. 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.

## 16. 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.

**2009**

| *Financial Assets* | | | Past Due But Not Impaired | | | | |
|---|---|---|---|---|---|---|---|
| | **Carrying Amount** | **Not Past Due and Not Impaired** | *Less than one month* | *1-3 Months* | *3 Months to One Year* | *1-5 Years* | **Impaired Financial Assets** |
| Receivables | 250,697 | 67,981 | 84,800 | 26,600 | 31,316 | - | 40,000 |
| Loans | 171,268 | 171,268 | - | - | - | - | - |
| | 421,965 | 239,249 | 84,800 | 26,600 | 31,316 | - | 40,000 |

**2008**

| *Financial Assets* | | | Past Due But Not Impaired | | | | |
|---|---|---|---|---|---|---|---|
| | **Carrying Amount** | **Not Past Due and Not Impaired** | *Less than one month* | *1-3 Months* | *3 Months to One Year* | *1-5 Years* | **Impaired Financial Assets** |
| Receivables | 375,157 | 124,354 | 74,606 | 11,195 | 145,002 | - | 20,000 |
| Loans | 399,176 | 399,176 | - | - | - | - | - |
| | 774,333 | 523,530 | 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.

## 16. FINANCIAL INSTRUMENTS (CONTINUED)

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

#### *(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.

## 16. 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

**2009**

| *Financial Assets* | | | Interest Rate Exposure | | |
|---|---|---|---|---|---|
| | *Weighted Average Effective Interest Rate (%)* | *Carrying Amount* | *Fixed Interest Rate* | *Floating Interest Rate* | *Non-Interest Bearing* |
| Cash at bank | | 534,764 | - | 534,764 | - |
| Receivables | Nil | 250,697 | - | - | 250,697 |
| Loans | 9.8% | 171,268 | 171,268 | - | - |
| | | 956,729 | 171,268 | 534,764 | 250,697 |

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

**2008**

| *Financial Assets* | | | Interest Rate Exposure | | |
|---|---|---|---|---|---|
| | *Weighted Average Effective Interest Rate (%)* | *Carrying Amount* | *Fixed Interest Rate* | *Floating Interest Rate* | *Non-Interest Bearing* |
| *Financial Assets* | | | | | |
| Cash at bank | 4.5% | 186,382 | - | 186,382 | - |
| Receivables | Nil | 375,157 | - | - | 375,157 |
| Loans | 10.0% | 399,176 | 219,176 | - | 180,000 |
| | | 960,715 | 219,176 | 186,382 | 555,157 |

## 16. 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.

## 16. FINANCIAL INSTRUMENTS (CONTINUED)

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

***(iv) Market Risk (Continued)***

*Sensitivity Analysis - Interest Rate Exposure*

| | | | | If Interest Rates were to Fall by . . . | | | |
|---|---|---|---|---|---|---|---|
| | | | | 1% | | 2% | |
| **2009** | *Current Rate at Reporting Date* | *Carrying Amount* | *Approximate Current Return** | *Annual Return* | *Possible Effect on the Operating Statement* | *Annual Return* | *Possible Effect on the Operating Statement* |
| Cash at bank | 2.8% | 534,764 | 14,706 | 9,358 | (5,348) | 4,011 | (10,695) |
| Receivables | Nil | 250,697 | - | - | - | - | - |
| Loans | 10.0% | 171,268 | 17,127 | 15,414 | (1,713) | 13,701 | (3,426) |
| | | 956,729 | 31,833 | 24,772 | (7,061) | 17,712 | (14,121) |

| | | | | If Interest Rates were to Fall by . . | | | |
|---|---|---|---|---|---|---|---|
| | | | | 1% | | 2% | |
| **2008** | *Current Rate at Reporting Date* | *Carrying Amount* | *Approximate Current Return** | *Annual Return* | *Possible Effect on the Operating Statement* | *Annual Return* | *Possible Effect on the Operating Statement* |
| Cash at bank | 6.5% | 186,382 | 12,115 | 10,251 | (1,864) | 8,387 | (3,728) |
| Receivables | Nil | 375,157 | - | - | - | - | - |
| Loans | 10.0% | 399,176 | 39,918 | 35,926 | (3,992) | 31,934 | (7,984) |
| | | 960,715 | 52,032 | 46,177 | (5,856) | 40,321 | (11,711) |

| | Note | 2009 | 2008 |
|---|---|---|---|

## 17. 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.

| | 2009 | 2008 |
|---|---|---|
| Health Financial Pty Ltd - 50% 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 |
| | 38 | 38 |

