aps benefits GROUP

Protecting your financial wellbeing

2019

Annual Report

APS Benefits Group Ltd

Contents

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Directors' Report

The Directors of APS Benefits Group Ltd (APSBG) present their report together with the Financial Statements of the Consolidated Entity, being APS Benefits Group Ltd (the Company) and its controlled entities (the Group), APS Financial Planning Pty Ltd, APS Tax, Accounting & Business Services Pty Ltd, APS Savings Ltd, APS Mortgages Pty Ltd and APS Wills and Estates Pty Ltd for the financial year ended 30 June 2019. The Company is a company registered under the Corporations Act 2001.

Directors' details

The Directors of APS Benefits Group Ltd during, or since the end of the year are:

Name and Qualifications	Experience and Special Responsibilities
Glen Milner, Age 67 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 47 years' experience Audit Finance & Governance, Engagement and Remuneration Committees Director of controlled entities - APS Financial Planning Pty Ltd, APS Tax, Accounting and Business Services Pty Ltd, APS Savings Ltd, APS Mortgages Pty Ltd, APS Wills and Estates Pty Ltd. Director of related entities – APS Benevolent Foundation Ltd and APS Benevolent Fund Ltd
Kaye Kieni, Age 55 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 29 years' experience Chair, Audit Finance and Governance Committee Director of controlled entity APS Savings Ltd
Sharon Morris, Age 47 Director, BA(Psych & Politics), GDip Public Relations and Counselling, MAICD Appointed as a non-executive Director in October 2014	General Manager for Australia and New Zealand, Chartered Institute of Procurement &Supply (CIPS) 25 years' experience Remuneration Committee and Chair, Engagement Committee Director of controlled entity APS Savings Ltd
Kate Fazio, Age 33 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	Head of Innovation and Engagement, Justice Connect 11 years' experience Audit Finance and Governance and Engagement Committees Director of controlled entity APS Savings Ltd
Maurice Barclay, Age 63 Director, BAgSc Hons. (Melb), MAICD Appointed as a non-executive Director in October 2010	Company Director ex-Australia Post, Manager, 40 years' experience Chair, Remuneration Committee Director of controlled entity APS Savings Ltd
Meg Bonighton, Age 46 Director, B.Bus (Marketing), BA (Politics) Appointed as a non-executive Director in October 2018	Customer Service and Telstra Contact Centres Executive 22 years' experience Audit Finance and Governance and Engagement Committees Director of controlled entity APS Savings Ltd
Sean Carroll, Age 41 Director, Masters Organisational Psychology (Monash) BA and BCommerce (Monash), GAICD Appointed as a non-executive Director in October 2018	Managing Partner, Culturesmith Pty Ltd 17 years' experience Remuneration Committee Director of controlled entity APS Savings Ltd
Philip Mason, Age 60 Director, MAICD, FCPA Appointed as a non-executive Director in October 2009 and retired in October 2018	City of Yarra, Manager 41 years' experience Audit Finance and Governance Committee Director of controlled entity APS Savings Ltd
John Corin, Age 69 Director, MAICD Appointed as a non-executive Director in October 2009 and retired in October 2018	Company Director ex-ACCC, Director Corporate Services, 45 years' experience Remuneration Committee Director of controlled entity APS Savings Ltd

The Company Secretary in office at the end of the year is:
Craig Walden, B.Bus (Acc), Diploma of Finance and Mortgage Broking Management. Craig has over 34 years' management experience including over 17 years as the current Chief Executive Officer of APS Benefits Group Pty 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 and the APS Benevolent Fund Ltd, both approved charities for tax purposes. The Group has agreed to finance all of the expenses of the charities to ensure that all funds donated are used for charitable purposes.

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.

Financial results

The deficit of the Group for the financial year after providing for income tax amounted to $1,833,889 (2018: surplus $1,208,337).

This deficit has occurred as a result of the Group allocating a bonus to members' accounts at a cost of $1,834,000 (2018: $1,732,000). If the bonus was not allocated, the financial result would have been a surplus of $111 (2018: $2,940,337).

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.

Dividends

The Group does not pay dividends.

Membership

At 30 June 2019, the number of members/clients was 30,552 compared with 30,212 at 30 June 2018.
During the 2018/19 year, a further 1,185 new members/clients joined the Group, leading to over 26,000 new members/clients over the last 17 years. This is an excellent result, giving us net membership/client growth over the last 17 years of over 11,200 members/clients.

