NOT FOR PROFIT CO-OPERATIVE

2014
Annual Report

Australian Public Service Benevolent Society Ltd
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ABN 64 077 846 809 AFSL No. 244115

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DIRECTORS' REPORT

Your Directors present their report on the Australian Public Service Benevolent Society Limited, 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 2014. The Directors of the Australian Public Service Benevolent Society Limited in office at any time during, or since the end of the year are:

Name and Qualifications	Experience and Special Responsibilities
JOHN CORIN, Age 64 Chairman, MAICD Appointed as a non executive Director in October 2009 and Chairman in November 2011	Company Director ex-ACCC, Director Corporate Services, 43 years Business Development 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
ANTHONY McINERNEY, Age 68 Director, MAICD Appointed as a non executive Director in November 2005	Consultant – Business Management ex-Australian Taxation Office, 39 years Business Development and Remuneration Committees Director of controlled entity APS Savings Ltd Director of Riversdale Golf Club Pty Ltd
PHILIP MASON, Age 55 Director, MAICD, FCPA Appointed as a non executive Director in October 2009	City of Yarra, Manager 36 years experience Chairman, Audit Finance & Governance Committee Director of controlled entity APS Savings Ltd
ANDREW ORME, Age 38 Director, LLB (Melb) BSc (Melb) Appointed as a non executive Director in June 2008	Australian Taxation Office 14 years experience Audit, Finance & Governance Committee Director of controlled entity APS Savings Ltd
BRONWYN STREET, Age 68 Director, MBA, FFIA CFRE, GAICD Appointed as a non executive Director in November 2005	Consultant 45 years experience Audit, Finance & Governance Committee Director of controlled entity APS Savings Ltd
MAURICE BARCLAY, Age 58 Director, BAgSc Hons. (Melb), MAICD Appointed as a non executive Director in October 2010	Consultant – Business Management ex-Australia Post, 35 years experience Chairman, Business Development Committee Director of controlled entity APS Savings Ltd Director of Health Metrics Pty Ltd
GLEN MILNER, Age 62 Director, B.Bus Public Admin Appointed as a non executive Director in October 2011	Bureau of Meteorology, Manager 44 years experience Remuneration Committee Director of controlled entity APS Savings Ltd

PRINCIPAL ACTIVITIES AND OBJECTIVES

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

- To act as a benevolent society for members by providing them and their families with funeral and mortuary benefits, and financial assistance in the form of benevolent grants. The APS Benevolent Foundation was created during the year and is an approved charity for tax purposes. Its role is to contribute to benevolent projects in the community. The Group has agreed to finance all of the expenses of the Foundation to ensure that all funds donated are used for benevolent purposes.

- To provide a range of financial and professional services to members and clients.

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:

- net membership/client growth
- profitability compared to budget
- growth in loans to members
- bad and doubtful debts as a percentage of the total loan balance
- the financial and operational performance of all entities

FINANCIAL RESULTS

The deficit of the Group for the financial year after providing for income tax amounted to $134,198 (2013 surplus $953,527). A deficit will occur in any year in which some of our reserves are used to fund the bonus added to members' funeral benefits.

MEMBERSHIP

At 30 June 2014, the number of members/clients was 28,842 compared with 28,370 at 30 June 2013. Our membership continues to grow as does the number of clients using our range of financial and professional services.

During the 2013/14 year, a further 1,132 new members/clients joined the Society, leading to over 19,000 new members/clients over the last 12 years. This is an excellent result, giving us net membership/client growth over the last 12 years of 7,570 members.

SUBSEQUENT EVENTS

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

FUTURE DEVELOPMENTS

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

ENVIRONMENTAL ISSUES

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

DIVIDENDS

The Group does not pay dividends.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No significant changes in state of affairs of the Group occurred during the year and at 30 June 2014.

OPTIONS, INDEMNITIES AND COURT PROCEEDINGS

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

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

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 2014 the number of members was 27,092 (2013: 26,971), and therefore, the total amount that members are liable to contribute if the Company was wound up at 30 June 2014 was $135,460.

