



2018
Annual Report

APS Benefits Group Ltd

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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 2018. 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
GLEN MILNER, Age 66 Chair, B.Bus Public Admin, MAICD Appointed as a non executive Director in October 2011 and Chair in November 2017	Company Director ex-Bureau of Meteorology, Manager 46 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 entities – APS Benevolent Foundation Ltd and APS Benevolent Fund Ltd
KAYE KIENI, Age 54 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 28 years' experience Chair, Audit Finance and Governance Committee Director of controlled entity APS Savings Ltd
SHARON MORRIS, Age 46 Director, BA(Psych & Politics), GDip Public Relations and Counselling, MAICD Appointed as a non executive Director in October 2014	CEO, Mother's Day Classic 24 years' experience Remuneration Committee Director of controlled entity APS Savings Ltd
KATE FAZIO, Age 32 Director, BA(Media & Comms), B Laws (Hons), GDip Legal Practice, GCert Social Impact, Master of Social Impact and Philanthropy Appointed as a non executive Director in October 2016	Manager – Digital Innovation Strategies, Justice Connect 10 years' experience Audit Finance and Governance Committee Director of controlled entity APS Savings Ltd
MAURICE BARCLAY, Age 62 Director, BAgSc Hons. (Melb), MAICD Appointed as a non executive Director in October 2010	Company Director ex-Australia Post, Manager, 39 years' experience Remuneration Committee Director of controlled entity APS Savings Ltd
PHILIP MASON, Age 59 Director, MAICD, FCPA Appointed as a non executive Director in October 2009	City of Yarra, Manager 40 years' experience Audit Finance and Governance Committee Director of controlled entity APS Savings Ltd
JOHN CORIN, Age 68 Director, MAICD Appointed as a non executive Director in October 2009	Company Director ex-ACCC, Director Corporate Services, 44 years' experience Chair, Remuneration Committee Director of controlled entity APS Savings Ltd

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 surplus of the Group for the financial year after providing for income tax amounted to \$1,208,337 (2017: deficit \$1,070,304). This surplus has occurred notwithstanding the Group allocating a bonus to members' accounts at a cost of \$1,732,000 (2017: \$1,795,000). If the bonus was not allocated, the financial result would have been a surplus of \$2,940,337 (2017: \$724,696). It is a strategy of the Board to reduce the reserves over time, and this may lead to deficits in some years where the member's bonus has been partially paid from reserves.

MEMBERSHIP

At 30 June 2018, the number of members/clients was 30,212 compared with 29,837 at 30 June 2017. During the 2017/18 year, a further 1,480 new members/clients joined the Group, leading to over 24,800 new members/clients over the last 16 years. This is an excellent result, giving us net membership/client growth over the last 16 years of over 10,000 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 2018.

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 2018 the number of members was 27,070 (2017: 27,024), and therefore, the total amount that members are liable to contribute if the Company was wound up at 30 June 2018 was \$135,350.

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	
	Held	Attended	Held	Attended	Held	Attended
G Milner	15	15	6	6	1	1
K Kieni	15	15	6	6	-	-
S Morris	15	15	-	-	-	-
K Fazio	15	11	6	6	-	-
M Barclay	15	12	-	-	-	-
P Mason	15	14	6	4	1	1
J Corin	15	15	2	2	1	1

DIRECTORS' BENEFITS

These fees are approved annually by the members at the Annual General Meeting. For the year ending 30 June 2018, 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) \$
G MILNER	32,393
K KIENI	32,850
S MORRIS	24,090
K FAZIO	24,090
M BARCLAY	25,185
J CORIN	27,375
P MASON	30,021
Total	196,004

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.

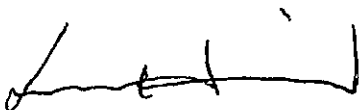
The following fees for non-audit services were paid to the external auditors during the year ended 30 June 2018:

- Nil

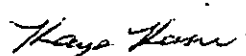
AUDITOR'S INDEPENDENCE DECLARATION

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:



Chair – G Milner



Director – K Kieni

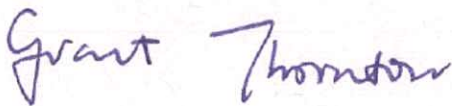
Dated this 17th day of September 2018.

