

Australian Public Service Benevolent Society Ltd

Established 1905

## 2011 Annual Report

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business services

**AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED**  
**ABN 64 077 846 809**

<b>CONTENTS</b>	<b>PAGE</b>
<b>Directors' Report</b>	<b>2-5</b>
<b>Auditor's Independence Declaration</b>	<b>6</b>
<b>Statement of Comprehensive Income</b>	<b>7</b>
<b>Statement of Financial Position</b>	<b>8</b>
<b>Statement of Changes in Equity</b>	<b>9</b>
<b>Statement of Cash Flows</b>	<b>10</b>
<b>Notes to the Financial Statements</b>	<b>11-22</b>
<b>Directors' Declaration</b>	<b>23</b>
<b>Auditors' Report</b>	<b>24-25</b>

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**AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED**  
**ABN 64 077 846 809**

**DIRECTORS' REPORT**

Your Directors present their report on the Australian Public Service Benevolent Society Limited, and its subsidiaries APS Financial Planning Pty Ltd, and APS Tax, Accounting & Business Services Pty Ltd for the financial year ended 30 June 2011.  
 The Directors of the Group in office at any time during, or since the end of the year are:

<b>Name and Qualifications</b>	<b>Age</b>	<b>Experience and Special Responsibilities</b>
<b>Anthony McInerney</b> Chairman, MAICD	65	Consultant – Business Management ex-Australian Taxation Office, 39 years Business Development and Remuneration Committees Director APS Financial Planning Pty Ltd
<b>Philip Mason</b> Director, MAICD, FCPA	52	City of Yarra, Manager 34 years experience Audit Finance & Governance Committee Director APS Financial Planning Pty Ltd
<b>Michael Power</b> Director, B.Com, CPA Retired 22 October 2010	63	Company Director Retired Qantas Executive, 42 years Audit, Finance & Governance Committee Director Hawdon Operations Limited Director APS Financial Planning Pty Ltd
<b>Daphne Ristic</b> Director, B.Bus Acc, FCPA GAICD	59	Company Director ex-Australia Post, Manager, 38 years experience Audit, Finance & Governance Committee Chairman Director APS Financial Planning Pty Ltd Chairman APS Tax, Accounting & Business Services Pty Ltd
<b>Michael Harwood</b> Director, B Bus, Dip Ed, Grad Dip Food Sc. Dip Pkg (UK)	52	Department of Defence, Business Manager IT Systems ex-Major, Australian Army 20 years Remuneration Committee Chairman Board Member Williamstown F.C. Director APS Financial Planning Pty Ltd
<b>Bronwyn Street</b> Director, MBA, FFIA CFRE, GAICD	65	ACCESS Ministries 42 years experience Audit, Finance & Governance Committee Director APS Financial Planning Pty Ltd
<b>Andrew Orme</b> Director, LLB (Melb) BSc (Melb)	35	Australian Taxation Office 12 years experience Audit, Finance & Governance Committee Director APS Financial Planning Pty Ltd
<b>John Corin</b> Director, MAICD	61	Company Director ex-ACCC, Director Corporate Services, 43 years experience Business Development Committee Chairman and Remuneration Committee Director APS Financial Planning Pty Ltd
<b>Maurice Barclay</b> Director, BAgSc Hons. (Melb) Appointed 22 October 2010	55	Company Director ex-Australia Post, 33 years experience Business Development Committee Director APS Financial Planning Pty Ltd

**Craig Walden** B.Bus (Accounting), MAICD, FAIM held the position of Company Secretary of all 3 entities and is a Director of APS Tax, Accounting & Business Services Pty Ltd.

**Alfred Mallia**, ICA, CPA held the position of Director & Company Secretary of APS Tax, Accounting & Business Services Pty Ltd.

