

# Prospectus No.9

## For the issue of APS Notes by APS Savings Limited



**8 October 2020**  
**ACN 150 630 694**  
**AFSLN 405934**

APS Savings Ltd  
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## **1. Important Information**

This Prospectus is dated 8 October 2020 and was lodged with the Australian Securities and Investments Commission (ASIC) after that date. ASIC takes no responsibility as to the contents of this Prospectus.

No securities will be allotted or issued on the basis of this Prospectus after its expiry date of 7 November 2021.

The secured notes to be issued under this Prospectus are debt securities of APS Savings Limited ('Company' 'APS Savings Limited' or 'APS Savings') and not shares. The Company's obligation to repay your investment is secured by a charge given by the Company over all the present and future property, assets and undertaking of the Company (including all of the Company's present and future rights in relation to that property, assets and undertaking) wherever situated in favor of The Trust Company (Australia) Limited (the Trustee) as trustee for Noteholders. Further details are provided in Sections 6.2 and 8.1 of this Prospectus. The Company is a subsidiary of APS Benefits Group Limited (formerly called Australian Public Service Benevolent Society Limited) (APSBG). The Board of APSBG has resolved that APSBG will:

1. provide the Company with sufficient funds, if and when required, to ensure that the Company meets its obligations to Noteholders at all times; and
2. accept as loans any and all monies invested with the Company by Noteholders.

In addition to the Company's security given to the Trustee, APSBG has provided a guarantee in respect of the Company's obligations to the Trustee under the Trust Deed (and other security documents between the Trustee and the Company) (defined in section 8.1 of this Prospectus), supported by a charge over all the present and future property, assets and undertaking of APSBG (including all of its present and future rights in relation to that property, assets and undertaking) wherever situated.

In the following parts of this Prospectus the secured

notes will be described as "APS Notes".

The information given in this document is of a general nature and has been prepared without taking account of your individual investment objectives, financial situation or particular investment needs. Before making any investment decision on the basis of this Prospectus, you should consider the appropriateness of the information, having regard to your objectives, financial situation and needs. We suggest you consult your financial advisor, who can help you determine how best to achieve your financial goals and whether investing in APS Notes is appropriate for you.

Neither the Company, APSBG, the Trustee or any of their Directors make any representations as to the repayment of the principal amount invested in, or payment of interest on, or tax or other consequences of investment in the APS Notes.

The Company is responsible and liable for this Prospectus and the Company accepts responsibility for the information contained in it.

The APS Notes do not represent deposits or liabilities of the Trustee, its directors or officers or related entities of the Trustee, and neither the Trustee nor the directors or officers of the Trustee or related entities of the Trustee guarantees or is otherwise responsible for the obligations of the Company, APSBG, the return of capital or any particular rate of return on APS Notes. The Company holds an Australian Financial Services Licence number 405934 which authorises the Company to, with respect to retail clients, deal in APS Notes. Further information is available in Section 9.2 of this Prospectus.

In the Prospectus, the Company offers to the public for subscription APS Notes of \$1.00 each for terms varying from 31 days to 24 months at rates of interest set out on the current Interest Rate Card accompanying the Prospectus. There is no minimum amount to be raised by the Prospectus.

Subscriptions for APS Notes may only proceed on the Investment Application Form accompanying this Prospectus. The Investment Application Form included in this Prospectus must not be handed to any member of the public unless accompanied by a copy of this Prospectus.

The Company's principal activity is to raise funds through the issue of APS Notes and to lend funds to its parent.

The financial statements contained in Section 7 of this Prospectus are for the Company and for the consolidated entities being, APSBG and its subsidiaries, APS Financial Planning Pty Ltd, APS Wills and Estates Pty Ltd, APS Savings Limited, APS Mortgages Pty Ltd and APS Tax, Accounting and Business Services Pty Ltd.

The Company and APSBG are not authorised under the Banking Act 1959 and are not supervised by the Australian Prudential Regulation Authority. The depositor protection provisions in Section 13A of the Banking Act will not cover APS Notes. APS Notes are not bank deposits.

The Company refers to and adopts ASIC Corporations (Debenture Prospectuses) Instrument 2016/75. It is also conversant with the ASIC Regulatory Guide 69 and its Consultation Paper 199 and will monitor and comply with any related legislative changes.