Auditor's Independence Declaration

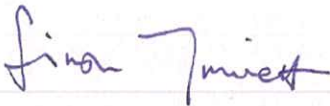
To the Directors of APS Benefits Group Ltd

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 2018, 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



S C Trivett
Partner – Audit & Assurance

Melbourne, 17 September 2018

APS BENEFITS GROUP LTD
ABN 64 077 846 809

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated	
		2018 \$	2017 \$
Revenue from operations	2	16,595,248	15,892,824
Gain on sale of property, plant and equipment		-	808,286
Employee benefits expense	3	(2,663,556)	(2,481,418)
Depreciation and amortization expense	3	(49,373)	(64,205)
Benefits paid to members	3	(2,338,421)	(2,565,468)
Changes in mortuary fund liabilities	3	(2,918,000)	(5,361,000)
Occupancy expense		(252,771)	(259,350)
Postage and telephone expense		(200,100)	(174,226)
Bad debts expense	4	(1,420,105)	(1,348,923)
External services expense		(983,195)	(725,413)
Board and AGM expenses		(221,114)	(201,739)
Interest expense on debenture notes issued		(1,714,003)	(1,248,733)
Marketing expense		(180,913)	(219,610)
Other expenses		(799,540)	(703,365)
Operating surplus/(deficit) before tax		2,854,157	1,347,660
Income tax expense	5	(1,645,820)	(2,417,964)
Net surplus/(deficit) for the year		1,208,337	(1,070,304)
Other comprehensive income			
Total comprehensive income/(loss)		1,208,337	(1,070,304)

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

APS BENEFITS GROUP LTD
ABN 64 077 846 809

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated	
		2018	2017
		\$	\$
		-----	-----
CURRENT ASSETS			
Cash and cash equivalents	6	13,691,255	2,613,623
Trade and other receivables	7	28,225,512	27,658,865
Other financial assets	8	4,521,340	4,250,228
Other current assets	9	76,198	65,142
Total current assets		<u>46,514,305</u>	<u>34,587,858</u>
NON-CURRENT ASSETS			
Trade and other receivables	7	99,548,018	95,928,111
Plant and equipment	13	379,769	324,384
Intangible assets	10	62,072	62,072
Deferred tax asset	5	884,499	990,287
Total non-current assets		<u>100,874,358</u>	<u>97,304,854</u>
Total assets		<u>147,388,663</u>	<u>131,892,712</u>
CURRENT LIABILITIES			
Trade and other payables	11	41,208,736	29,181,762
Current tax liabilities		203,410	323,594
Provisions	12	730,934	685,437
Mortuary fund	19	2,336,500	2,268,500
Total current liabilities		<u>44,479,580</u>	<u>32,459,293</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5	99,653	108,508
Provisions	12	45,865	31,576
Mortuary fund	19	89,750,500	86,900,500
Debenture Notes Issued	11	6,934,156	7,522,263
Total non-current liabilities		<u>96,830,174</u>	<u>94,562,847</u>
Total liabilities		<u>141,309,754</u>	<u>127,022,140</u>
NET ASSETS		<u>6,078,909</u>	<u>4,870,572</u>
EQUITY			
Reserves	14	6,078,909	4,870,572
		<u>6,078,909</u>	<u>4,870,572</u>

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

APS BENEFITS GROUP LTD
ABN 64 077 846 809

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2018**

	Reserves		
	Asset Revaluation Reserve	General Reserve	Total
	\$	\$	\$
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
Balance at 1 July 2017	-	4,870,572	4,870,572
Surplus/(Deficit)	-	1,208,337	1,208,337
Balance at 30 June 2018	-	6,078,909	6,078,909

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

APS BENEFITS GROUP LTD
ABN 64 077 846 809

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Consolidated	
		2018	2017
		\$	\$
	-----	-----	-----
Cash flows from operating activities			
Receipts from members & customers		4,317,693	4,355,766
Interest received		11,958,413	11,156,654
Bad debts recovered		68,787	34,417
Income taxes paid		(1,669,071)	(2,141,245)
Payments to members		(2,338,421)	(2,565,468)
Interest paid		(1,695,548)	(1,234,513)
Payments to employees and suppliers		(3,844,490)	(6,860,412)
Net cash provided by operating activities		<u>6,797,363</u>	<u>2,745,199</u>
Cash flows from investing activities			
Deposits from investors		9,598,450	11,378,974
Payments for plant and equipment		(104,758)	(33,694)
Payments for investments		-	(116,705)
Net advances of loans to members		(5,213,423)	(21,120,234)
Net cash from / (used in) investing activities		<u>4,280,269</u>	<u>(5,881,282)</u>
Net increase/(decrease) in cash held		11,077,632	(3,136,083)
Cash at the beginning of the financial year		<u>2,613,623</u>	<u>5,749,706</u>
Cash at the end of the financial year	6	<u>13,691,255</u>	<u>2,613,623</u>

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

APS BENEFITS GROUP LTD

ABN 64 077 846 809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 for profit company for the purpose of preparing the financial statements. It is 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. **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.

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
Plant and Equipment	3-50%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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. 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.

d. 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
- Debenture notes issued

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. 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.