## **PRINCIPAL ACTIVITIES AND OBJECTIVES**

The Group's principal activities during the financial year were:

- To act as a benevolent society for members by providing them and their families with funeral and mortuary benefits, and financial assistance in the form of benevolent grants
- To provide a loan service to members
- To provide a mortgage broking and insurance service
- To provide a financial planning service
- To provide a tax, accounting & business services

There was no significant change in the nature of these activities during the year. These activities assist the Group in achieving its short and long term objective of 'providing relevant financial services to members and clients at not for profit prices'. The Group's strategy is to achieve steady growth in the number of members and clients, and to ensure that the range of financial services provided to members remains relevant to their needs. Key performance indicators regularly reviewed by Directors in relation to the Group's performance include:

- net membership/client growth
- profitability compared to budget
- bad and doubtful debts as a percentage of the total loan balance

## **OPERATING RESULTS**

The deficit of the Group for the financial year after providing for income tax amounted to \$370,539 (2010 surplus \$2,372,004).

## **MEMBERSHIP**

At 30 June 2011, the number of members/clients was 27,233 compared with 26,470 at 30 June 2010. This is an increase of 763 members/clients. Our membership continues to grow as does the number of clients using our range of specialist services.

During the 2010/11 year, a further 1,822 new members/clients joined the Society, leading to over 15,000 new members/clients over the last 9 years. This is an excellent result, giving us net membership/client growth over the last 9 years of almost 6,000 members.

## **SUBSEQUENT EVENTS**

There has not been any matter, or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## **FUTURE DEVELOPMENTS**

The Group will continue to look for ways to achieve steady membership growth, and to add value to benefit its members/clients. It will investigate introducing new services, as well as encouraging greater use of its current services.

## **PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of the Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

## **ENVIRONMENTAL ISSUES**

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## **DIVIDENDS**

The Group does not pay dividends.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

No significant changes in state of affairs of the Group occurred during the year and at 30 June 2011.

## **OPTIONS, INDEMNITIES AND COURT PROCEEDINGS**

No options over member interests in the Group or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No indemnities have been given or insurance premiums paid, except as noted below, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Group.

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

**AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED**  
**ABN 64 077 846 809**

**MEMBERS GUARANTEE**

The principal Company is limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of \$5 towards meeting any outstanding obligations of the company. At 30 June 2011 the number of members was 26,276 (2010: 25,839), and therefore, the total amount that members are liable to contribute if the Company was wound up at 30 June 2011 was \$131,380.

**INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS**

During the financial year, the Group paid a premium in respect of a contract insuring the directors and company secretary of the Group (as named above), and all executive officers of the company and of any related body corporate against a liability incurred as such a director, company secretary, or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

**DIRECTORS' INTERESTS**

The Directors are all members of the Group. Since the end of the previous financial year, no Director of the Group has received, or become entitled to receive any benefit by reason of a contract made by the Group with the Director, or with a Group in which he has a substantial interest.

**DIRECTORS' MEETINGS**

The number of meetings attended by each of the Directors during the financial year are summarised as follows:

	Board		Audit/Finance/Gov		Remuneration		Business Development	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
<b>D RISTIC</b>	8	7	4	4	1	1	-	-
<b>M HARWOOD</b>	8	7	-	-	2	2	-	-
<b>A McINERNEY</b>	8	7	-	-	2	2	3	3
<b>M POWER</b>	3	2	2	1	-	-	-	-
<b>B STREET</b>	8	8	2	2	-	-	-	-
<b>A ORME</b>	8	8	4	4	-	-	-	-
<b>M BARCLAY</b>	6	6	-	-	-	-	3	3
<b>P MASON</b>	8	6	4	4	-	-	-	-
<b>J CORIN</b>	8	8	-	-	1	1	3	3

**DIRECTORS' BENEFITS**

These fees are approved annually by the members at the Annual General Meeting. For the year ending 30 June 2011, Directors received the benefits as described in the table below. Superannuation is paid at the rate of 9% of Honorarium.