Review of operations

The results of the Group's operations did not change significantly from those of the previous year.
The result for the year was affected by the Group's strategy to reduce the reserves over time, to ensure that current members are rewarded for the financial performance of the Group during their membership.

Significant changes in state of affairs

There were no significant changes in state of affairs of the Group during the year.

Events occurring after the end of the reporting date

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

Likely developments, business strategies and prospects

No matter, circumstance or likely development in the operations has arisen since the end of the financial year occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the:

1. operations of the Group;
2. results of those operations;
3. state of affairs of the Group

in future financial years.

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.

Indemnifying officer or auditor

Insurance premiums have been paid to insure each of the Directors and officers of the Group, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of the Group. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

Directors’ meeting attendance

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

H = Meetings held in the period of appointment A = Attended

	Board and Strategy		Audit/Finance/Governance		Remuneration/Nomination		Engagement	
	H	A	H	A	H	A	H	A
G Milner	16	16	4	4	1	1	2	2
K Kieni	16	15	4	4	-	-	-	-
S Morris	16	15	-	-	1	0	2	2
K Fazio	16	12	4	2	-	-	2	2
M Barclay	16	16	-	-	1	1	-	-
M Bonighton	11	10	4	2	-	-	2	2
S Carroll	11	9	-	-	-	-	-	
P Mason	6	6	-	-	-	-	-	-
J Corin	6	6	-	-	1	1	-	-

Directors’ benefits

These fees are approved annually by the members at the Annual General Meeting. For the year ending 30 June 2019, 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) $**
Glen Milner	38,325
Kaye Kieni	32,850
Sharon Morris	25,458
Kate Fazio	24,089
Maurice Barclay	26,827
Meg Bonighton	16,448
Sean Carroll	16,448
John Corin	8,578
Phil Mason	8,030
Total	**197,053**

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.

Environmental issues

The Group's operations are not subject to any particular or significant environmental regulations under a law of the Commonwealth or of a State or Territory in Australia.

Auditors Independence

The auditors have provided the declaration of independence to the board as prescribed by the *Corporations Act 2001 as* set out on page 5.

This report is made in accordance with a resolution of the board of Directors and is signed for and on behalf of the Directors by:

Chair – G Milner

Director – K Kieni

Dated this 9th day of September 2019.

Grant Thornton

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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 2019, 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, 9th of September 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue from operations	2	17,133,298	16,595,248
Employee benefits expense	3	(2,707,560)	(2,663,556)
Depreciation and amortization expense	3	(70,069)	(49,373)
Benefits paid to members	3	(2,489,816)	(2,338,421)
Changes in mortuary fund liabilities	3	(6,135,000)	(2,918,000)
Occupancy expense		(236,436)	(252,771)
Postage and telephone expense		(155,728)	(200,100)
Bad debts expense	4	(756,230)	(1,420,105)
External services expense		(1,078,175)	(983,195)
Board and AGM expenses		(224,225)	(221,114)
Interest expense on debenture notes issued		(2,152,352)	(1,714,003)
Marketing expense		(158,237)	(180,913)
Other expenses		(800,390)	(799,540)
Operating surplus/(deficit) before tax		169,080	2,854,157
Income tax expense	5	(2,002,969)	(1,645,820)
Net surplus/(deficit) after tax		(1,833,889)	1,208,337
Other comprehensive income			
Total comprehensive income/(loss)		(1,833,889)	1,208,337

This statement should be read in conjunction with the notes to the financial statements

Consolidated Statement of Financial Position

For the year ended 30 June 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Current Assets			
Cash and cash equivalents	6	8,926,744	13,691,255
Trade and other receivables	7	54,819,007	28,225,512
Other financial assets	8	6,710,787	4,521,340
Other current assets	9	79,248	76,198
Total current assets		70,535,786	46,514,305
Non-current Assets			
Trade and other receivables	7	92,891,940	99,548,018
Plant and equipment	13	388,927	379,769
Intangible assets	10	62,072	62,072
Deferred tax asset	5	772,296	884,499
Total non-current assets		94,115,235	100,874,358
Total assets		164,651,021	147,388,663
Current Liabilities			
Trade and other payables	11	53,379,898	41,208,736
Current tax liabilities		538,882	203,410
Provisions	12	837,016	730,934
Mortuary fund	19	2,448,329	2,336,500
Total current liabilities		57,204,125	44,479,580
Non-current Liabilities			
Deferred tax liabilities	5	97,544	99,653
Provisions	12	12,925	45,865
Mortuary fund	19	95,773,671	89,750,500
Debenture Notes Issued	11	7,116,598	6,934,156
Total non-current liabilities		103,000,738	96,830,174
Total liabilities		160,204,863	141,309,754
Net Assets		**4,446,158**	**6,078,909**
Equity			
Reserves	14	4,446,158	6,078,909
		4,446,158	**6,078,909**