## **2. Chairman's Report**

Dear Investor,

It is with great pleasure that the Board of Directors invite you to invest in APS Notes to be issued under this, our ninth Prospectus. APS Savings Limited is a wholly owned subsidiary of APSBG. Members of APSBG have for over 115 years utilised the various services offered, including funeral benefits, personal loans, financial planning, mortgage broking, wills, estate administration, tax, accounting and business services. They have enjoyed the peace of mind that this trusted organisation provides to them. APS Notes will be marketed to the membership of APSBG and will also be available to the general public.

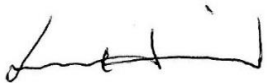
APS Notes are being offered for three main reasons:

1. members of APSBG have expressed an interest in this type of product;
2. to ensure that investors have access to competitive interest rates on investments; and
3. to use the invested funds with the Company to meet the continuing growth in demand of APSBG members and others for loans.

The Directors join me in commending this investment opportunity to you. No investment is without risk and we refer you to Section 4.4 Risks on pages 7,8 and 9 of this Prospectus for a summary of the risks associated with this investment.

The Company has experienced a healthy increase of investment in APS Notes since the Company's last prospectus. Under the Trust Deed the amount of APS Notes on issue must not exceed \$100 million without notice being given to the Noteholders. The Company contemplates that in the near future, the amount of APS Notes on issue may increase to, or above the \$100 million threshold, at which time the Company will ensure it complies with the requirements under the Trust Deed and the Corporations Act to allow the \$100 million threshold to be exceeded.

Finally, we advise Noteholders that the Company is seeking other funding arrangements to expand and diversify the loan offerings by APSBG. The terms of any new proposed funding arrangement will be disclosed to Noteholders when they are finalised, and the Company is likely to seek Noteholder approval again to proceed with such funding arrangement. The Company will comply with its disclosure obligations under the Corporations Act for any such funding arrangement.



Glen Milner  
Chair

### **3. Company Profile**

The Company was registered on 24 April 2011 as an unlisted public company.

The Company is a wholly owned subsidiary company of the APSBG which has been assisting its members since 1905.

The principal activity of the Company is to raise funds by the issue of APS Notes and to lend those funds to APSBG. APSBG has given a guarantee supported by a charge over its assets to the Trustee for the repayment of all funds raised by the Company.

#### **Registered Office**

440 William Street  
WEST MELBOURNE, VIC 3003

#### **Principal Place of Business**

440 William Street  
WEST MELBOURNE, VIC 3003  
Ph. 1300 131 809

#### **Trustee for Noteholders**

The Trust Company (Australia) Limited  
Level 13, 123 Pitt Street  
SYDNEY, NSW 2000

#### **Accountants**

APS Tax, Accounting & Business Services Pty Ltd  
440 William Street  
WEST MELBOURNE, VIC 3003

#### **Auditors**

Grant Thornton Audit Pty Ltd  
Level 30, 525 Collins Street  
MELBOURNE, VIC 3000

#### **Lawyers for the Company**

Holley Nethercote  
Level 22, 140 William Street  
MELBOURNE, VIC 3000

## 4. Investment Overview

### 4.1 Glossary

<b>AFSL</b>	Australian Financial Services License issued by ASIC pursuant to the Corporations Act	<b>Group Interest Rate Card</b>	The group of companies which includes the Company and APSBG An Interest Rate Card included in or accompanied by this Prospectus which sets out the current interest rates and investment terms
<b>Applicant/s</b>	A person/s or entity who submits an Investment Application Form	<b>Investment Application Form</b>	An Investment Application Form included in or accompanied by this Prospectus
<b>APSBG</b>	The APS Benefits Group Limited	<b>Investor/s, you, your, APS Noteholders, Noteholders</b>	A Person/s or entity who completes an Investment Application Form, has paid their Application Monies and is issued APS Notes
<b>APSBG General Security Deed</b>	means the general security deed executed between APSBG and the Trustee on 1 March 2012, as amended from time to time with the agreement of the Trustee	<b>Maturity Date</b>	The date on which your “Fixed Term” investment expires
<b>APSBG Guarantee</b>	means the deed of guarantee executed between APSBG and the Trustee on or about the date of the Trust Deed, as in force and amended from time to time with the agreement of the Trustee	<b>Member</b>	A member is a person who is granted membership of the APS Benefits Group Limited by becoming a subscriber to the funeral benefits on offer
<b>APS Notes</b>	A note/s issued by APS Savings Limited on the terms and conditions as set out in this Prospectus and the Trust Deed	<b>Secured Loan</b>	A Secured Loan is a loan that is secured by registered first mortgage over real property
<b>ASIC</b>	Australian Securities and Investments Commission	<b>Offer</b>	The offer under this Prospectus to acquire APS Notes
<b>Board</b>	The Board of Directors of APS Savings Limited and the APS Benefits Group Limited	<b>Our Offices</b>	440 William Street West Melbourne 3003
<b>Company, issuer, we, our, us</b>	APS Savings Limited	<b>PPSA</b>	Personal Property Securities Act (2009) (Cth)
<b>Corporations Act</b>	Corporations Act 2001 (Cth), including regulations made for the purposes of that Act	<b>Prospectus</b>	This Prospectus dated 8 October 2020
<b>Directors</b>	The Directors of APS Savings Limited and the APS Benefits Group Limited	<b>Special Purpose Loan</b>	A Special Purpose Loan is a loan that is advanced to APSBG members that own real estate
<b>Trustee</b>	The Trust Company (Australia) Limited		