Directors' Name	Honorarium (including superannuation) \$
<b>A ORME</b>	<b>12,845</b>
<b>J CORIN</b>	<b>15,597</b>
<b>D RISTIC</b>	<b>16,820</b>
<b>M POWER</b>	<b>3,670</b>
<b>M HARWOOD</b>	<b>15,597</b>
<b>A Mc INERNEY</b>	<b>18,961</b>
<b>B STREET</b>	<b>12,845</b>
<b>P MASON</b>	<b>12,845</b>
<b>M BARCLAY</b>	<b>9,508</b>
<b>Total</b>	<b>118,688</b>

**NON-AUDIT SERVICES**

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

The following fees for non-audit services were paid to the external auditors during the year ended 30 June 2011:

- FSRA Audit      \$2,500

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 6.

Signed in accordance with a resolution of the Board of Directors:



Chairman.....  
A McInerney



Director.....  
D Ristic

Dated this 31st day of August 2011.

Grant Thornton Audit Pty Ltd  
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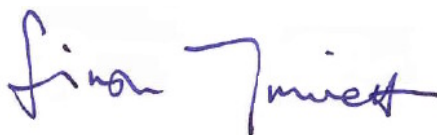
**Auditor's Independence Declaration  
To the Directors of Australian Public Service Benevolent Society Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Australian Public Service Benevolent Society Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



Simon Trivett  
Partner - Audit & Assurance

Melbourne, 31 August 2011

**AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED**  
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**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Consolidated	
		2011 \$	2010 \$
	-----	-----	-----
Revenue from operations	2	10,534,387	9,634,685
Employee benefits expense	3	(1,683,783)	(1,479,635)
Depreciation and amortization expense	3	(89,957)	(91,958)
Benefits paid to members	3	(1,662,325)	(1,375,191)
Changes in mortuary fund liabilities	3	(3,799,000)	(937,999)
Occupancy expense		(56,639)	(46,715)
Postage and telephone expense		(91,925)	(119,324)
Bad debts expense	4	(883,141)	(764,933)
External services expense		(392,041)	(408,185)
Board and AGM expenses		(143,302)	(143,186)
Marketing expense		(302,429)	(278,734)
Other expenses		(448,821)	(397,827)
Operating surplus/(deficit) before tax		981,024	3,590,998
Income tax expense	5	(1,351,563)	(1,218,994)
Net surplus/(deficit) for the year		(370,539)	2,372,004
Other comprehensive income			
Net gain on revaluation of property		-	83,903
Total comprehensive income		(370,539)	2,455,907

Notes to the financial statements are included on pages 11 to 22

**AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED**  
**ABN 64 077 846 809**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011**

	Note	Consolidated	
		2011	2010
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	1,155,464	1,542,387
Trade and other receivables	7	24,307,498	21,308,730
Other financial assets	8	4,980,773	8,311,510
Other	9	155,049	120,901
Total current assets		30,598,784	31,283,528
<b>NON CURRENT ASSETS</b>			
Trade and other receivables	7	37,541,602	32,900,944
Property, plant and equipment	12	2,348,347	2,381,573
Deferred tax asset	5	977,371	1,108,460
Total non-current assets		40,867,320	36,390,977
Total assets		71,466,104	67,674,505
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	359,581	339,315
Current tax liabilities	5	679,970	417,197
Provisions	11	231,627	187,330
Mortuary fund	15	1,565,513	1,541,608
Total current liabilities		2,836,691	2,485,450
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	5	223,034	216,928
Provisions	11	90,589	60,893
Mortuary fund	15	61,619,487	57,844,392
Total non-current liabilities		61,933,110	58,122,213
Total liabilities		64,769,801	60,607,663
<b>NET ASSETS</b>		<b>6,696,303</b>	<b>7,066,842</b>
<b>EQUITY</b>			
Reserves		6,696,303	7,066,842
		<b>6,696,303</b>	<b>7,066,842</b>