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 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		Audit/Finance/Gov		Remuneration		Business Development	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J CORIN	10	10	-	-	2	2	-	-
A McINERNEY	10	10	-	-	2	2	-	-
B STREET	10	9	4	2	-	-	-	-
A ORME	10	9	4	4	-	-	-	-
M BARCLAY	10	8	-	-	-	-	-	-
P MASON	10	10	4	4	-	-	-	-
G MILNER	10	9	-	-	2	2	-	-

DIRECTORS' BENEFITS

These fees are approved annually by the members at the Annual General Meeting. For the year ending 30 June 2014, Directors received the benefits as described in the table below. Superannuation was paid at the rate of 9.25% of Honorarium.

Name	Honorarium (including superannuation) $
A ORME	19,037
J CORIN	30,748
G MILNER	19,037
A McINERNEY	22,371
B STREET	19,037
P MASON	26,170
M BARCLAY	22,371
Total	158,771

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 2014:

- Nil

AUDITOR'S INDEPENDENCE DECLARATION

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

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

Chairman - J Corin

Director - P Mason

Dated this 15th day of September 2014.

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Auditor's Independence Declaration
To the Directors of Australian Public Service Benevolent Society Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Australian Public Service Benevolent Society Ltd for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Simon Trivett

Simon Trivett
Partner - Audit & Assurance

Melbourne, 15 September 2014

AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED
ABN 64 077 846 809

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated	
		2014 $	2013 $
Revenue from operations	2	13,022,858	12,364,846
Employee benefits expense	3	(2,029,332)	(2,010,583)
Depreciation and amortization expense	3	(98,212)	(117,983)
Benefits paid to members	3	(2,065,859)	(1,762,274)
Changes in mortuary fund liabilities	3	(4,271,000)	(2,916,000)
Occupancy expense		(70,241)	(68,798)
Postage and telephone expense		(123,031)	(128,069)
Bad debts expense	4	(988,525)	(1,149,224)
External services expense		(509,607)	(545,394)
Board and AGM expenses		(165,873)	(134,580)
Marketing expense		(260,718)	(260,028)
Other expenses		(1,311,405)	(1,327,631)
Operating surplus/(deficit) before tax		1,129,055	1,944,282
Income tax expense	5	(1,263,253)	(990,755)
Net surplus/(deficit) for the year		(134,198)	953,527
Other comprehensive income			
Net gain on revaluation of property		-	-
Total comprehensive income/(loss)		(134,198)	953,527

Notes to the financial statements are included on pages 10 to 21

AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED
ABN 64 077 846 809

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	Consolidated 2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	6	8,920,738	12,201,084
Trade and other receivables	7	27,359,646	27,397,796
Other financial assets	8	3,353,331	3,375,488
Other current assets	9	190,866	143,550
Total current assets		39,824,581	43,117,918
NON CURRENT ASSETS			
Trade and other receivables	7	49,496,817	42,191,139
Property, plant and equipment	12	2,490,578	2,581,219
Deferred tax asset	5	1,783,836	1,467,145
Total non-current assets		53,771,231	46,239,503
Total assets		93,595,812	89,357,421
CURRENT LIABILITIES			
Trade and other payables	10	11,040,723	8,863,545
Current tax liabilities	5	898,558	555,385
Provisions	11	534,499	416,311
Mortuary fund	18	1,929,500	1,756,750
Total current liabilities		14,403,280	11,591,991
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5	224,194	203,148
Provisions	11	11,199	51,045
Mortuary fund	18	71,769,500	67,671,250
Debenture Notes Issued	10	634,554	3,152,357
Total non-current liabilities		72,639,447	71,077,800
Total liabilities		87,042,727	82,669,791
NET ASSETS		**6,553,085**	**6,687,630**
EQUITY			
Reserves	13	6,553,085	6,687,630
		6,553,085	**6,687,630**

Notes to the financial statements are included on pages 10 to 21

AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED
ABN 64 077 846 809

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Reserves		Total
	Asset Revaluation Reserve	General Reserve	
	$	$	$
Balance at 30 June 2012	414,058	5,348,565	5,762,623
Asset revaluation net of tax effect	(28,867)	-	(28,867)
Add Surplus/(Deficit)	-	953,527	953,527
Balance at 30 June 2013	385,191	6,302,092	6,687,630
Add Surplus/(Deficit)	-	(134,198)	(134,198)
Balance at 30 June 2014	385,191	6,167,894	6,553,085