This statement should be read in conjunction with the notes to the financial statements

Consolidated Statement of Changes in Member Equity

For the year ended 30 June 2019

	General Reserve $	Total Equity $
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
Balance at 1 July 2018	6,078,909	6,078,909
Adjustment on adoption of AASB 9	201,138	201,138
Adjusted balance at 1 July 2018	**6,280,047**	**6,280,047**
Surplus/(Deficit)	(1,833,889)	(1,833,889)
Balance at 30 June 2019	4,446,158	4,446,158

This statement should be read in conjunction with the notes to the financial statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Operating Activities			
Revenue inflows			
Receipts from members & customers		4,390,030	4,317,693
Interest received		12,539,091	11,958,413
Bad debts recovered		15,372	68,787
Revenue outflows			
Income taxes paid		(1,557,403)	(1,669,071)
Payments to members		(2,489,816)	(2,338,421)
Interest paid		(2,132,483)	(1,695,548)
Payments to employees and suppliers		(6,300,289)	(3,844,490)
Net cash from operating activities		4,464,502	6,797,363
Investing Activities			
Inflows			
Deposits from investors		13,097,767	9,598,450
Outflows			
Payments for plant and equipment		(79,227)	(104,758)
Payments for financial assets		(2,000,000)	-
Net advances of loans to members		(20,247,553)	(5,213,423)
Net cash (used in)/from investing activities		(9,229,013)	4,280,269
Total net cash increase/(decrease)		(4,764,511)	11,077,632
Cash at beginning of year		13,691,255	2,613,623
Cash at end of year	6	8,926,744	13,691,255

This statement should be read in conjunction with the notes to the financial statements

Notes to the Financial Statements

Note 1: Statement of significant accounting policies

General information

The financial report is prepared for APS Benefits Group Limited and controlled entities ('the Group') for the year ended the 30 June 2019. The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards ensures compliance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). APS Benefits Group Limited is a for-profit entity 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, APS Mortgages 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 Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of measurement

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

Changes in significant accounting policies

Other than the new or amended accounting policies outlined below, the same accounting policies and methods of computation have been followed in this financial report as were applied in the Group's last annual financial report for the year ended 30 June 2018.

A number of new standards became applicable for the current reporting period:

- AASB 9 Financial Instruments, and
- AASB 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed below.

AASB 15 Revenue from contracts with customers – impact of adoption

AASB 15 replaces AASB 118 Revenue. The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018. As the Company's main source of revenue consists of interest revenue, this falls outside the scope of AASB 15 and hence there has been no impact on this revenue stream upon the adoption of this standard.

The Group's subscription revenue is recognised over time as the performance obligation to provide continual funeral benefit cover occurs evenly over the period covered. This recognition is unchanged from the previous standard.

Loan top-up fees are recognised at the point in time the group provides the loan top-up. This recognition is unchanged from the previous standard.

Fees from other services are recognised at the point in time the Group has completed the service for the customer. This recognition is unchanged from the previous standard.

AASB 9 Financial instruments – impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

Refer table on next page for a reconciliation of changes in classification and measurement of financial instruments on adoption of AASB 9

Classification and measurement of the Group's financial assets

AASB 9 allows for three classification categories for financial assets – amortised cost, FVOCI and FVPL. Classification is based on the business model in which a financial asset is managed and the related contractual cashflows. AASB 9 eliminates previous categories of held to maturity, loans and receivables and available for sale. Classification of financial liabilities is largely unchanged.

Impairment of financial assets
The Group was required to revise its impairment methodology under AASB 9 for loan receivables. The impact of the change in impairment methodology was to implement a three-stage expected credit loss model.
The Group measures its loss allowances at an amount equal to the lifetime expected credit losses (ECL), except for receivables on which credit risk has not significantly increased since initial recognition, the loss allowance on these are measured as 12 months ECL.

A reduction in the impairment allowance of $201,138 was included on 1 July 2018 in respect of loans and advances to members as result of the change in methodology.

From 1 July 2018, the Group assesses on a forward looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Classification and measurement of financial liabilities
As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9.

