

Australian Institute of Marine and Power Engineers

FEDERAL TREASURER'S REPORT

Financial Year ended 30 June 2018



Annual General Meeting May 2019

Federal Council Meeting June 2019

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1 INTRODUCTION

Please find an attached copy of the Audited Accounts including the Operating Report (s.254) for the **Financial Year ended 30 June 2018**.

The Fair Work (Registered Organisations) Act 2009 sets out a chronological order for dealing with the financial report, i.e. Audit (s.256), provide to members, present to meetings and lodge with the Registered Organisations Commission (ROC). (FS 008)

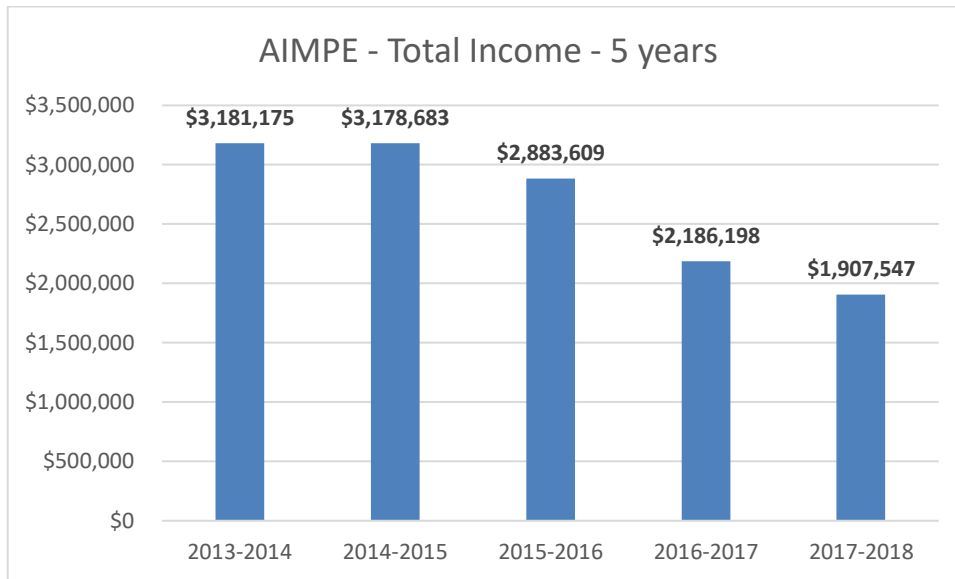
This was achieved on the following dates below;

- Loans, grants and donations – lodged 28th September 2018 (s.237)
- At the meeting of the AIMPE Federal Executive on 9th October 2018 FEX 2018/175 (s.266)
- Published in the November – December 2018 edition of “On Watch” (s.265)
- Special General meeting of members held on 18th December 2018 at branches (s.266)
- Lodge with the ROC on 20th December 2018 (s.268)

2 INCOME

AIMPE's total income for the 2017-18 financial year was \$1,907,547

This is \$278,000 less than last financial year, reflecting a \$1.27 million reduction in income over the preceding five-year period.



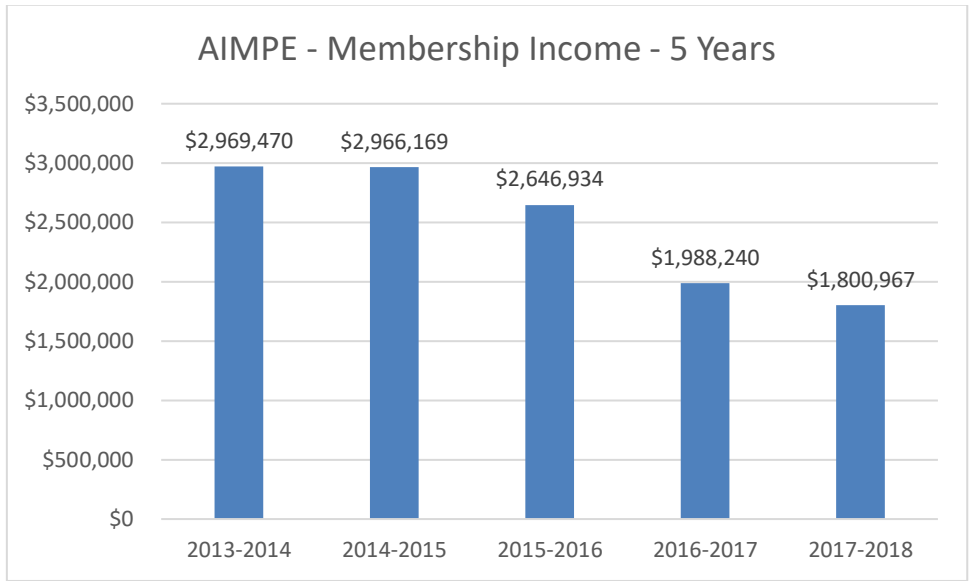
The revenue from membership contributions was \$1,800,967 and accounted for 94% of all Income received. The remaining 6% was made up of combining Interest, Rent and Dividends received.