Notes to the financial statements are included on pages 11 to 22

AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED  
ABN 64 077 846 809

**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

**Consolidated**

	<b>Reserves</b>			<b>Total</b>
	<b>Contingency \$</b>	<b>Asset Revaluation Reserve \$</b>	<b>General Reserve Fund \$</b>	<b>\$</b>
<b>Balance at 30 June 2009</b>	500,000	330,156	3,780,779	4,610,935
Tax adjustment to Reserve	-	83,903	-	83,903
Add Surplus/(Deficit)	-	-	2,372,004	2,372,004
<b>Balance at 30 June 2010</b>	500,000	414,059	6,152,783	7,066,842
Add Surplus	-	-	(370,539)	(370,539)
Transfer of Reserves	(500,000)	-	500,000	-
<b>Balance at 30 June 2011</b>	-	414,059	6,282,244	6,696,303

Notes to the financial statements are included on pages 11 to 22

**AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED**  
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**STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

	<b>Note</b>	<b>Consolidated</b>	
		<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
	-----	-----	-----
<b>Cash flows from operating activities</b>			
Receipts from members & customers		3,292,221	3,168,258
Interest received		6,564,471	5,541,022
Bad debts recovered		23,931	119,693
Income taxes paid		(951,594)	(769,364)
Payments to members		(1,662,325)	(1,375,19)
Payments to employees and suppliers		(3,306,432)	(3,125,70)
Net cash provided by operating activities		3,960,272	3,558,710
<b>Cash flows from investing activities</b>			
Proceeds from sale of property		65	-
Payments for plant and equipment		(56,796)	(57,794)
Proceeds on redemption/(payments for) investments		3,950,000	3,229,511
Net advances of loans to members		(8,240,464)	(8,860,67)
Net cash used in investing activities		(4,347,195)	(5,688,95)
Net decrease in cash held		(386,923)	(2,130,24)
Cash at the beginning of the financial year		1,542,387	3,672,631
Cash at the end of the financial year	6	1,155,464	1,542,387

Notes to the financial statements are included on pages 11 to 22

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

**General Information**

The Australian Public Service Benevolent Society Ltd (APSBS) is a company limited by guarantee, incorporated and domiciled in Australia. Its subsidiaries, APS Financial Planning Pty Ltd and APS Tax, Accounting & Business Services Pty Ltd are proprietary companies.

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

**Basis of Preparation**

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

The accounting policies set out below have been consistently applied for all years presented.

**Accounting Policies**

a. **Income Tax**

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

b. **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.

**Property**

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. An annual appraisal is carried out by Directors to ensure that the recoverable amount is no less than the carrying amount.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

**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 directors 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 their present values in determining recoverable amounts.

Subsequent costs are included in the 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**Property, Plant and Equipment (continued)**

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement.

**Depreciation**

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Buildings	2.5%
Plant and equipment	3 –50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 or losses are included in the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

c. **Financial Instruments**

**Financial Instruments Used**

The principal categories of financial instruments used are:

- Trade receivables
- Cash at Bank
- Investments in unlisted managed funds
- Trade and other payables

None of the consolidated entity's financial assets are secured by collateral or other credit enhancements.

**Recognition**

Financial instruments are initially measured at cost on 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.

**Financial assets at fair value through profit and loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139 Financial Instruments: Recognition and Measurement. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

**Loans and receivables**

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

**Held-to-maturity investments**

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method less impairment.

**Available-for-sale financial assets**

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**Fair value**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**Impairment**

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in the national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

**d. Impairment of Assets**

At each reporting date, the Group 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, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**e. Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance 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. Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

**f. Provisions**

Provisions are recognised when the group 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.

**g. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**h. 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 established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

**i. Goods and Services Tax (GST)**

The Group adheres to the financial institutions framework of GST legislation.