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.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

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.

h. Revenue

Interest revenue is recognised on a proportional basis taking into account the effective 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. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 2018 is an amount receivable from loans made to members during the current financial year amounting to \$129,138,219 (2017: \$125,099,608). The directors believe that the full amount of the debt is recoverable, other than an amount of \$1,480,090 (2017: \$1,591,059), which has been included as a doubtful debt provision at 30 June 2018. 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. **Comparative Figures**

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

APS BENEFITS GROUP LTD
ABN 64 077 846 809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated	
		2018	2017
		\$	\$
		-----	-----
2. REVENUE			
Subscriptions from members		2,506,862	2,570,520
Other income			
- Increase in market value of investments		271,112	355,693
- Top-up fees		791,952	835,030
- Fees from other services		1,066,909	974,927
- Interest on:			
Loan to members		11,872,837	11,096,044
Investments		85,576	60,610
		16,595,248	15,892,824
3. OPERATING SURPLUS			
Operating surplus has been arrived at after charging the following items :			
Bad debts written off		1,174,812	1,068,856
Depreciation and amortisation of property, plant and equipment		49,373	64,205
Benefits paid to members		2,338,421	2,565,468
Changes in mortuary fund liabilities	19	2,918,000	5,361,000
Interest expense on debenture notes issued		1,714,003	1,248,733
Employee benefits expense			
- defined contribution plans		248,811	305,697
- other employee benefits		2,414,745	2,175,721
Total employee benefits expense		2,663,556	2,481,418
4. NET BAD DEBTS			
Net bad debts has been arrived at as follows:			
Bad debts written off		1,174,812	1,068,856
Less: Bad debts recovered		(68,787)	(34,417)
Change in provision for doubtful debts		(110,969)	(58,225)
Add: Collection costs		425,049	372,709
Net bad debts		1,420,105	1,348,923

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated	
\$	2018	2017
	\$	\$
5. INCOME TAXES		
(A) Income Tax Expense		
Prima facie income tax expense calculated at 27.5% on the operating surplus and abnormal items	2,230,409	2,782,262
Surplus	2,854,157	
Add:		
Change in mortuary fund	2,918,000	
Benefits paid to members	2,338,421	
	8,110,578	
	@ 27.50%	2,230,409
		2,782,262
Increase in Income Tax expense due to :-		
Non-tax assessable items :		
Entertainment expense	11,375	13,151
Non allowable deductions	79,080	67,414
Exempt member subscription income	(689,387)	(771,156)
Rebateable income	(7,815)	(7,902)
Under/(over) provisions in respect of prior years	22,158	334,195
Income tax expense attributable to operating surplus	1,645,820	2,417,964
(B) Components of Income Tax Expense		
The components of tax expense comprises:		
Current tax expense	1,692,489	2,086,598
Deferred tax expense	(46,669)	331,366
	1,645,820	2,417,964
(C) Deferred Tax Asset and Liabilities		
Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:		
	Recognised in	
	1 July 2017	profit or loss
	\$	\$
		30 June 2018
	\$	\$
Provision for doubtful debts	477,318	70,293
Employee benefits	159,678	(53,764)
Plant and equipment	(48,071)	8,257
Capital losses	154,242	12,853
Revenue Losses	131,656	9,030
Other	(43,308)	-
	831,515	46,669
Deferred Tax Asset	922,894	884,482
Deferred Tax Liability	(91,379)	(99,636)
Net Deferred Tax Asset	831,515	784,846

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated	
	2018	2017
	\$	\$
	-----	-----
6. CASH AND CASH EQUIVALENTS		
Cash at bank	3,607,137	2,554,040
Cash deposits	10,084,118	59,583
	13,691,255	2,613,623
7. TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade receivables	115,401	78,427
Loans to members	28,110,111	27,580,438
	28,225,512	27,658,865
NON-CURRENT		
Loans to members	101,028,108	97,519,170
Less: provision for doubtful debtors	(1,480,090)	(1,591,059)
	99,548,018	95,928,111
TOTAL	127,773,530	123,586,976

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	1,591,058	1,649,283
Increase/(decrease) in provision	(110,969)	(58,225)
Balance at the end of year	1,480,089	1,591,058

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.