Noting:

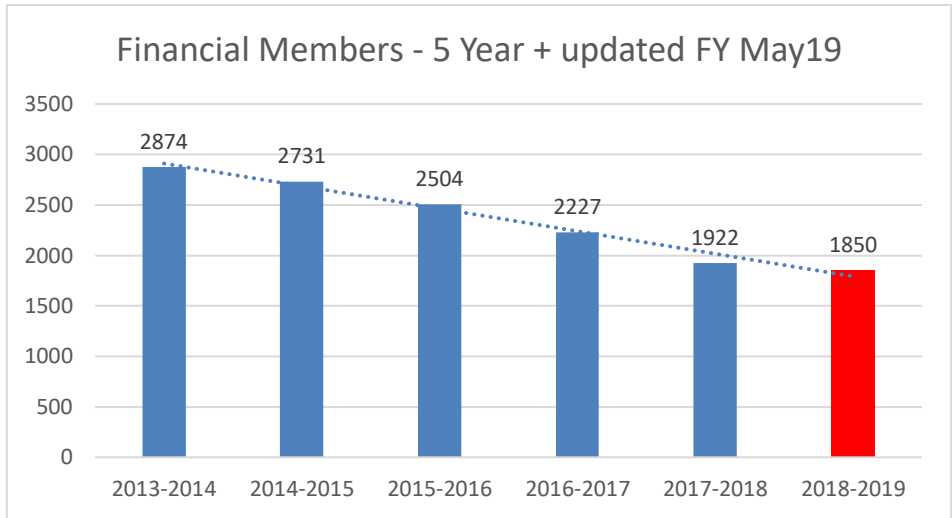
\$73,356 interest contributions for 2017-2018 (Note: 3C of the Financial Report) has reduced by 33% over the year, as term deposits expire, and cash held reduces.

\$41,685 rental revenue was reduced by \$8,700 from 2016-2017. Bottom-line rental revenue will increase with new tenant contracts in progress – see in Summary.

\$7,546 dividends were steady however will reduce marginally as three small parcel holdings of the five companies held, have been sold at market prices.



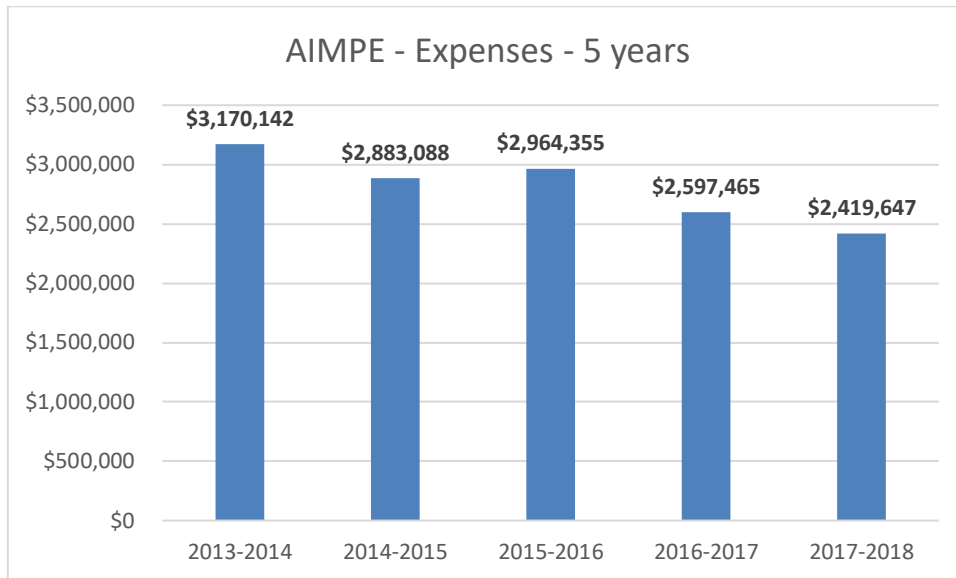
Revenue from members' annual contributions has decreased by \$1.16 million in the five-year period.