**j. Mortuary Fund**

Subscription revenue collected and benefits (death and resignation) paid in respect to the mortuary fund are accounted for through the statement of comprehensive income. The gross change in the mortuary fund liability for the period, including any bonuses vested, is recognised in the statement of comprehensive income.

**k. Comparative Figures**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**1. Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

**Critical accounting estimates and judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

*Key judgments*

*1. Doubtful debts provision*

Included in accounts receivable at 30 June 2011 is an amount receivable from loans made to members during the current financial year amounting to \$63,136,359 (2010: \$55,347,351). The directors believe that the full amount of the debt is recoverable, other than an amount of \$1,287,259 (2010: \$1,137,677), which has been included as a doubtful debt provision at 30 June 2011. Debts are considered doubtful when all avenues for collection have been exhausted internally, at which time, an external debt collector is contracted to collect the debt. Once the external debt collectors have exhausted all avenues in collecting the debt, any outstanding balance is considered to be bad debt.

*2. Mortuary fund liability*

The process and assumptions used to determine the mortuary fund liability are discussed further in Note 15.

**Changes in accounting policies**

Adoption of new and revised Accounting Standards:

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

**Adoption of AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendment to Australian Accounting Standards arising from Reduced Disclosure Requirements**

The Group has adopted the new Australian Accounting Standard - Reduced Disclosure Requirements in these financial statements which has resulted in a significant reduction in disclosures compared to those required under full AASB disclosure requirements applicable in prior years.

**AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED**  
**ABN 64 077 846 809**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Note</b>	<b>Consolidated</b>	
		<b>2011</b>	<b>2010</b>
		\$	\$
		-----	-----
<b>2. REVENUE</b>			
Subscriptions from members		2,491,007	2,436,254
Other income			
- Increase in market value of investments		619,262	1,054,560
- Rent received		69,904	69,905
- Top-up fees		425,728	285,583
- Sundry income		369,660	262,335
- Interest on:			
Loan to members		6,528,198	5,430,485
Investments		30,628	95,563
		10,534,387	9,634,685
<b>3. OPERATING SURPLUS</b>			
Operating surplus has been arrived at after charging the following items :			
Bad debts written off		451,455	471,980
Depreciation and amortisation of property, plant and equipment		89,957	91,958
Defined contribution superannuation expense		-	229,451
Benefits paid to members		1,662,325	1,375,191
Changes in mortuary fund liabilities	15	3,799,000	937,999
Employee benefits expense			
- defined contribution plans		203,351	177,219
- other employee benefits		<u>1,480,432</u>	<u>1,302,416</u>
Total employee benefits expense		1,683,783	1,479,635
<b>4. NET BAD DEBTS</b>			
Net bad debts has been arrived at as follows:			
Bad debts written off		451,455	471,980
Less: Bad debts recovered		(23,931)	(119,693)
Increase in provision for doubtful debts		149,582	149,032
Add: Collection costs		306,035	263,614
Net bad debts		883,141	764,933

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
	-----	-----
<b>5. INCOME TAXES</b>		
<b>(A) Income Tax Expense</b>		
Prima facie income tax expense calculated at 30% on the operating surplus and abnormal items	1,997,305	1,820,235
	<u>1,997,305</u>	<u>1,820,235</u>
Increase in Income Tax expense due to :-		
Entertainment expense	4,980	5,367
Non-tax assessable items :		
Non allowable deductions	144,793	149,994
Net subscriptions from members	(747,302)	(730,876)
Rebateable income	(19,336)	(25,726)
Income tax over-provided	(28,877)	-
Income tax expense attributable to operating surplus	<u>1,351,563</u>	<u>1,218,994</u>
<b>(B) Provision for Current Income Tax</b>		
Movements during the year were as follows :		
Balance at beginning of year	417,197	199,562
Income tax refunded (paid)	(417,390)	(203,704)
Current year's income tax on:		
Operating surplus	1,243,245	986,999
Instalment paid for 2010 tax	(563,082)	(565,660)
	<u>679,970</u>	<u>417,197</u>
<b>(C) Deferred Tax Liability</b>		
Balance at beginning of year	216,928	175,965
Increase for the year	<u>6,106</u>	<u>40,963</u>
	<u>223,034</u>	<u>216,928</u>
<b>(D) Deferred Tax Asset</b>		
Balance at beginning of year	1,108,460	1,335,453
(Decrease)/increase in provisions	<u>(131,089)</u>	<u>(226,993)</u>
	<u>977,371</u>	<u>1,108,460</u>
<b>(E) Income Taxes</b>		
The components of tax expense comprises		
Current tax	1,243,245	986,999
Deferred tax	137,195	231,995
Overprovision in respect to prior year	<u>(28,877)</u>	<u>-</u>
	<u>1,351,563</u>	<u>1,218,994</u>

AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED  
ABN 64 077 846 809

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	\$	\$
	-----	-----
<b>6. CASH AND CASH EQUIVALENTS</b>		
Cash at bank	617,933	466,849
Cash deposits	537,531	1,075,538
	1,155,464	1,542,387
 <b>7. TRADE AND OTHER RECEIVABLES</b>		
CURRENT		
Loans to members	24,307,498	21,308,730
	24,307,498	21,308,730
NON-CURRENT		
Loans to members	38,828,861	34,038,621
Less: provision for doubtful debtors	(1,287,259)	(1,137,677)
	37,541,602	32,900,944
TOTAL	61,849,100	54,209,674

During the year the Society continued to grant loans to members of the organisation. Before granting such loans the Society conducts credit checks on each applicant to ensure their credit-worthiness. The receivables are reviewed by the credit staff on a regular basis and by management on a monthly basis.

**Movement in allowance for doubtful debts**

Balance at the beginning of year	1,137,677	988,645
Increase in provision	149,582	149,032
Balance at the end of year	1,287,259	1,137,677

In determining the recoverability of the receivable, the Group considers any change in the credit quality of the receivable from the date the receivable was initially granted up to the reporting date. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. At the reporting date, there were no impaired trade receivables.

**AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED**  
**ABN 64 077 846 809**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
	-----	-----
<b>8. OTHER FINANCIAL ASSETS</b>		
<b>CURRENT</b>		
Interest bearing securities (at amortised cost)	203,000	153,000
Units in unlisted managed funds (at fair value through profit or loss)	4,777,773	8,158,510
	<u>4,980,773</u>	<u>8,311,510</u>
<b>9. OTHER CURRENT ASSETS</b>		
Accrued income	105,160	74,949
Sundry debtors	49,889	45,952
	<u>155,049</u>	<u>120,901</u>
<b>10. TRADE AND OTHER PAYABLES</b>		
Subscriptions received in advance	161,886	187,671
Other accruals	197,695	151,644
	<u>359,581</u>	<u>339,315</u>
<p>The average credit period on purchases of certain goods/services is 30 days. No interest is charged on trade payables for the first 60 days from the date of invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.</p>		
<b>11. PROVISIONS</b>		
<b>CURRENT</b>		
Employee entitlements	<u>231,627</u>	<u>187,330</u>
<b>NON-CURRENT</b>		
Employee entitlements	<u>90,589</u>	<u>60,893</u>
Aggregate employee entitlements	<u>322,216</u>	<u>248,223</u>
Number of equivalent full time employees at year end	17	17

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**12. PROPERTY, PLANT AND EQUIPMENT**