Notes to the financial statements are included on pages 10 to 21

AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED
ABN 64 077 846 809

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $	2013 $
Cash flows from operating activities			
Receipts from members & customers		3,835,073	3,647,182
Interest received		8,832,345	8,291,931
Bad debts recovered		45,813	33,618
Income taxes paid		(1,215,725)	(1,412,677)
Payments to members		(2,065,859)	(1,762,274)
Interest paid		(681,473)	(648,552)
Payments to employees and suppliers		(3,943,197)	(4,045,897)
Net cash provided by operating activities		4,806,977	4,103,331
Cash flows from investing activities			
Deposits from investors		(440,962)	8,331,531
Proceeds from sale of property		-	-
Payments for plant and equipment		(7,571)	23,510
Proceeds on redemption/(payments for) investments		324,807	-
Net advances of loans to members		(7,963,597)	(3,992,571)
Net cash used in investing activities		(8,087,323)	4,362,470
Net increase (decrease) in cash held		(3,280,346)	8,465,801
Cash at the beginning of the financial year		12,201,084	3,735,283
Cash at the end of the financial year	6	8,920,738	12,201,084

Notes to the financial statements are included on pages 10 to 21

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

General Information

The Australian Public Service Benevolent Society Ltd (APSBS) is a company limited by guarantee, incorporated and domiciled in Australia. Its subsidiaries, APS Financial Planning Pty Ltd, 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**

<u>Current Tax</u>

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).

<u>Deferred Tax</u>

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

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

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

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

b. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

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

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

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, Plant and Equipment (continued)

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

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Buildings	*2.5%*
Plant and equipment	*3 –50%*

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

c. **Financial Instruments**

Financial Instruments Used

The principal categories of financial instruments used are:

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

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

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial Assets at Fair Value through Profit and Loss

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

Loans and Receivables

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

Held-to-Maturity Investments

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

Available-for-Sale Financial Assets

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

Financial Liabilities

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

Fair Value

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

Impairment

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

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

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

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

d. **Impairment of Assets**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

e. **Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

f. **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

g. **Cash and Cash Equivalents**

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

h. **Revenue**

Interest revenue is generally recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

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

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

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

j. **Mortuary Fund**

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

k. **Comparative Figures**

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

l. **Operating Expenses**

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

m. **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.

n. **Critical Accounting Estimates and Judgments**

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

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

Key judgments

1. *Doubtful debts provision* - included in accounts receivable at 30 June 2014 is an amount receivable from loans made to members during the current financial year amounting to $78,072,852 (2013: $71,088,626). The directors believe that the full amount of the debt is recoverable, other than an amount of $1,249,437 (2013: $1,519,533), which has been included as a doubtful debt provision at 30 June 2014. 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 18.

o. **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..

p. **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.

AUSTRALIAN PUBLIC SERVICE BENEVOLENT SOCIETY LIMITED
ABN 64 077 846 809

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $	2013 $
2. REVENUE			
Subscriptions from members		2,565,780	2,592,529
Other income			
- Increase in market value of investments		302,650	433,121
- Rent received		59,600	57,500
- Top-up fees		625,570	490,680
- Sundry income		636,913	499,085
- Interest on:			
Loan to members		8,440,257	7,855,232
Investments		392,088	436,699
		13,022,858	12,364,846
3. OPERATING SURPLUS			
Operating surplus has been arrived at after charging the following items :			
Bad debts written off		979,371	864,431
Depreciation and amortisation		98,212	117,983
of property, plant and equipment			
Benefits paid to members		2,065,859	1,762,274
Changes in mortuary fund liabilities	18	4,271,000	2,916,000
Interest paid to depositors		673,166	666,035
Employee benefits expense			
- defined contribution plans		229,247	214,358
- other employee benefits		1,800,085	1,796,225
Total employee benefits expense		2,029,332	2,010,583
4. NET BAD DEBTS			
Net bad debts has been arrived at as follows:			
Bad debts written off		979,371	864,431
Less: Bad debts recovered		(45,813)	(33,618)
Change in provision for doubtful debts		(277,828)	(26,042)
Add: Collection costs		332,795	344,453
Net bad debts		988,525	1,149,224