	Measurement Category		Carrying Amount		
	Original AASB 139 category	New AASB 9 category	Closing balance 30 Jun 2018 (AASB 139)	Adoption of AASB 9	Opening balance 1 Jul 2018 (AASB 9)
Assets					
Cash	Amortised cost	Amortised cost	13,691,255	-	13,691,255
Loans to members	Loans and receivables	Amortised cost	127,773,530	201,138	127,974,668
Trade receivables	Loans and receivables	Amortised cost	115,401	-	115,401
Interest bearing securities	Held to maturity	Amortised cost	259,750	-	259,750
Units in unlisted managed funds	FVPL	FVPL	4,261,590	-	4,261,590
Total financial assets			**146,101,526**	**201,138**	**146,302,664**
Liabilities					
Debenture notes issued	Amortised cost	Amortised cost	4,559,038	-	4,559,038
Trade and other payables	Amortised cost	Amortised cost	2,551,854	-	2,551,854
Total financial liabilities			**7,110,962**	**-**	**7,110,962**

Financial assets and financial liabilities
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at cost adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Policy applicable from 1 July 2018
Classification of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)

Classifications are determined by both:

- the entity's business model for managing the financial asset and
- the contractual cash flow characteristics of the financial assets.

Subsequent measurement of financial assets
Financial assets at amortised costs
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade receivables, interest bearing securities and loans to members fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVPL)
Financial assets that are within a different business model other than 'hold to collect' are categorised as fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. The Group's investments in unlisted managed funds fall into this category.

Loans to members
Loans and advances were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.
Interest earned
Interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a members account on the last day of each month.

Nonaccrual loan interest – while still legally recoverable, interest is not brought to account as income where the Group is informed that the member has deceased, or loan is impaired.
Fees on loans
The fees charged on loans are recognised as income at the point in time when the service is provided, or costs are incurred.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. There were no changes to any of the Group's business models during the current year (Prior year: Nil).

Policy applicable before 1 July 2018
For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVPL)

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at FVPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss, are presented within finance costs, finance income or other financial items, except for impairment of loans and receivables which is presented within other expenses.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. The Group's trade and most other receivables fall into this category of financial instruments.

Financial assets at FVPL
Financial assets at FVPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVPL upon initial recognition.
Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Loans to Members

Basis of recognition

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Group at the reporting date, less any allowance or provision against impairment for debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely.

Loan impairment

Policy applicable after 1 July 2018

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit loss model' (ECL).

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment (loans in default) at the reporting date.

Measurement of ECL

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

Write-off

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 July 2018

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 condition 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 assets' 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 uncollectable, 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 and loss.

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 Company 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 asset's 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.

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. **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.

d. **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.

e. **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.

f. **Goods and services tax (GST)**

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

g. **Goodwill**

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

h. **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.

i. **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.

j. **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.

k. **Operating expenses**

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

l. **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.

m. **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.

Key judgments

1. Doubtful debts provision - included in accounts receivable at 30 June 2019 is an amount receivable from loans made to members during the current financial year amounting to $148,617,557 (2018: $129,138,219). The directors believe that the full amount of the debt is recoverable, other than an amount of $1,034,334 (2018: $1,480,090), which has been included as the Group's expected credit loss provision at 30 June 2019.

Management have made critical accounting estimates with respect to the measurement of the Group's expected credit loss (ECL) allowance. In the current year, the approach to estimation of impairment losses has been revised following adoption of AASB 9 effective 1 July 2018. Key areas of judgement under the new standard include:

- Recognition of credit losses based on "Stage 1" 12 month expected losses and "Stage 2" and "Stage 3" lifetime expected credit losses.
- Determining criteria for significant increase in credit risk: An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.
- Choosing appropriate models and assumptions tor the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

2. Mortuary fund liability - the process and assumptions used to determine the mortuary fund liability are discussed further in Note 19.

n. **New or emerging standards not yet mandatory**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below. Changes that are not likely to impact the financial report of the Group have not been reported.

