2017
Annual Report

APS Benefits Group Ltd

CONTENTS **PAGE**

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DIRECTORS' REPORT

Your Directors present their report on the APS Benefits Group Ltd , and its controlled entities (APS Financial Planning Pty Ltd, APS Tax, Accounting & Business Services Pty Ltd, APS Savings Ltd and APS Wills and Estates Pty Ltd) for the financial year ended 30 June 2017. The Directors of the APS Benefits Group Ltd in office at any time during, or since the end of the year are:

Name and Qualifications	Experience and Special Responsibilities
PHILIP MASON, Age 58 Chairman, MAICD, FCPA Appointed as a non executive Director in October 2009 and Chairman in October 2014	City of Yarra, Manager 39 years experience Audit Finance & Governance and Remuneration Committees Director of controlled entities - APS Financial Planning Pty Ltd, APS Tax, Accounting and Business Services Pty Ltd, APS Savings Ltd, APS Wills and Estates Pty Ltd. Director of related entity – APS Benevolent Foundation Ltd
JOHN CORIN, Age 67 Director, MAICD Appointed as a non executive Director in October 2009	Company Director ex-ACCC, Director Corporate Services, 43 years Business Development and Remuneration Committees Director of controlled entity APS Savings Ltd
ANDREW ORME, Age 41 Director, LLB (Melb) BSc (Melb) Appointed as a non executive Director in June 2008 Resigned in October 2016	Australian Taxation Office 17 years experience Chairman, Audit Finance & Governance Committee Director of controlled entity APS Savings Ltd
MAURICE BARCLAY, Age 61 Director, BAgSc Hons. (Melb), MAICD Appointed as a non executive Director in October 2010	Company Director ex-Australia Post, Manager, 38 years experience Chairman, Business Development Committee Director of controlled entity APS Savings Ltd
GLEN MILNER, Age 65 Director, B.Bus Public Admin, MAICD Appointed as a non executive Director in October 2011	Company Director ex-Bureau of Meteorology, Manager 45 years experience Remuneration Committee Director of controlled entity APS Savings Ltd
KAYE KIENI, Age 53 Director, B.Bus(Acc), GDip Information Systems Master of Information Systems Management, Certificate in Governance and Risk Management, CPA Appointed as a non executive Director in October 2014	Director, Finance, Productivity Commission 27 years experience Chairman, Audit Finance and Governance Committee Director of controlled entity APS Savings Ltd
SHARON MORRIS, Age 45 Director, BA(Psych & Politics), GDip Public Relations and Counselling, MAICD Appointed as a non executive Director in October 2014	CEO, Mother's Day Classic 23 years experience Business Development Committee Director of controlled entity APS Savings Ltd
KATE FAZIO, Age 31 Director, BA(Media & Comms), B Laws (Hons), GDip Legal Practice, GCert Social Impact, Masters of Social Impact and Philanthropy Appointed as a non executive Director in October 2016	Manager – Digital Innovation Strategies, Justice Connect 9 years experience Director of controlled entity APS Savings Ltd Director – YWCA Aust

PRINCIPAL ACTIVITIES AND OBJECTIVES

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

- To provide funeral benefits to members.
- To provide a range of financial and professional services to members and clients.
- To administer the APS Benevolent Foundation Ltd, an approved charity for tax purposes. The Group has agreed to finance all of the expenses of the Foundation to ensure that all funds donated are used for charitable purposes.

The Group's short and long term objective is to 'provide 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 and professional services provided to members and clients remains relevant to their needs.

Key performance indicators regularly reviewed by Directors in relation to the Group's performance include:

- membership/client growth
- profitability compared to budget
- maintaining sufficient funds to meet the demand for loans to members
- the financial and operational performance of all entities

FINANCIAL RESULTS

The deficit of the Group for the financial year after providing for income tax amounted to $1,070,304 (2016 deficit $116,141).
This deficit has occurred as a result of the Group allocating a bonus to members' accounts at a cost of $1,795,000 (2016: $1,705,000).
If the bonus was not allocated, the financial result would have been a surplus of $724,696 (2016: $1,588,859).
It is a strategy of the Board to reduce the reserves over time, and this year the member's bonus has been partially paid from reserves.