	Consolidated 2014 $	Consolidated 2013 $
5. INCOME TAXES		
(A) Income Tax Expense		
Prima facie income tax expense calculated at 30% on the operating surplus and abnormal items	2,439,443	1,797,234
	2,439,443	1,797,234
Increase in Income Tax expense due to :-		
Entertainment expense	7,380	4,253
Non-tax assessable items :		
Non allowable deductions	(409,592)	(22,721)
Exempt member subscription income	(769,734)	(777,759)
Rebateable income	(4,244)	(10,252)
Income tax expense attributable to operating surplus	1,263,253	990,755
(B) Provision for Current Income Tax		
Movements during the year were as follows :		
Balance at beginning of year	555,385	556,471
Income tax refunded (paid)	3,647	6,170
Current year's income tax on operating surplus	1,129,831	855,116
Tax instalments paid for current year tax	(790,305)	(862,372)
	898,558	555,385
(C) Deferred Tax Liability		
Balance at beginning of year	203,148	225,192
(Increase)/decrease for the year	21,046	(22,044)
	224,194	203,148
(D) Deferred Tax Asset		
Balance at beginning of year	1,467,145	1,068,355
(Decrease)/increase in provisions	316,691	398,790
	1,783,836	1,467,145
(E) Income Taxes		
The components of tax expense comprises:		
Current tax expense	1,558,896	1,411,589
Deferred tax expense	(295,643)	(420,834)
	1,263,253	990,755

		Consolidated	
		2014	2013
		$	$
6.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank	1,383,221	1,118,072
	Cash deposits	7,537,517	11,083,012
		8,920,738	12,201,084
7.	**TRADE AND OTHER RECEIVABLES**		
	CURRENT		
	Trade receivables	34,149	28,675
	Loans to members	27,325,497	27,369,121
		27,359,646	27,397,796
	NON-CURRENT		
	Loans to members	50,747,354	43,719,505
	Less: provision for doubtful debtors	(1,250,537)	(1,528,366)
		49,496,817	42,191,139
	TOTAL	76,856,463	69,588,935

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	1,528,365	1,554,407
Increase/(decrease) in provision	(277,828)	(26,042)
Balance at the end of year	1,250,537	1,528,365

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated 2014 $	Consolidated 2013 $
8. OTHER FINANCIAL ASSETS		
CURRENT		
Interest bearing securities (at amortised cost)	213,000	213,000
Units in unlisted managed funds (at fair value through	3,140,331	3,162,488
profit or loss)	3,353,331	3,375,488

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

	2014 $	2013 $
9. OTHER CURRENT ASSETS		
Sundry debtors	103,391	118,738
Other current assets	59,259	-
Prepayments	28,216	24,812
	190,866	143,550
10. TRADE AND OTHER PAYABLES		
CURRENT		
Sundry creditors	270,385	211,548
Trade creditors	94,490	75,789
Other accruals	177,842	146,735
Debenture Notes Issued	10,498,006	8,429,473
	11,040,723	8,863,545

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.

	2014 $	2013 $
NON-CURRENT		
Debenture Notes Issued	634,554	3,152,357
	634,554	3,152,357
11. PROVISIONS		
CURRENT		
Employee entitlements	534,499	416,311
NON-CURRENT		
Employee entitlements	11,199	51,045
Aggregate employee entitlements	545,698	467,356
Number of equivalent full time employees at year end	18	18

12. PROPERTY, PLANT AND EQUIPMENT

Movements in carrying amounts - Consolidated

	Freehold Land	Buildings	Plant & Equip	Total
	$	$	$	$
Gross carrying amount				
Balance at 30 June 2013	1,500,000	550,000	1,024,844	3,074,844
Additions	-	-	8,203	8,203
Revaluation	-	-	-	-
Disposals	-	-	(735)	(735)
Balance at 30 June 2014	1,500,000	550,000	1,032,312	3,082,312
Accumulated depreciation				
Balance at 30 June 2013	-	-	493,625	493,625
Depreciation expense	-	20,722	77,490	98,212
Writeback on revaluation of buildings	-		-	0
Disposals	-	-	(103)	(103)
Balance at 30 June 2014	-	20,722	571,012	591,734
Net book value				
As at 30 June 2014	1,500,000	529,278	461,300	2,490,578

A valuation of the land and buildings at 16-20 Howard St North Melbourne was conducted at 30 June 2013 by Paul Sutherland, Certified Practising Valuer AAPI. The valuation was based on an estimated fair market value. A building value was assigned in the valuation to ensure that the buildings are depreciated on a useful life basis over the coming years in accordance with the Australian Accounting Standards.
An annual appraisal is carried out by the Directors to ensure that the recoverable amount is not less than the carrying amount.