Movements in carrying amounts - Consolidated

<b>Consolidated Entity</b>	<b>Freehold Land</b>	<b>Buildings</b>	<b>Plant &amp; Equip</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Gross carrying amount</b>				
Balance at 30 June 2010	1,250,000	700,000	900,807	2,850,807
Additions	-	35,018	21,779	56,797
Revaluation	-	-	-	-
Disposals	-	-	(65)	(65)
Balance at 30 June 2011	1,250,000	735,018	922,521	2,907,539
<b>Accumulated depreciation</b>				
Balance at 30 June 2010	-	-	469,234	469,234
Depreciation expense	-	17,556	72,402	89,958
Write back on revaluation of buildings	-	-	-	-
Disposals	-	-	-	-
Balance at 30 June 2011	-	17,556	541,636	559,192
<b>Net book value</b>				
As at 30 June 2011	1,250,000	717,462	380,885	2,348,347

A valuation of the land and buildings at 16-20 Howard St North Melbourne was conducted at 30 June 2010 by Stuart Norman, Certified Practising Valuer AAPI.

The valuation was based on an estimated fair market value. A building value was assigned in the valuation to ensure that the buildings are depreciated on a useful life basis over the coming years in accordance with the Australian Accounting Standards.

An annual appraisal is carried out by the Directors to ensure that the recoverable amount is not less than the carrying amount.

Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

	<b>2011</b>	<b>2010</b>
Freehold land	765,000	765,000
Buildings	<u>786,327</u>	<u>786,327</u>
	1,551,327	1,551,327

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	\$	\$
	-----	-----
<b>13. KEY MANAGEMENT PERSONNEL COMPENSATION</b>		
The aggregate compensation made to Directors and other members of key management personnel is set out below:		
Short-term employee benefits	876,074	731,019
Post-employment benefits - super	79,653	146,138
Total	955,727	877,157
<b>14. RETIREMENT BENEFITS</b>		
Retirement benefits paid to Directors of the Company and controlled entities, being amounts that have been previously approved by the members of the Company in a general meeting.	Nil	Nil
<b>15. MORTUARY FUND</b>		
Balance at start of period	59,386,000	58,448,001
Increase in mortuary fund	3,799,000	937,999
Balance as end of period	63,185,000	59,386,000
<b>Mortuary Fund - Current Liabilities</b>	1,565,513	1,541,608
<b>Mortuary Fund - Non Current Liabilities</b>	61,619,487	57,844,392

**a. Mortuary Fund Risk**

The mortuary fund benefits transfer risk to the Company, where the Company commits to making a payment to the member's nominated beneficiary upon the member's death. The timing of these future events are inherently uncertain. Mortuary Fund risk is controlled through adequate subscription revenue, investment returns and sufficient reinsurance arrangements, all of which are monitored by the appointed actuary. In addition, risk is controlled via the underwriting process and tight controls are maintained over claims management practices to ensure the correct and timely payment of funeral benefits. There are two stages at which the Company can manage these risks; when assessing the health statement a member must provide when joining or increasing their funeral benefit cover and in the management of claims.

Underwriting management procedures - the policies and procedures in relation to acceptable health evidence are reviewed and monitored by management on a monthly basis. Employees involved in the assessment of health evidence are trained in the instances where policies cannot be accepted using standard selection criteria, to ensure that all new policies carrying risk are underwritten on their merits, or declined.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**b. Actuary's Report**

The Directors' appoint an actuary to report each year on the mortuary fund liabilities of the Company, and the ability of the Company to meet them. William Szuch F.I.A.A is the actuary so appointed. William Szuch F.I.A.A has prepared the 2011 actuarial report. The actuary's valuation basis measures liability in respect of each member as the present value of future death benefits of basic cover and declared bonuses, and any bonus recommended at the review date *less* the present value of future premiums after an allowance for future expenses. The actuary's valuation of the mortuary liabilities as at 30 June 2011 is \$63,185,000 (2010: \$59,386,000).

**Effect of changes in actuarial assumptions during the reporting period** - there were no material changes in the mortuary fund liabilities due to changes in assumptions for the year ended 30 June 2011.