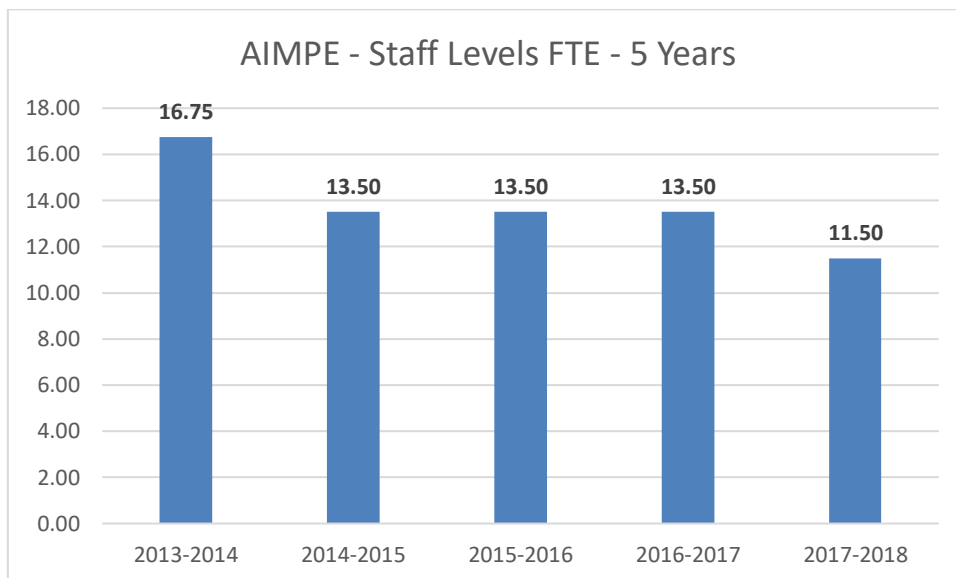
Fee-paying membership numbers have reduced from 2,874 to 1,922; a reduction of 952 in the five-year period to June 2018. Along with a further 72 in the current FY extending the total reduction in excess of 1,000 members.

3 EXPENDITURE

Expenditure expenses during 2017-2018 financial year was \$2,419,647



Expenses have reduced by approximately \$750,000 over the five-year period, mainly through a reduction in staff numbers – there are five fewer employees today than in 2014.