<b>Trust Deed</b>	The Trust Deed between APS Savings Limited and the Trustee dated 6 December 2011, as amended from time to time
<b>Unsecured Loan</b>	An unsecured loan is a loan advance to APSBG members without any form of security

## **4.2 General Information**

### **Nature of APS Notes**

APS Notes are secured notes issued by the Company. They are not bank deposit products and should not be confused with bank deposits.

### **How do I acquire APS Notes?**

To acquire APS Notes, simply complete the Investment Application Form accompanying this Prospectus online or email it to us with the completed "Direct Debit Request" form. Alternatively, we can forward a copy of the Prospectus and Investment Application Form by mail for completion and return.

### **In what names may APS Notes be held?**

APS Notes may be held in single or joint names, or in the names of partnerships, superannuation funds, trusts, companies and other incorporated bodies. Investments by superannuation funds and trusts will be held in the name of their trustee.

### **Is there a minimum holding?**

The minimum holding of APS Notes is \$10.

### **Is there a choice of terms available?**

APS Notes will be issued for fixed terms of 6, 12, or 24 months. APS Notes will also be issued for non-fixed terms requiring a minimum of 31 days' notice of withdrawal.

### **Interest?**

APS Notes will be issued on the date of receipt of your application monies and interest will accrue from that date.

### **When is interest payable?**

Interest on APS Notes is paid monthly in arrears.

### **How is interest paid?**

Interest may be either reinvested back into your APS Notes or transferred directly to your nominated account with another financial institution.

### **Can I add to an existing APS Note?**

Additions to APS Notes for the remaining period of the original APS Note may be accepted, at our discretion, provided the interest rate for the additional APS Note is the same as the interest rate for the original APS Note. Such additional amounts will only be accepted in multiples of \$10.00 with the minimum initial increase of \$10.00.

### **What do you do with the funds that I invest?**

APS Savings Limited intends only to lend to its parent, APSBG. For a summary of the loan agreement between the Company and APSBG refer to Section 8.3 "Material Contracts".

### **What happens when my APS Note reaches its maturity?**

Approximately two weeks before your APS Note falls due, we will notify you in writing of the upcoming maturity and our current interest rates and terms and offer you the opportunity to reinvest with us for a further term. In the absence of written instructions from you, your investment will be re-invested for a similar term at the then current interest rate.

### **How will I know you have accepted my APS Note?**

We will forward a 'Note Certificate' to you as soon as reasonably practicable and in any event within 28 days of receipt of application monies for APS Notes.

*This general information is not meant to provide you with all of the information about an investment in APS Notes. You should read this Prospectus in full, and if you then have any queries, we invite you to speak with one of our representatives. In making an investment decision, you should rely only on the information in this Prospectus.*

### **4.3 Business Model**

APS Savings Limited is a wholly owned subsidiary of APSBG. APSBG is a mutual owned by its 27,000 members. It has provided a range of financial services to its members for over 115 years – since 1905. APS Savings Limited will provide APSBG members and the general public with the ability to invest in APS Notes. Funds will be accepted for periods of 6, 12 and 24 months, or for non-fixed terms requiring 31 days' notice of withdrawal. Money raised through the issue of APS Notes will be lent to APSBG. APSBG will use these monies primarily to fund personal loans for its members, a service that it has provided to its members since 1938. These loans have a maximum of \$60,000, but the current average personal loan is \$9,872 per member. Over 30 per cent of loan repayments are paid directly from the member's government payroll to APSBG. Where APSBG has sufficient funds available it may also provide Secured Loans to members and clients, secured by registered first mortgage over real property. As at 31 August 2020, APSBG had 165 Secured Loans totaling \$88,794,417.