AASB Reference	Nature of Change	Application date	Impact on Initial Application
AASB 16 *Leases Replaces AASB 117*	AASB 16: replaces AASB 117 *Leases* and some lease-related Interpretations; requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases and requires new and different disclosures about leases.	Periods beginning on or after 1 January 2019.	When this Standard is first adopted for the year ending 30 June 2020, there will be an impact on the transactions and balances recognised in the financial statements due to the Group's property lease being recognised on the balance sheet. The Group has not yet finalised their detailed assessment of the quantitative impact of this change in accounting standard.

o. **Comparative figures**

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

Notes to the Financial Statements

For the year ended 30 June 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
2. Revenue			
Subscriptions from members		2,494,770	2,506,862
Other income			
Increase in market value of investments		189,449	271,112
Top-up fees		760,350	791,952
Fees from other services		1,149,638	1,066,909
Interest on:			
- Loan to members		12,374,417	11,872,837
- Investments		164,674	85,576
		17,133,298	16,595,248
3. Operating Surplus			
Operating surplus has been arrived at after charging the following items :			
Bad debts written off		768,858	1,174,812
Depreciation and amortisation of property, plant and equipment		70,069	49,373
Benefits paid to members		2,489,816	2,338,421
Changes in mortuary fund liabilities	19	6,135,000	2,918,000
Interest expense on debenture notes issued		2,152,352	1,714,003
Employee benefits expense			
- defined contribution plans		235,243	248,811
- other employee benefits		2,472,317	2,414,745
Total employee benefits expense		2,707,560	2,663,556
4. Net Bad Debts			
Net bad debts has been arrived at as follows:			
Bad debts written off		768,858	1,174,812
Less: Bad debts recovered		(15,372)	(68,787)
Change in provision for doubtful debts		(245,261)	(110,969)
Add: Collection costs		248,005	425,049
Net bad debts		756,230	1,420,105

Notes to the Financial Statements

For the year ended 30 June 2019

		Consolidated	
		2019	**2018**
	$	**$**	**$**
5. Income Taxes			
(A) Income Tax Expense			
Prima facie income tax expense calculated at 27.5% on the operating surplus and abnormal items		2,418,321	2,230,409
Surplus	169,080		
Add:			
Change in mortuary fund	6,135,000		
Benefits paid to members	2,489,816		
	8,793,896		
	@ 27.50%	2,418,321	2,230,409
Increase in Income Tax expense due to :-			
Non-tax assessable items :			
Entertainment expense		17,464	11,375
Non allowable deductions		120,026	79,080
Exempt member subscription income		(686,062)	(689,387)
Rebateable income		(10,474)	(7,815)
Under/(over) provisions in respect of prior years		143,694	22,158
Income tax expense attributable to operating surplus		2,002,969	1,645,820
(B) Components of Income Tax Expense			
The components of tax expense comprises:			
Current tax expense		1,892,876	1,692,489
Deferred tax expense		110,093	(46,669)
		2,002,969	1,645,820

(C) Deferred Tax Asset and Liabilities

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

	1 July 2018	Recognised in profit or loss	30 June 2019
	$	**$**	**$**
Provision for doubtful debts	407,025	(122,583)	284,442
Employee benefits	213,442	20,292	233,734
Plant and equipment	(56,328)	2,093	(54,235)
Capital losses	141,389	-	141,389
Revenue Losses	122,626	(9,895)	112,731
Other	(43,308)	-	(43,308)
	784,846	(110,093)	674,753
Deferred Tax Asset	884,482		772,296
Deferred Tax Liability	(99,636)		(97,543)
Net Deferred Tax Asset	784,846		674,753

Notes to the Financial Statements

For the year ended 30 June 2019

	Consolidated 2019 $	Consolidated 2018 $
6. Cash and Cash Equivalents		
Cash at bank	3,394,210	3,607,137
Cash deposits	5,532,534	10,084,118
	8,926,744	13,691,255
7. Trade and Other Receivables		
Current		
Trade receivables	127,724	115,401
Loans to members	54,691,283	28,110,111
	54,819,007	28,225,512
Non-current		
Loans to members	93,926,274	101,028,108
Less: allowance for credit losses	(1,034,334)	(1,480,090)
	92,891,940	99,548,018
Total	147,710,947	127,773,530

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 credit losses

	2019	2018
Balance at the beginning of year	1,480,089	1,591,058
Adjustment on adoption of AASB 9	(201,138)	-
Adjusted balance at the beginning of year	1,278,951	
Increase/(decrease) in provision	(244,617)	(110,969)
Balance at the end of year	1,034,334	1,480,089

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 expected credit loss provision required in excess of the allowance for credit losses.

Notes to the Financial Statements

For the year ended 30 June 2019

	Consolidated 2019 $	Consolidated 2018 $
8. Other Financial Assets		
Current		
Interest bearing securities (at amortised cost)	2,259,750	259,750
Units in unlisted managed funds (at fair value through profit or loss)	4,451,037	4,261,590
	6,710,787	4,521,340

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

	2019 $	2018 $
9. Other Current Assets		
Other current assets	27,552	26,467
Prepayments	51,696	49,731
	79,248	76,198
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	427,590	293,726
Trade creditors	141,113	110,270
Other accruals	1,219,119	2,147,858
Debenture Notes Issued	51,592,076	38,656,882
	53,379,898	41,208,736

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.