FTE – full time equivalent

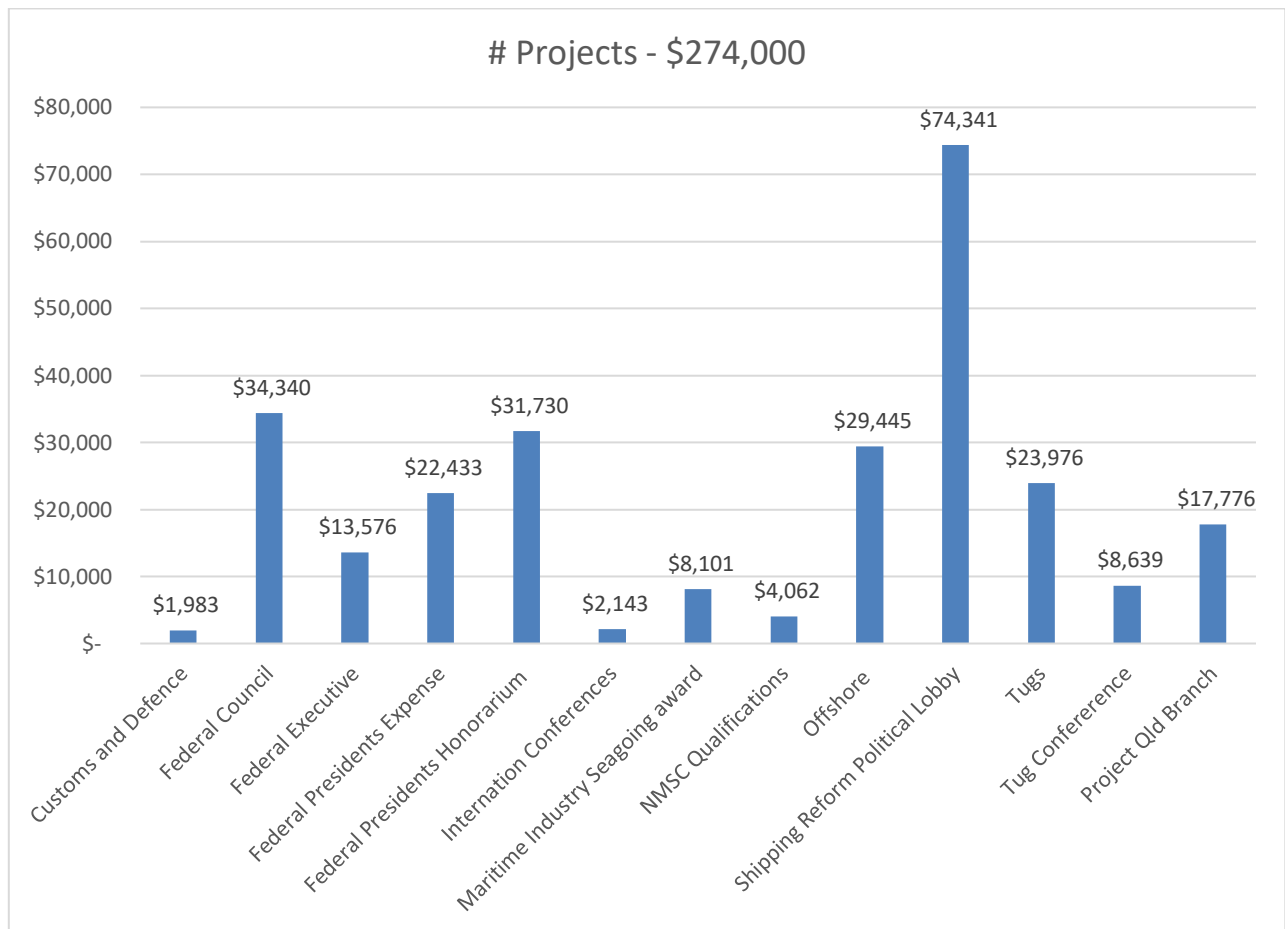
Staffing to fee-paying membership ratio is high compared to historical data.

Employee Expenses (note: 4A) for 2017-2018 financial year was \$1.57 million. This accounts for 65% of all expenses.

All other grouped expenses are tabled below:

Expense	2017-2018	Variation from previous year
Administration	\$267,000	\$(19,000) ↓
# Projects	\$274,000	\$(15,600) ↓
On Watch - Journal	\$115,600	\$(15,000) ↓
Audit fees	\$48,900	\$(2,600) ↓
Affiliation fees	\$32,800	\$(100) ↓
Legal fees	\$13,800	\$(24,000) ↓
Donations/Grants	\$ 18,900	\$3,500 ↑
Depreciation and Amortisation	\$ 71,400	\$(4,800) ↓