Loan applications are carefully assessed and where possible verified with third party sources by APSBG loan department staff members, who review the applicant's current credit file, their disclosed income, expenses, assets and liabilities, their ability to repay, their current employment and the purpose of the loan application. Bad and doubtful debts are carefully monitored by management, the Board and the auditors of APSBG and are considered low by industry standards. Currently, over 10 per cent of new loan applications are declined by APSBG staff during the review process.

Property loans are generally funded up to a maximum loan-to-valuation ratio (LVR) of 80%. Loans are not provided for property development purposes.

Loans up to \$1,000,000 are approved by the Manager, Home Loans. Any loans over \$1,000,000 must be approved by the CEO.

The terms of the loan agreement between the Company and APSBG provide for payment to the Company of interest on money lent to APSBG (calculated daily and paid monthly) at the rate (until otherwise agreed) which is at least 1 per cent per annum higher than the highest interest rate being paid by the Company from time to time on any of its APS Notes. This will ensure that the Company has a margin on the money lent to APSBG of at least 1 per

cent over its cost of those funds. Management and the Directors of both companies expect that this business model will achieve three key objectives:

1. Investors will have access to an investment service at higher interest rates than are generally available, with an organisation that APSBG members know well and trust.
2. Members of APSBG requiring loans will continue to have access to loan funds, subject to approved lending criteria.
3. The Group will employ funds raised by issues of APS Notes to generate additional revenue which will be used for the benefit of all members.

### **4.4 Risks**

The Company has established and will maintain a risk management system in order to identify, analyse, evaluate, treat and monitor risk. This process provides a structured approach to ensure strategies are in place to meet the Company's obligations under the Corporations Act and its AFSL, as well as other core risks including human resources, financial, technology, internal and external business and economic risks which may impact on the Company's operations.

All investments involve risk and there is a risk that APS Noteholders could lose some or all of their money. As the Company will only be lending to APSBG the Company will not be minimising its risks by making loans to a large group of borrowers. Accordingly, the key risks to the Company will include the key risks to the business of APSBG.

Importantly repayment of Noteholders' monies is guaranteed by APSBG pursuant to the APSBG Guarantee in favour of the Trustee. That guarantee is secured by a charge in favour of the Trustee under the APSBG General Security Deed, further details of which are in Sections 6.2 and 8.1 of this Prospectus.

The guarantor (APSBG) is also the borrower from the Company under the Inter-Company Loan Arrangement referred to below in this Section 4.4. This carries the risk that APSBG is only likely to be required to meet its obligations under the APSBG Guarantee in circumstances where it is unable to meet similar obligations to the Company under the Inter-Company Loan Arrangement. However, a default under the APSBG Guarantee may entitle the



Trustee to enforce the security it holds over assets of APSBG under the APSBG General Security Deed.

In March 2020, the World Health Organisation declared COVID-19 to have reached pandemic status. Due to the impact of COVID-19 on a number of APSBG's borrowers, as at 31 August 2020 APSBG has provided payment deferrals or reductions in respect of 45 secured loans valued at a total of \$18,850,913. The decision to provide payment deferrals or reductions were made on a case-by-case basis, having regard to APSBG's assessment of the individual employment circumstances of each borrower, the amount outstanding on each loan (and where relevant the nature and extent of the security provided) and the long-term serviceability of these loans.

Although APSBG continues to monitor the impact of the pandemic on its borrowers and will continue to assess the circumstances and discuss with affected borrowers the best course of action in relation to these 45 loans, in the medium to longer term, the direct effects of COVID-19 and measures introduced by State and Federal governments to limit transmission of the virus (such as the forced closure of businesses to facilitate 'social distancing', travel bans and quarantine requirements) will likely have a material negative impact on Australia's economic growth, including the potential for further significant impact on employment levels and personal income. Therefore, there is a risk that APSBG will experience increased rates of loan default, or APSBG will be asked to enter into further payment deferrals or reductions by its borrowers whose personal financial circumstances are adversely affected by COVID-19, with such requests to be assessed by APSBG on a case by case basis.

As noted above APSBG will continue to pay close attention to the impact of COVID-19 on its borrowers and the health of its loan book, and will continue to comply with its reporting and disclosure obligations under the Corporations Act, including undertaking impairment testing in accordance with the applicable accounting standards. The Company will also continue to monitor the impact of COVID-19 on its intercompany loan to APSBG, which includes assessing and updating internal cashflow forecasts as and when needed.