MEMBERSHIP

At 30 June 2017, the number of members/clients was 29,837 compared with 29,244 at 30 June 2016.
During the 2016/17 year, a further 1,547 new members/clients joined the Group, leading to over 23,300 new members/clients over the last 15 years. This is an excellent result, giving us net membership/client growth over the last 15 years of over 8,500 members/clients.

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 2017.

OPTIONS AND INDEMNITIES

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.

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 2017 the number of members was 27,024 (2016: 26,869), and therefore, the total amount that members are liable to contribute if the Company was wound up at 30 June 2017 was $135,120.

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, and all executive officers of the company and of any related body corporate against a liability incurred as such by 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 by the officer or auditor.

DIRECTORS' INTERESTS

The Directors are all members of the Group. Subject to this, 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 the Director 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 and Strategy		Audit/Finance/Governance		Remuneration/Nomination		Business Development	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
P Mason	15	15	8	8	2	2	1	1
M Barclay	15	12	2	2	-	-	1	1
J Corin	15	15	-	-	2	2	1	1
K Fazio	11	10	5	5	-	-	-	-
K Kieni	15	13	8	8	-	-	-	-
G Milner	15	8	3	3	2	2	-	-
S Morris	15	13	-	-	-	-	1	1
A Orme	5	5	3	3	-	-	-	-

DIRECTORS' BENEFITS

These fees are approved annually by the members at the Annual General Meeting. For the year ending 30 June 2017, Directors received the benefits as described in the table below. Superannuation was paid at the rate of 9.5% of Honorarium.

Name	**Honorarium (including superannuation) $**
A ORME	**8,390**
J CORIN	**25,916**
G MILNER	**22,631**
P MASON	**36501**
M BARCLAY	**25,916**
K KIENI	**28,470**
S MORRIS	**22,631**
K FAZIO	**16,774**
Total	**187,229**

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 2017:

- Nil

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001,* is set out on page 5.

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

Chairman - P Mason Director - J Corin

Dated this 8th day of September 2017.

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Auditor's Independence Declaration
To the Directors of APS Benefits Group Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of APS Benefits Group Ltd for the year ended 30 June 2017, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S C Trivett
Partner - Audit & Assurance

Melbourne, 8 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated	
		2017 **$**	**2016** **$**
Revenue from operations	2	15,892,824	14,617,977
Gain on sale of property, plant and equipment		808,286	-
Employee benefits expense	3	(2,481,418)	(2,387,552)
Depreciation and amortization expense	3	(64,205)	(97,826)
Benefits paid to members	3	(2,565,468)	(2,399,610)
Changes in mortuary fund liabilities	3	(5,361,000)	(5,223,000)
Occupancy expense		(259,350)	(72,963)
Postage and telephone expense		(174,226)	(125,334)
Bad debts expense	4	(1,348,923)	(1,201,816)
External services expense		(725,413)	(595,787)
Board and AGM expenses		(201,739)	(190,649)
Interest expense on debenture notes issued		(1,248,733)	(737,511)
Marketing expense		(219,610)	(250,955)
Other expenses		(703,365)	(713,523)
Operating surplus/(deficit) before tax		1,347,660	621,451
Income tax expense	5	(2,417,964)	(1,737,592)
Net surplus/(deficit) for the year		(1,070,304)	(1,116,141)
Other comprehensive income			
Net gain on revaluation of property		-	1,000,000
Total comprehensive income/(loss)		(1,070,304)	(116,141)