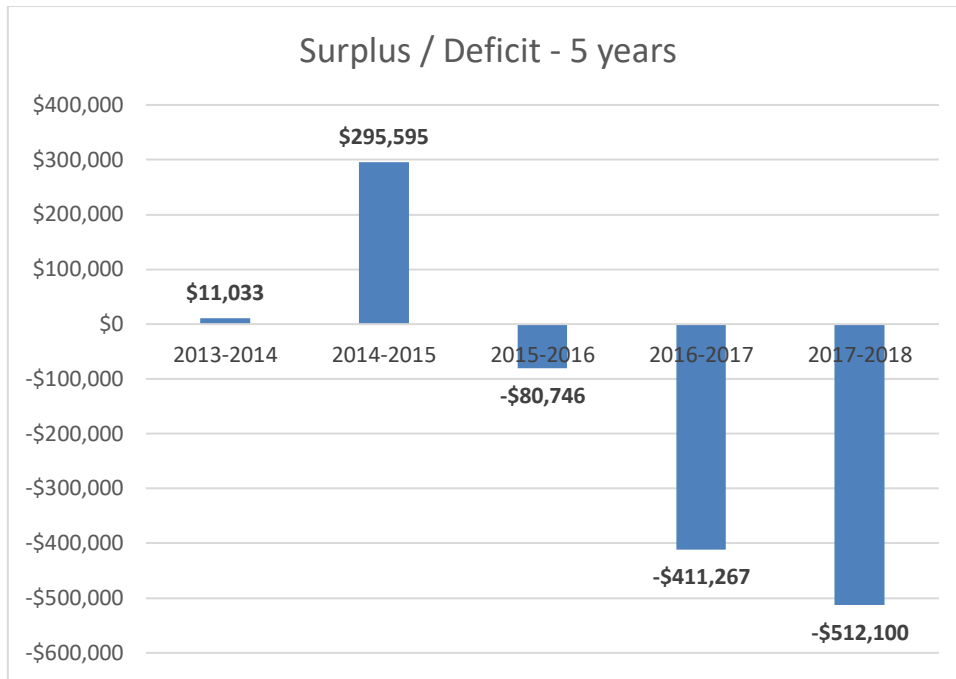
Table rounded to nearest \$100



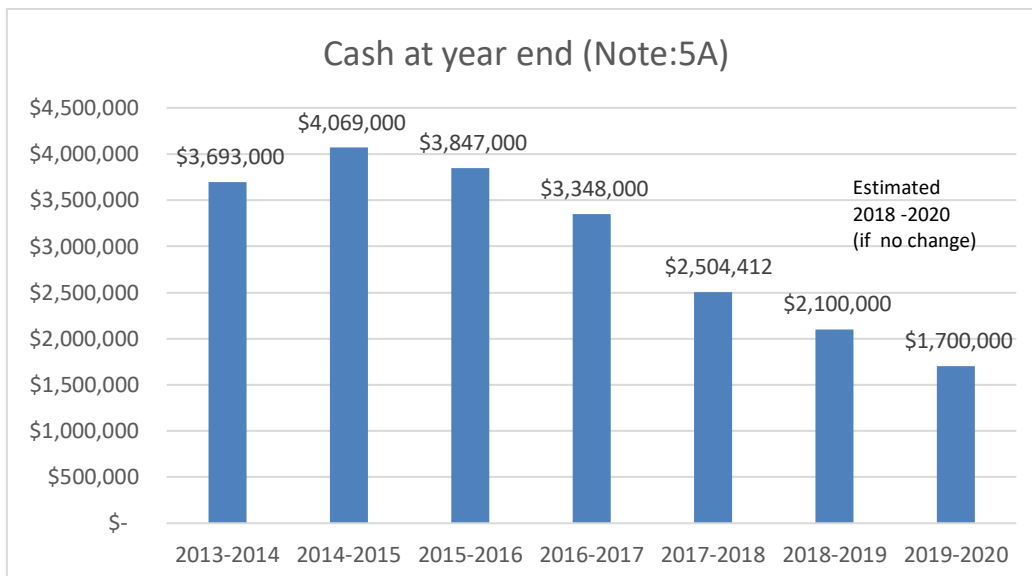
Project items under \$1000 not shown.

4 SURPLUS (DEFICIT)

The AIMPE suffered the second large deficit in the five-year period which, if not addressed, will burn currently held cash reserves (Note: 5A) within the short to medium-term.