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

	2014	2013
Freehold land	765,000	765,000
Buildings	786,327	786,327
	1,551,327	1,551,327

13. RESERVES

	Reserves		Total
	Asset Revaluation	General Reserve	
	$	$	$
Balance at 1 July 2013	385,191	6,302,092	6,687,630
Current year gains	-	(134,198)	(134,198)
Asset revaluation net of tax effect	-	-	-
Balance at 30 June 2014	385,191	6,167,894	6,553,085
Balance at 1 July 2012	414,058	5,348,565	5,762,623
Current year gains	-	953,527	953,527
Asset revaluation net of tax effect	(28,867)	-	(28,867)
Balance at 30 June 2013	385,191	6,302,092	6,687,630

	Consolidated 2014 $	2013 $

14. EMPLOYEE BENEFITS EXPENSE

	2014	2013
Wages, salaries	1,627,175	1,606,522
Workers compensation insurance	4,833	5,289
Superannuation - defined contribution plans	229,247	214,358
Employee benefits provisions	78,340	98,502
	1,939,595	1,924,671

15. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2014	2013
Short-term employee benefits	1,072,330	987,219
Post-employment benefits - super	244,702	170,295
Total	1,317,032	1,157,514

16. RETIREMENT BENEFITS

	2014	2013
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

17. RELATED PARTY TRANSACTIONS

The Group's related parties include its key management personnel and related entities as described in note 15 Key Management Personnel Compensation. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

18. MORTUARY FUND

	2014	2013
Balance at start of period	69,428,000	66,512,000
Increase in mortuary fund	4,271,000	2,916,000
Balance as end of period	73,699,000	69,428,000
Mortuary Fund - Current Liabilities	1,929,500	1,756,750
Mortuary Fund - Non Current Liabilities	71,769,500	67,671,250

a. Mortuary Fund Risk

The mortuary fund benefits transfer risk to the Company, where the Company commits to making a payment to the member's nominated beneficiary upon the member's death. The timing of these future events are inherently uncertain. Mortuary fund risk is controlled through adequate subscription revenue, investment returns and sufficient reinsurance arrangements, all of which are monitored by the appointed actuary.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 2014 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 2014 is $73,699,000 (2013: $69,428,000).

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 2014.

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 Mortuary Fund Liabilities**
Insured life mortality	Worsening by 10%	$75,215
Lapses and surrenders	Worsening by 10%	$27,976
Administration expenses	Worsening by 10%	$555,994

	Consolidated 2014 $	Consolidated 2013 $
19. CAPITAL AND LEASING COMMITMENTS		
Operating lease of office equipment		
Non-cancellable operating leases contracted for, but not capitalised in the financial statements:		
Payable:		
Not later than one year	8,086	3,432
Later than one, but not later than five years	30,512	4,477
	38,598	7,909

The office equipment lease is a non-cancellable lease with a five year term, with rent payable monthly in advance.

20. CONTINGENT LIABILITIES

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

21. 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.

22. 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 2014 the number of members was 27,092 (2013: 26,971), and therefore, the total amount that members are liable to contribute if the Company was wound up at 30 June 2014 was $135,460.

23. 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

24. 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 financial statements and notes, as set out on pages 7 to 21, are in accordance with the *Corporations Act 2001*:

   (a) comply with accounting standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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

Chairman - J Corin

Director - P Mason

Dated this 15th day of September 2014.

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Independent Auditor's Report
To the Members of Australian Public Service Benevolent Society Ltd

We have audited the accompanying financial report of Australian Public Service Benevolent Society Ltd (the "Company"), which comprises the statement of financial position as at 30 June 2014, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Australian Public Service Benevolent Society Ltd is in accordance with the Corporations Act 2001, including giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and:

b complying with Australian Accounting Standards- Reduced Disclosure Requirements and the Corporations Regulations 2001.

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GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Simon Trivett

Simon Trivett
Partner - Audit & Assurance

Melbourne, 15 September 2014