This statement needs to be read in conjunction with the notes to the financial statements on pages 10 to 21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
CURRENT ASSETS			
Cash and cash equivalents	6	2,613,623	5,749,706
Trade and other receivables	7	27,658,865	27,996,282
Other financial assets	8	4,250,228	3,894,535
Other current assets	9	65,142	75,972
Total current assets		34,587,858	37,716,495
NON-CURRENT ASSETS			
Trade and other receivables	7	95,928,111	75,445,550
Property, plant and equipment	13	324,384	3,440,281
Intangible assets	10	62,072	62,072
Deferred tax asset	5	990,287	1,763,931
Total non-current assets		97,304,854	80,711,834
Total assets		131,892,712	118,428,329
CURRENT LIABILITIES			
Trade and other payables	11	29,181,762	17,815,929
Current tax liabilities		323,594	378,241
Provisions	12	685,437	669,254
Mortuary fund	19	2,268,500	2,067,500
Total current liabilities		32,459,293	20,930,924
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5	108,508	550,786
Provisions	12	31,576	25,921
Mortuary fund	19	86,900,500	81,740,500
Debenture Notes Issued	11	7,522,263	9,239,322
Total non-current liabilities		94,562,847	91,556,529
Total liabilities		127,022,140	112,487,453
NET ASSETS		**4,870,572**	**5,940,876**
EQUITY			
Reserves	14	4,870,572	5,940,876
		4,870,572	**5,940,876**

This statement needs to be read in conjunction with the notes to the financial statements on pages 10 to 21

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Reserves		
	Asset Revaluation Reserve	**General Reserve**	**Total**
	$	**$**	**$**
Balance at 1 July 2015	385,191	5,639,807	6,024,998
Surplus/(Deficit)	-	(1,116,141)	(1,116,141)
Asset revaluation net of tax effect	1,000,000	-	1,000,000
Total comprehensive income for the year	1,000,000	(1,116,141)	(116,141)
Balance at 30 June 2016	1,385,191	4,555,685	5,940,876
Balance at 1 July 2016	1,385,191	4,555,685	5,940,876
Surplus/(Deficit)	-	(1,070,304)	(1,070,304)
Transfer on sale of asset	(1,385,191)	1,385,191	-
Balance at 30 June 2017	-	4,870,572	4,870,572

This statement needs to be read in conjunction with the notes to the financial statements on pages 10 to 21

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Cash flows from operating activities			
Receipts from members & customers		4,355,766	4,760,793
Interest received		11,156,654	10,071,602
Bad debts recovered		34,417	25,867
Income taxes paid		(2,141,245)	(1,827,958)
Payments to members		(2,565,468)	(2,399,610)
Interest paid		(1,234,513)	(722,561)
Payments to employees and suppliers		(6,860,412)	(3,046,050)
Net cash provided by operating activities		2,745,199	6,862,083
Cash flows from investing activities			
Deposits from investors		11,378,974	9,841,637
Proceeds from sale of property		4,010,377	-
Payments for business acquisitions		-	(3,950)
Payments for plant and equipment		(33,694)	(62,432)
Proceeds on redemption/(payments for) investments		(116,705)	(46,751)
Net advances of loans to members		(21,120,234)	(14,672,823)
Net cash used in investing activities		(5,881,282)	(4,944,319)
Net increase/(decrease) in cash held		(3,136,083)	1,917,764
Cash at the beginning of the financial year		5,749,706	3,831,942
Cash at the end of the financial year	6	2,613,623	5,749,706

This statement needs to be read in conjunction with the notes to the financial statements on pages 10 to 21

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 APS Benefits Group Ltd (APSBSG) is a company limited by guarantee, incorporated and domiciled in Australia. Its subsidiaries, APS Financial Planning Pty Ltd, APS Tax, Accounting & Business Services Pty Ltd and APS Wills and Estates Pty Ltd are proprietary companies. Its other subsidiary APS Savings Ltd is a public company limited by shares.

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.

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:

Class of Fixed Asset	Depreciation Rate
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

Of the consolidated entity's financial assets, property loans and car loans are secured by collateral or other credit enhancements. None of the other 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Financial Instruments (continued)

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.