<b>Variable</b>	<b>Impact of movement in underlying variable</b>
Expenses risk	An increase in the level of expenses over assumed levels will decrease any surplus and reserves
Interest rate risk	Depending on the profile of the investment portfolio, the investment income of the Company will reduce as interest rates decrease. The impact on the surplus and reserves depends on the relative profiles of assets and liabilities to the extent that they are not matched.
Mortality rates	Greater mortality rates will lead to higher levels of claims, which is likely to increase benefit payments and therefore reduce any surplus and reserves.
Discontinuance	Any increase in the discontinuance rate has a positive impact on the surplus and reserves.
Market risk	As no benefit payment is contractually linked to the underlying assets, the Company is exposed to market risk.

**c. Sensitivity Analysis**

Sensitivity analysis is conducted to quantify the exposure to risk, as a result of changes in the underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the profit and equity of the Company. The table below describes how the change in each assumption will effect the mortuary fund liabilities and provides an analysis of the sensitivity of the surplus and equity changes in these assumptions.

**Impact of changes in variables**

<b>Variable</b>	<b>Movement</b>	<b>Changes in Mortuary Fund Liabilities</b>
Insured life mortality	Worsening by 10%	\$147,090
Lapses and surrenders	Worsening by 10%	\$ 19,143
Administration expenses	Worsening by 10%	\$409,303

**AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED**  
**ABN 64 077 846 809**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>16. CAPITAL AND LEASING COMMITMENTS</b>		
Operating lease of office equipment		
Non-cancellable operating leases contracted for, but not capitalised in the financial statements:		
Payable:		
Not later than one year	5,400	5,400
Later than one, but not later than five years	6,750	12,150
	12,150	17,550
The office equipment lease is a non-cancellable lease with a five year term, with rent payable monthly in advance.		
<b>17. CONTINGENT LIABILITIES</b>		
The Directors are not aware of any contingent liabilities that the Group or the Company needs to provide for.		
<b>18. APSBS GROUP LIFE TRUST</b>		
The Company is Trustee of the APSBS Group Life Trust which provides term insurance cover for certain members who were formerly in the Vic and Tas Friendly Society Ltd Term Fund C. As of 1 July 2010, 4,079 members were covered under this arrangement, and \$84,617 of premium was paid to AXA from the Group Life Trust to effect this cover for 2010/11. The Trust will pay a similar amount to effect cover for 3,979 members for the 2011/12 year.		
<b>19. MEMBERS GUARANTEE</b>		
The Company is limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of \$5 towards meeting any outstanding obligations of the company. At 30 June 2011 the number of members was 26,276 (2010: 25,839).		
<b>20. SUBSIDIARIES</b>	<b>Country of</b>	<b>Ownership</b>
	<b>Incorporation</b>	<b>2011</b>
<b>Parent Entity</b>		<b>%</b>
Australian Public Service Benevolent Society Ltd	Australia	
<b>Subsidiaries</b>		
APS Financial Planning Pty Ltd	Australia	100
APS Tax, Accounting and Business Services Pty Ltd	Australia	100

**DIRECTORS' DECLARATION**

The Directors declare that:

1. The financial statements and notes, as set out on pages 7 to 22, are in accordance with the *Corporations Act 2001*:
  - (a) comply with accounting standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to Section 295(5) of the Corporations Act 2001.



Chairman.....  
A McInerney



Director.....  
D Ristic

Dated this 31st day of August 2011.

Grant Thornton Audit Pty Ltd  
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**Independent Auditor's Report  
To the Members of Australian Public Service Benevolent Society Limited**

We have audited the accompanying financial report of Australian Public Service Benevolent Society Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

**Directors responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

**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 which require us to 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

#### **Independence**

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

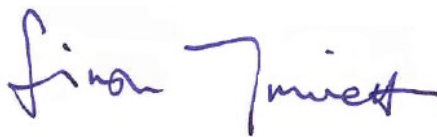
#### **Auditor's opinion**

In our opinion:

- a the financial report of Australian Public Service Benevolent Society Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



Simon Trivett  
Partner - Audit & Assurance

Melbourne, 31 August 2011