Note: The budgeted deficit for 2018-2019 is a negative figure of \$ (413,924)



Note: Employee Provisions, if fully expensed would be at a cost of \$895,000 as at 29th April 2019

5 ASSETS

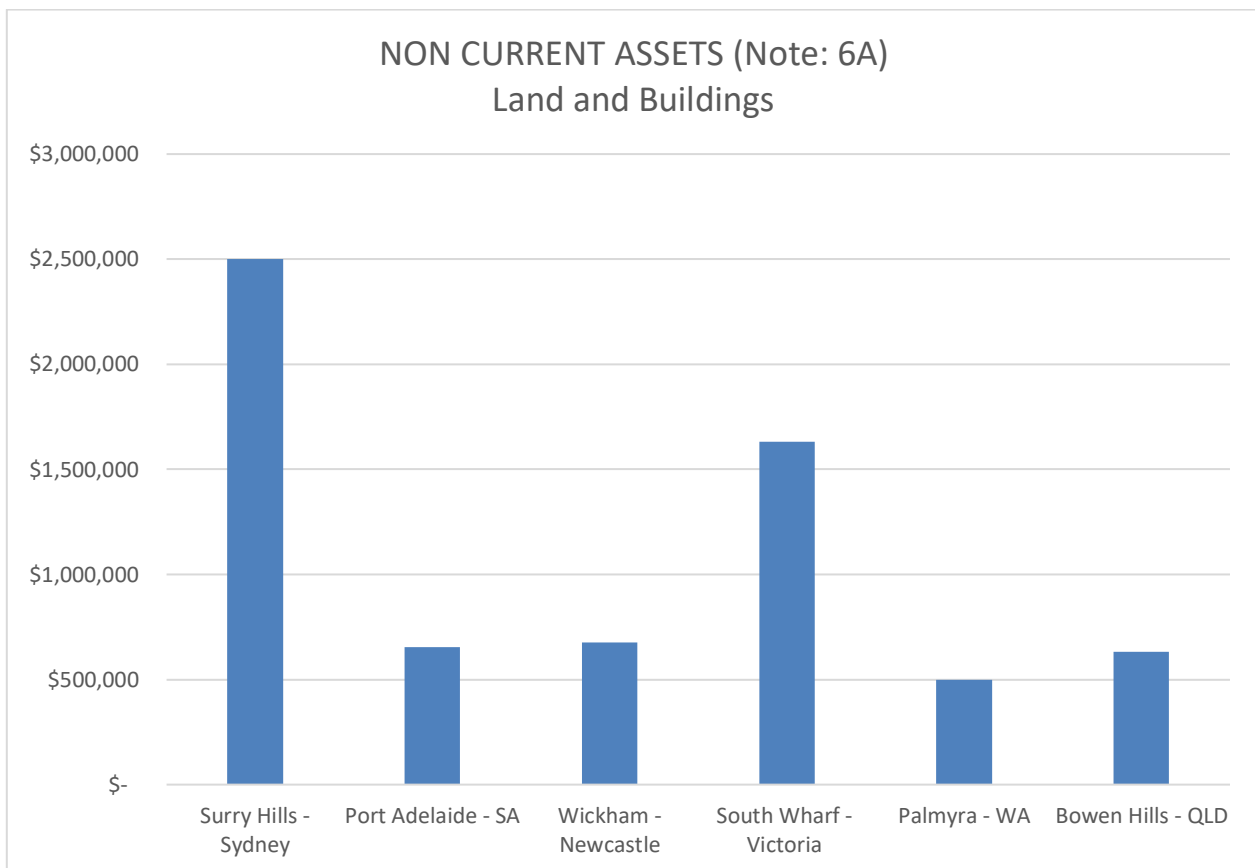
Total assets as at 30th June 2018 were \$9,337,955

AIMPE continues to own a portfolio of property in which it operates within and/or leases out on commercial terms.

Total liabilities as at 30th June 2018 were \$864,116 with the majority being Employee Provisions.

Net asset position of AIMPE as at 30th June 2018 was \$8,473,839 in comparison to \$8,980,939 in 2016-17.

The AIMPE non-current assets were \$6,798,824 and current assets were \$2,539,131; down from \$3,409,227 the previous year.



at 2017 valuations or cost

6 SUMMARY

The deficit of \$(512,100) combined with the previous year's deficits, along with the accounting for the projected \$(413,000) 2018-2019 one, sees the AIMPE in a position where the status quo cannot be maintained. Reducing income expenses and increasing membership numbers will need to be prioritised by the Federal Council at the next sitting in June 2019.

As at the end of April 2019, AIMPE membership has fallen by a further 72 financial members over the 10 months of this 2018-19 financial year.

An arrangement of cost-saving initiatives has been established during the year by the Federal Executive and is creating a difference now and in the future.