The Board has determined that the above shareholdings do not constitute significant influence in any of the entities as the Board considers that they do not have the power to participate in the financial and operating policy decisions of the investees.

## 18. CONTINGENT LIABILITIES - Secured

| | 2009 | 2008 |
|---|---|---|
| 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 : | 101,250 | 101,250 |

This guarantee is secured by a registered first mortgage over the Association's property at 150 Albert Road, South Melbourne.

| | 2009 | 2008 |
|---|---|---|
| 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 | 300,000 |
| At the reporting date, the actual liability under the facility was : | - | 44,969 |
| Unused amount of the facility at the reporting date | 300,000 | 255,031 |

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|

## 19. EVENTS AFTER THE BALANCE SHEET DATE

A 5 Year lease has been entered into for 312 Kings Way, South Melbourne commencing 1st October 2009. A Bank Guarantee was put in place for $103,000. As a consequence the overdraft limit was reduced from $300,000 to $235,000.

## 20. 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:

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| Cash on hand | | 200 | 200 |
| Cash at bank | | 534,564 | 186,182 |
| | | 534,764 | 186,382 |

### (b) Reconciliation of the cash flow from operations with the deficit from operations

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| Surplus/(Deficit) from ordinary activities | | 121,364 | (590,013) |
| *Non-cash items in the Deficit from Ordinary Activities:* | | | |
| Depreciation and amortisation | | 122,876 | 89,651 |
| Net loss on disposal of Assets | | | 25,937 |
| Retroactive adjustment of opening retained earnings | 1(k) | | (673,873) |
| *Changes in Assets and Liabilities:* | | | |
| (Increase)/Decrease in receivables | | 144,460 | 41,008 |
| (Increase)/Decrease in other assets | | 33,333 | (9,301) |
| (increase)/Decrease in work in progress inventory | | 41,949 | 223,828 |
| (increase)/Decrease in loans to associated entities | | | 378,012 |
| Increase/(Decrease) in payables | | (142,884) | 149,721 |
| Increase/(Decrease) in financial liabilities | | | 26,665 |
| Increase/(Decrease) in provisions | | 4,168 | 209,571 |
| **Net cash (used in)/provided by operating activities** | | 325,266 | (128,794) |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 21. MOVEMENT IN CARRYING AMOUNTS

Movements in carrying amounts for each class of property, plant and equipment are set out below for the years ended 2008 and 2009.

| | Building improvements $ | Buildings $ | Plant and equipment $ | Motor vehicles $ | Computer equipment & Software $ | Furniture and fittings $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Carrying amount at 1 July 2007** | - | 597,037 | 69,946 | 238,248 | 21,628 | (4,566) | 922,293 |
| Reclassifications and adjustments | 1 | - | (55,312) | (150) | 11,733 | 43,728 | - |
| Additions | 5,904 | - | 768 | - | 9,959 | - | 16,631 |
| Disposals | - | - | - | (117,831) | - | - | (117,831) |
| Depreciation Expense | (394) | (24,800) | (7,754) | (35,583) | (13,320) | (7,800) | (89,651) |
| **Carrying amount at the beginning of the year** | 5,511 | 572,237 | 7,648 | 84,684 | 30,000 | 31,362 | 731,442 |
| Additions | | | 750 | 35,731 | 25,917 | - | 62,398 |
| Disposals | - | - | - | (43,712) | - | - | (43,712) |
| Depreciation Expense | (5,511) | (24,800) | (8,398) | (18,447) | (34,358) | (31,362) | (122,876) |
| **Carrying amount at 30 June 2009** | - | 547,437 | - | 58,256 | 21,559 | - | 627,252 |

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

Section 272 of Part 3 of Chapter of Schedule 1 to the Workplace relations Act 1966 provides that:

(1) A member of a reporting unit, or 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) The reporting unit must comply with an application made under subsection (1).

## VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

### ANNUAL STATEMENT BY MEMBERS OF THE BOARD FOR 2008-09
### (Pursuant to Section 253 (2) (c) of the RAO Schedule)

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 in pages 3 to 26, comply with the Australian Accounting Standards (together referred to hereafter as 'the GPFR');

(b) the financial statements and notes in the GPFR comply with the reporting guidelines of the Industrial Registrar;

(c) the GPFR gives a true and fair view of 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; and
- 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.

This statement is made in accordance with a resolution passed by the Board on 18 September 2009 and is signed for and on behalf of the Board by:

**President** ______________________
**John Stanway**

**Deputy President** ______________________
**John Krygger**

Dated this 18 SEPTEMBER 2009

# VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

## OPERATING REPORT FOR THE YEAR ENDED 30 JUNE 2009

**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 133.

**Number of Employees**

The number of persons who were at the end of the financial year, employees of the Association was 18, measured on a full-time equivalent basis.

## VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

### OPERATING REPORT FOR THE YEAR ENDED 30 JUNE 2009

**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 2008) were:

| POSITION | NAME | PERIOD |
|---|---|---|
| **President** | John Stanway | 1/07/08 – 30/06/09 |
| **Deputy President** | John Krygger | 1/07/08 – 30/06/09 |
| Board Member | Christopher England | 1/07/08 – 1/08/08 |
| Board Member | John Richardson | 1/07/08 – 1/08/08 |
| Board Member | Lis Wilson | 1/07/08 – 30/06/09 |
| Board Member | Chris Steinfort | 1/07/08 – 3/09/08 |
| Board Member | Gary Templeton | 1/07/08 – 30/06/09 |
| Board Member | Christine Fitzherbert | 1/07/08 – 30/06/09 |
| Board Member | Penny Newsome | 1/07/08 – 30/06/09 |
| Board Member | John Smith | 1/07/08 – 30/06/09 |
| Board Member | Chris Scott | 1/07/08 – 30/06/09 |
| Board Member | Philip Moran | 1/07/08 – 30/06/09 |
| Board Member | Vacancy | |
| Board Member | Vacancy | |
| | | |
| **Chief Executive Officer** | Alexander Djoneff | |

Name: JOHN KRYGGER

Title: DEPUTY PRESIDENT

Signature: John Krygger

Date: 18 SEPTEMBER 2009

**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 un-financial 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/her 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 un-financial, 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 the 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 un-financial 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) Fair Work Australia; 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.

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# VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

# INDEPENDENT AUDIT REPORT TO THE MEMBERS OF VICTORIAN HOSPITALS' INDUSTRIAL ASSOCIATION

## *Report on the Financial Report*

We have audited the accompanying general purpose financial report of Victorian Hospitals' Industrial Association (the Association), which comprises the balance sheet as at 30 June 2009 and the income statement, statement of recognised income and expenditure and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the statement by the Board.

## *Boards' Responsibility for the Financial Report*

The Board of Association is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the requirements imposed by Part 3 of Chapter 8 of Schedule 1 (RAO Schedule) of the Workplace relations Act 1996 and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the Association's financial position and performance as represented by the results of its operations and its cash flows. 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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 board, 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 Australian professional ethical pronouncements.

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***Auditor's Opinion***

In our opinion the general purpose financial report of Victorian Hospitals' Industrial Association is presented fairly in accordance with applicable Australian Accounting Standards and the requirements imposed by Part 3 of Chapter 8 of Schedule 1 (RAO Schedule) of the Workplace Relations Act 1996 and other mandatory professional reporting requirements in Australia.

DFK Collins

**DFK COLLINS**
**CHARTERED ACCOUNTANTS**

Robert Wernli

**Robert Wernli**
**Partner**

Melbourne
18 September 2009