APS BENEFITS GROUP LTD

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated	
	2018	2017
	\$	\$
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)	4,261,590	3,990,478
	4,521,340	4,250,228
The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting period.		
9. OTHER CURRENT ASSETS		
Other current assets	26,467	18,974
Prepayments	49,731	46,168
	76,198	65,142
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	293,726	269,373
Trade creditors	110,270	85,571
Other accruals	2,147,858	374,948
Debenture Notes Issued	38,656,882	28,451,870
	41,208,736	29,181,762
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.		
NON-CURRENT		
Debenture Notes Issued	6,934,156	7,522,263
	6,934,156	7,522,263

APS BENEFITS GROUP LTD
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated	
	2018	2017
	\$	\$
<hr/>		
12. PROVISIONS		
CURRENT		
Provison for Annual Leave	241,902	230,244
Provison for LSL	489,032	455,193
NON-CURRENT		
Provison for LSL	45,865	31,576
Aggregate employee entitlements	45,865	717,013
	<hr/>	<hr/>
Number of equivalent full time employees at year end	18	17

13. PROPERTY, PLANT AND EQUIPMENT

Movements in carrying amounts - Consolidated

	Plant & Equipment	Total
	\$	\$
Gross carrying amount		
Balance at 30 June 2017	750,235	750,235
Additions	104,758	104,758
Disposals	(48,352)	(48,352)
Balance at 30 June 2018	806,641	806,641
	<hr/>	<hr/>
Accumulated depreciation		
Balance at 30 June 2017	425,851	425,851
Depreciation expense	49,373	49,373
Disposals	(48,352)	(48,352)
Balance at 30 June 2018	426,872	426,872
	<hr/>	<hr/>
Net book value		
As at 30 June 2018	379,769	379,769
	<hr/>	<hr/>

14. RESERVES

	Reserves		
	Asset Revaluation Reserve	General Reserve	Total
	\$	\$	\$
Balance at 1 July 2017	-	4,870,572	4,870,572
Current year gains/(losses)	-	-	-
Transfer on sale of asset	-	-	-
Balance at 30 June 2018	-	4,870,572	4,870,572
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>

APS BENEFITS GROUP LTD
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated	
	2018	2017
	\$	\$
15. EMPLOYEE BENEFITS EXPENSE		
Salaries and wages	2,476,186	2,207,054
Workers compensation insurance	7,559	6,646
Superannuation - defined contribution plans	316,629	379,575
Employee benefits provisions	59,142	21,836
	2,859,516	2,615,111
16. KEY MANAGEMENT PERSONNEL COMPENSATION		
The aggregate compensation made to Directors and other members of key management personnel is:		
Short-term employee benefits	1,428,791	1,251,172
Post-employment benefits - superannuation	155,970	200,487
	1,584,761	1,451,659
Loans to Key Management Personnel		
Balance at start of period	141,254	-
Repayments	1,269,970	5,517
Additional drawdowns	2,285,314	140,900
Interest paid	40,961	5,871
Balance at end of period	1,197,559	141,254
Notes Held by Key Management Personnel		
Balance at start of period	68,750	254,279
Additional deposits	43,100	9,250
Interest received	4,069	4,401
Redemptions	-	199,180
Balance at end of period	115,919	68,750
17. RETIREMENT BENEFITS		
Retirement benefits paid to Directors of the Company and	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	89,169,000	83,808,000
Increase in mortuary fund	2,918,000	5,361,000
Balance at end of period	92,087,000	89,169,000
Mortuary Fund - Current Liabilities	2,336,500	2,268,500
Mortuary Fund - Non Current Liabilities	89,750,500	86,900,500

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 2018

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 2018 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 2018 is \$92,087,000 (2017: \$89,169,000).

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 2018.

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 and provides an analysis of the sensitivity of the surplus and equity changes in these assumptions.

Impact of changes in variables

Variable Liabilities	Movement	Changes in Mortuary Fund
Insured life mortality	Worsening by 10%	\$201,161
Lapses and surrenders	Worsening by 10%	\$32,681
Administration expenses	Worsening by 10%	\$903,796

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated	
	2018	2017
	\$	\$
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	176,026	178,301
Later than one, but not later than five years	340,430	516,456
	516,456	694,757

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 2018 the number of members was 27,070 (2017: 27,024), and therefore, the total amount that members are liable to contribute if the Company was wound up at 30 June 2018 was \$135,350.

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

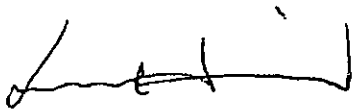
No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

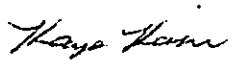
The Directors declare that:

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 2018 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*.



Chair – G Milner



Director – K Kieni

Dated this 17th day of September 2018.

Independent Auditor's Report

To the Members of APS Savings Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of APS Savings Ltd (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards 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 thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, 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 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

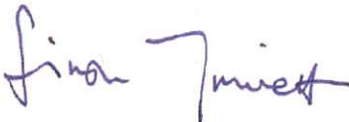
Auditor's responsibilities for the audit of the financial report

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_responsibilities/ar4.pdf. This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd
Chartered Accountants



S C Trivett
Partner – Audit & Assurance

Melbourne, 17 September 2018