Included are;

- A recruitment initiative was established and is capturing new or upgrading members.
- The office sharing arrangement with the AMOU has seen the West Australian staff relocate to the AMOU Fremantle office with reciprocal rights shown in Melbourne with AMOU joining the Victoria/Tasmania branch office
- A commercial lease with the AMOU for the lower two floors of the Sydney office has been signed and will become occupied when remedial works and upgrades to current building codes allow for fit out to occur. Anticipated mid-2019. AMOU will be funding office construction costs whilst AIMPE is responsible for some statutory-governed upgrades.
- The recently purchased (2018) Brisbane office adjoining Unit 14 is intended to be leased to AMOU to house their newest employee. The new property also provides additional car parking spaces.
- The West Australian building in Palmyra is currently on the market and will be sold when a fair and reasonable offer is produced.
- Nautilus Federation Australia have held meetings to establish protocols for staff attending vessels on behalf of each other, although it is still too early in the process to quantify potential savings in staff travel and time.
- A new series of late overdue fee notice payments by electronic communications increased response rate.

Budgeting update this FY;

Total income for 2018-2019 was budgeted to be \$1,865,000.

As at the end of April 2019 income received from member fees and from rent investments etc. had reached \$1,706,000. At this stage the projected income budget will be achieved.

Expenditure for 2018-2019 was budgeted to be \$2,309,000.

As at the end of April 2019 the expenditure was \$1,744,000 with two months remaining at \$188,000 / month (estimated) will see the expenditure at \$2,120,000. Encouragingly, a saving of + \$180,000 is projected to year end June 2019.

The areas of high or over-expenditure include:

- Shipping reform Political Lobbying \$45,800 Federal Council Budget \$30,000
- Political Donations (all) \$36,500 Federal Council Budget \$20,000
- Note: Details correct at 30th April 2019

The above political budgets were increased by a total of \$30K due to timing of the Federal Election in May 2019.

Under expenditure areas include:

- Branch budgets [combined] are running under the budget forecasts, currently at 8% below.

Remuneration;

Salaries for AIMPE officials and staff are determined by Federal Council. The rates of pay for highest five employed officials during 2017-2018 were:

- Federal Secretary Martin Byrne \$160,005
- Director of Professional Development (P.T) Henning Christiansen \$ 80,000
- Assistant Federal Secretary Andrew Williamson \$140,000 + Car
- Director of Government Relations Michael Bakhaazi \$122,066 + Car
- Senior National Organiser Greg Yates \$122,066 + Car

Additional costs to salaries: +14% Superannuation, health and travel allowances.

The former Honorary Federal President Mr. Snee received an honorarium of \$31,730 along with the Federal Presidents Expenses of \$22,433 totaling \$54,163 during 2017-18 (Note: 4I) this amount was lower than the \$79,620 expensed in the previous financial year.

The Newcastle Branch received a budgeted travel allowance of \$36,000 for Honorary Officials – all other branch elected officials of the AIMPE held unpaid honorary positions. But say \$52

New AIMPE Officials or existing Officials changing position must complete the Union Governance training course as a mandatory obligation. All currently held financially responsible positions are valid.

The AIMPE has undertaken the task of upgrading our Accounting Software system from a 30-year-old DOS based system to a Cloud based MYOB Accountright. Nil integration programs were available for conversion. Extended thanks go out to Cathy Han and Carol Godfrey who have diligently worked through the process to bring the system online. Benefits of the new online accounting have seen a reduction in double entries and time spent re-keying data from other branches. Direct Bank feeds into the system are helpful along with all data automatically being backed up to a secure offsite service. The expected reduction in time from external auditors is yet to be tested.

MYOB Accountright allows AIMPE to move to a Single Touch Payroll and comply with the new Australian Taxation Office legislation effective 1 July 2019.

Further investment in budgeting additions, along with employee receipt automation, will see an even more integrated and accountable accounting system. Connecting the Accounting system to our membership database for invoicing members will require renewal or upgrading of the database.

The Federal Treasurers report highlights that the AIMPE requires immediate strong, bold decision making to ensure the long history of the AIMPE and its membership continues financially secure well into the future. Inaction isn't an option.

Yours fraternally

Ian McAllister

Federal Treasurer (Honorary)

14th May 2019