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. **Goodwill**

Goodwill is calculated as the excess of the consideration paid over the acquisition date fair value of net identifiable assets acquired.

k. **Intangible Assets**

Intangible assets acquired separately, or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

l. **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.

m. **Comparative Figures**

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

n. **Operating Expenses**

Operating expenses are recognised in profit or loss upon utilisation of the service, or at the date of their origin.

o. **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.

p. **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.

The Group reviews intangible assets annually to assess whether there has been any impairment in their value.

Key judgments

1. *Doubtful debts provision* - included in accounts receivable at 30 June 2017 is an amount receivable from loans made to members during the current financial year amounting to $125,099,608 (2016: $105,048,230). The directors believe that the full amount of the debt is recoverable, other than an amount of $1,591,059 (2016: $1,649,284), which has been included as a doubtful debt provision at 30 June 2017. 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, for a period up to a maximum of twelve months with the secondary debt collector, 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 19.

q. **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. The adoption of these amendments has not had a material impact on the Group.

r. **Leases**

Where a lessee, payments on operating lease agreements are recognised as an expense over the lease or the term on a straight-line basis.

Associated costs, such as maintenance and insurance, are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated 2017 $	2016 $
2. REVENUE			
Subscriptions from members		2,570,520	2,588,837
Other income			
- Increase in market value of investments		355,693	140,413
- Rent received		-	45,396
- Top-up fees		835,030	834,450
- Fees from other services		974,927	937,279
- Interest on:			
Loan to members		11,096,044	10,029,845
Investments		60,610	41,757
		15,892,824	14,617,977
3. OPERATING SURPLUS			
Operating surplus has been arrived at after charging the following items :			
Bad debts written off		1,068,856	826,503
Depreciation and amortisation of property, plant and equipment		64,205	97,826
Diminution of investments		-	-
Benefits paid to members		2,565,468	2,399,610
Changes in mortuary fund liabilities	19	5,361,000	5,223,000
Interest expense on debenture notes issued		1,248,733	737,511
Employee benefits expense			
- defined contribution plans		305,697	302,875
- termination benefits		-	-
- other employee benefits		2,175,721	2,084,677
Total employee benefits expense		2,481,418	2,387,552
4. NET BAD DEBTS			
Net bad debts has been arrived at as follows:			
Bad debts written off		1,068,856	826,503
Less: Bad debts recovered		(34,417)	(25,867)
Change in provision for doubtful debts		(58,225)	109,214
Add: Collection costs		372,709	291,966
Net bad debts		1,348,923	1,201,816

		Consolidated	
		2017	**2016**
	$	**$**	**$**

5. INCOME TAXES

(A) Income Tax Expense

Prima facie income tax expense calculated at 30% on the operating surplus and abnormal items		2,782,262	2,609,030
Surplus	1,347,660		
Add:			
Change in mortuary fund	5,361,000		
Benefits paid to members	2,565,468		
Other	79		
	9,274,207		
	@ 30%	2,782,262	2,609,030
Increase in Income Tax expense due to :-			
Entertainment expense		13,151	13,388
Non-tax assessable items :			
Non allowable deductions		67,414	81,399
Exempt member subscription income		(771,156)	(776,651)
Rebateable income		(7,902)	(4,469)
Under/(over) provisions in respect of prior years		334,195	-
Income tax expense attributable to operating surplus		2,417,964	1,737,592

(B) Components of Income Tax Expense

The components of tax expense comprises:

Current tax expense	2,086,598	1,685,620
Deferred tax expense	331,366	51,972
	2,417,964	1,737,592

(C) Deferred Tax Asset and Liabilities

Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:

	1 July 2016 $	**Recognised in profit or loss** $	**30 June 2017** $
Provision for doubtful debts	494,785	(17,467)	477,318
Employee benefits	165,069	(5,391)	159,678
Plant and equipment	(38,655)	(9,416)	(48,071)
Capital losses	887,087	(732,845)	154,242
Other	(295,141)	433,753	138,612
	1,213,145	(331,366)	881,779

	Consolidated 2017 $	2016 $
6. CASH AND CASH EQUIVALENTS		
Cash at bank	2,554,040	2,312,268
Cash deposits	59,583	3,437,438
	2,613,623	5,749,706
7. TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade receivables	78,427	42,886
Loans to members	27,580,438	27,953,396
	27,658,865	27,996,282
NON-CURRENT		
Loans to members	97,519,170	77,094,834
Less: provision for doubtful debtors	(1,591,059)	(1,649,284)
	95,928,111	75,445,550
TOTAL	123,586,976	103,441,832

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

	2017	2016
Balance at the beginning of year	1,649,283	1,540,069
Increase/(decrease) in provision	(58,225)	109,214
Balance at the end of year	1,591,058	1,649,283

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated	
	2017	**2016**
	$	**$**
8. OTHER FINANCIAL ASSETS		
CURRENT		
Interest bearing securities (at amortised cost)	259,750	259,750
Units in unlisted managed funds (at fair value through profit or loss)	3,990,478	3,634,785
	4,250,228	3,894,535

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting period.

	2017 $	2016 $
9. OTHER CURRENT ASSETS		
Other current assets	18,974	18,936
Prepayments	46,168	57,036
	65,142	75,972
10. INTANGIBLES		
Goodwill on acquisition	51,950	51,950
Client lists	10,122	10,122
	62,072	62,072
11. TRADE AND OTHER PAYABLES		
CURRENT		
Sundry creditors	269,373	676,041
Trade creditors	85,571	122,431
Other accruals	374,948	1,675,840
Debenture Notes Issued	28,451,870	15,341,617
	29,181,762	17,815,929

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.
The debenture notes issued are secured notes received from members and clients. The Group's obligation to repay these monies is secured by a charge over all the present and future property, assets and undertakings of the Group. The secured notes are repaid at the end of the note term.

	2017 $	2016 $
NON-CURRENT		
Debenture Notes Issued	7,522,263	9,239,322
	7,522,263	9,239,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated 2017 $	Consolidated 2016 $
12. PROVISIONS		
CURRENT		
Employee entitlements	685,437	669,254
NON-CURRENT		
Employee entitlements	31,576	25,921
Aggregate employee entitlements	717,013	695,175
Number of equivalent full time employees at year end	17	17

13. PROPERTY, PLANT AND EQUIPMENT

Movements in carrying amounts - Consolidated

	Freehold Land $	Buildings $	Plant & Equip $	Total $
Gross carrying amount				
Balance at 30 June 2016	2,500,000	552,476	1,112,421	4,164,897
Additions	-	-	33,694	33,694
Disposals	(2,500,000)	(552,476)	(395,880)	(3,448,356)
Balance at 30 June 2017	-	-	750,235	750,235
Accumulated depreciation				
Balance at 30 June 2016	-	60,624	663,992	724,616
Depreciation expense	-	5,788	58,417	64,205
Disposals	-	(66,412)	(296,558)	(362,970)
Balance at 30 June 2017	-	-	425,851	425,851
Net book value				
As at 30 June 2017	-	-	324,384	324,384

The land and building at 16-20 Howard St North Melbourne sold on 18 August 2017 for $4.0m plus GST.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

14. RESERVES

	Reserves		
	Asset Revaluation Reserve	General Reserve	Total
	$	$	$
Balance at 1 July 2016	1,385,191	4,555,685	5,940,876
Current year gains/(losses)	-	(1,070,304)	(1,070,304)
Transfer on sale of asset	(1,385,191)	1,385,191	-
Balance at 30 June 2017	-	4,870,572	4,870,572
Balance at 1 July 2015	385,191	5,639,807	6,024,998
Current year gains/(losses)	-	(1,116,141)	(1,116,141)
Asset revaluation net of tax effect	1,000,000	-	1,000,000
Balance at 30 June 2016	1,385,191	4,555,685	5,940,876