	2019 $	2018 $
Non-current		
Debenture Notes Issued	7,116,598	6,934,156
	7,116,598	6,934,156

Notes to the Financial Statements

For the year ended 30 June 2019

	Consolidated 2019 $	Consolidated 2018 $
12. Provisions		
Current		
Proivison for Annual Leave	260,249	241,902
Provison for LSL	576,767	489,032
Non-current		
Provison for LSL	12,925	45,865
Aggregate employee entitlements	12,925	45,865
Number of equivalent full time employees at year end	18	18

13. Property, Plant and Equipment

Movements in carrying amounts - Consolidated

	Property, Plant & Equipment $	Total $
Gross carrying amount		
Balance at 30 June 2018	806,641	806,641
Additions	79,227	79,227
Disposals	(27,165)	(27,165)
Balance at 30 June 2019	858,703	858,703
Accumulated depreciation		
Balance at 30 June 2018	426,872	426,872
Depreciation expense	70,069	70,069
Disposals	(27,165)	(27,165)
Balance at 30 June 2019	469,776	469,776
Net book value		
As at 30 June 2019	388,927	388,927

14. Reserves

	General Reserve $	Total $
Balance at 1 July 2018	6,078,909	6,078,909
Adjustment to retained earnings	201,138	201,138
Current year gains/(losses)	(1,833,889)	(1,833,889)
Balance at 30 June 2019	4,446,158	4,446,158
Balance at 1 July 2017	4,870,572	4,870,572
Current year gains/(losses)	1,208,337	1,208,337
Balance at 30 June 2018	6,078,909	6,078,909

Notes to the Financial Statements

For the year ended 30 June 2019

	Consolidated 2019 $	2018 $
15. Employee Benefits Expense		
Salaries and wages	2,392,176	2,348,044
Workers compensation insurance	6,355	7,559
Superannuation - defined contribution plans	235,243	248,811
Employee benefits provisions	73,786	59,142
	2,707,560	2,663,556

16. Key Management Compensation

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

Short-term employee benefits	1,490,198	1,428,791
Post-employment benefits - superannuation	126,053	155,970
	1,616,251	1,584,761

Loans to Key Management

Balance at start of period	1,197,559	141,254
Repayments	731,795	1,269,970
Additional drawdowns	1,047,673	2,285,314
Interest paid	62,342	40,961
Balance at end of period	1,575,779	1,197,559

Notes Held by Key Management

Balance at start of period	115,919	68,750
Additional deposits	248,080	43,100
Interest received	9,473	4,069
Redemptions	(111,187)	-
Balance at end of period	262,285	115,919

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 Part Transactions

The Group's related parties include its key management personnel and related entities as described in Note 16 Key Management 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	92,087,000	89,169,000
Increase in mortuary fund	6,135,000	2,918,000
Balance at end of period	98,222,000	92,087,000
Mortuary Fund - Current Liabilities	2,448,329	2,336,500
Mortuary Fund - Non Current Liabilities	95,773,671	89,750,500

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 Financial Statements

For the year ended 30 June 2019

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 2019 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 2019 is $98,222,000 (2018: $92,087,000).

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 2019.

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	Movement	Changes in liabilities
Insured life mortality	Worsening by 10%	$215,757
Lapses and surrenders	Worsening by 10%	$33,225
Administration expenses	Worsening by 10%	$919,556

Notes to the Financial Statements

For the year ended 30 June 2019

	Consolidated 2019 $	Consolidated 2018 $
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	190,008	176,026
Later than one, but not later than five years	211,178	340,430
	401,186	516,456

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 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 2019 the number of members was 26,989 (2018: 27,070), and therefore, the total amount that members are liable to contribute if the Company was wound up at 30 June 2019 was $134,945.

24. Subsidiaries

	Country of Incorporation	Ownership %
Parent Entity		
APS Benefits Group 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
APS Mortgages 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 2019 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 9th day of September 2019.

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Independent Auditor's Report

To the Members of APS Benefits Group Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of APS Benefits Group Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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.

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

a giving a true and fair view of the Group's financial position as at 30 June 2019 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 Group 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 Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Grant Thornton

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 Group 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 Group'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 Group 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Simon Trivett

S C Trivett
Partner – Audit & Assurance

Melbourne, 9th of September 2019