	Consolidated	
	2017	2016
	$	$
15. EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	2,207,054	2,004,708
Workers compensation insurance	6,646	5,729
Superannuation - defined contribution plans	379,575	302,875
Employee benefits provisions	21,836	74,240
	2,615,111	2,387,552

16. KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to Directors and other members of key management personnel is:

Short-term employee benefits	1,251,172	1,190,300
Post-employment benefits - superannuation	200,487	203,540
Total	1,451,659	1,393,840

17. RETIREMENT BENEFITS

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

18. RELATED PARTY TRANSACTIONS

The Group's related parties include its key management personnel and related entities as described in Note 16 Key Management Personnel Compensation. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

19. MORTUARY FUND

Balance at start of period	83,808,000	78,585,000
Increase in mortuary fund	5,361,000	5,223,000
Balance at end of period	89,169,000	83,808,000
Mortuary Fund - Current Liabilities	2,268,500	2,067,500
Mortuary Fund - Non Current Liabilities	86,900,500	81,740,500

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, and investment returns, both of which are monitored by the appointed actuary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated 2017 $	Consolidated 2016 $
20. CAPITAL AND LEASING COMMITMENTS		
Lease of building and operating lease of office equipment		
Non-cancellable operating leases contracted for, but not capitalised in the financial statements:		
Payable:		
Not later than one year	178,301	135,586
Later than one, but not later than five years	516,456	737,472
	694,757	873,058

The building and office equipment leases are non-cancellable leases with a five year term, with rent payable monthly in advance.

21. CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities that the Group or the Company needs to provide for.

22. APSBS GROUP LIFE TRUST

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.

23. 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 2017 the number of members was 27,024 (2016: 26,869), and therefore, the total amount that members are liable to contribute if the Company was wound up at 30 June 2017 was $135,120.

24. SUBSIDIARIES

	Country of Incorporation	Ownership %
Parent Entity		
Australian Public Service Benevolent Society Ltd	Australia	
Subsidiaries		
APS Financial Planning Pty Ltd	Australia	100
APS Tax, Accounting and Business Services Pty Ltd	Australia	100
APS Savings Limited	Australia	100
APS Wills and Estates Pty Ltd	Australia	100

25. EVENTS AFTER BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the financial year which 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 2017 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 2017 is $89,169,000 (2016: $83,808,000).

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 2017.

Variable	Impact of movement in underlying variable
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 for a particular year will affect the mortuary fund liabilities a provides an analysis of the sensitivity of the surplus and equity changes in these assumptions.

Impact of changes in variables

Variable	Movement	Changes in Mortuary Fund Liabilities
Insured life mortality	Worsening by 10%	$227,456
Lapses and surrenders	Worsening by 10%	$29,091
Administration expenses	Worsening by 10%	$817,513

DIRECTORS' DECLARATION

The Directors declare that:

1. The consolidated financial statements and notes of APS Benefits Group Ltd, as set out on pages 6 to 21, are in accordance with the *Corporations Act 2001*; including:

   (a) giving a true and fair view of its financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

   (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. In the Directors' opinion there are reasonable grounds to believe that APS Benefits Group Ltd 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 - P Mason

Director - J Corin

Dated this 8th day of September 2017.

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Independent Auditor's Report
To the Members of APS Benefits Group Ltd

Auditor's Opinion

We have audited the financial report of APS Benefits Group Ltd (the Company), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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.

In our opinion, the accompanying financial report of APS Benefits Group Ltd is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 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*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the Financial Report and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information included in the Directors' Report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. The Directors responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar7.pdf. This description forms part of our auditor's report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Simon Trivett

S C Trivett
Partner - Audit & Assurance

Melbourne, 8 September 2017