The key risks to be monitored by the Company and APSBG are as follows:

- **Liquidity:**

Liquidity is a measure of the short-term financial health of a company. Too little liquidity may mean that the company has insufficient cash or cash equivalents to meet its projected cash needs. Too much liquidity may also be a factor that results in reduced profits. APSBG has carefully managed its cash flow needs for the past 115 years and will assist the Company in managing its cash flow needs on an ongoing basis.

The liquidity of the Company may be impacted if APSBG cannot make a repayment on demand or pay interest to the Company.

Further information is available in Sections 4.7 and 6.2 of this Prospectus.

- **Financial Performance:**

The financial performance of the Company may be influenced by many factors, including fluctuations in market interest rates and the composition of APSBG's investment and loan portfolios. Too little or no profit margin will have an effect on the Company's ability to meet its financial commitments. APSBG continuously monitors its profit margin and the profit margins of all subsidiaries to ensure that they are within an acceptable range while simultaneously monitoring budgets, cash flows, income, expenditure and legislative requirements. APSBG has no fixed funding commitment towards its subsidiaries. Other factors that can influence the financial performance are government and regulatory policies and general competitiveness in the market.

The failure of other debenture and note issuers, with resultant publicity, may cause investors to have concerns about the solvency and liquidity of companies with similar business models. This could result in investors being less prepared to invest in (or retain their investments in) debenture or note issuers, no matter how solvent or liquid, and to place their funds in companies perceived to be safer. Any such movement of capital would reduce the amount of funds available to the Company for lending to APSBG, with a consequential reduction in APSBG's ability to fund the demand for loans to its members. This is likely to result in a reduction in profits.

Further information is available in Sections 4.7 and 6.2 of this Prospectus.

- **Loan Portfolio:**

The financial circumstances of borrowers may change from time to time, as may the diversification

of APSBG's loan portfolio. There is a risk of borrowers defaulting on loans, which may result in a loss of principal, and/or interest to APSBG and the Company. The ability of the Company to meet its payment obligations to APS Noteholders is dependent on the performance of APSBG's loan portfolio together with the performance of its investment portfolio and cash flows.

All loans currently approved by APSBG other than Secured Loans referred to above, are lent on an "unsecured" basis. Loans in excess of \$20,000 are known as Special Purpose Loans and are only available to members with property. These loans are approved to a maximum amount of \$60,000. All loan applications are carefully scrutinised during the assessment process, which includes obtaining credit checks, income and employment verifications on all applicants.

Over 30 per cent of all loan repayments are received directly from the members' payroll, which increases the likelihood of timely payment.

The average total loan balance is currently \$21,210, with the average personal loan balance being \$9,872 and the average secured loan (secured by registered first mortgage over real property) balance being \$538,148.

APSBG holds an Australian Credit Licence No. 244115.

Further information is available in Sections 4.7 and 6.2 of this Prospectus.

• **Inter-Company Loan Arrangement:**

Any default by APSBG under the Inter-Company Loan Arrangements would result in the Company having insufficient funds to meet its payment obligations to Noteholders.

Further information is available under Section 8.3 of this Prospectus.

• **Equity:**

Equity is a company's own funds or capital. As at 30 June 2020 the Company had equity of \$7,351,578. Insufficient equity may be a factor that contributes to financial distress in the event that the Company were to suffer a loss or losses.

The Company complies with ASIC's benchmark with regard to equity capital as at the date of issue of this

Prospectus. Further information is available under Sections 4.5 and 4.7 of this Prospectus.

## **4.5 Financial Information**

APS Savings Limited began trading in April 2012. As at 30 June 2020 the Company had total equity of \$7,351,578, including \$1,000,000 in paid up ordinary shares, which are all held by APSBG.

The Company recorded a Net Profit for the year ended 30 June 2020 of \$1,107,740.

The consolidated net profit or (loss) after tax for each of the previous 3 years of APSBG (the Parent) is as follows:

<b>2019</b>	\$1,415,808
<b>2018</b>	\$1,208,337
<b>2017</b>	(\$1,070,304)

The past financial performance of the Company and APSBG should not be taken as an indicator of the future financial performance of either the Company or APSBG.

The Independent Auditor's Report and financial statements in Section 7 of this Prospectus include APSBG (and its subsidiaries). They are included because the Company lends money raised through the issue of APS Notes to APSBG and the payment of interest and repayment of principal will depend on the financial performance of APSBG. It is for this reason that APSBG has provided a guarantee in respect of the Company's obligations to the Trustee under the Trust Deed (and other security documents between the Trustee and the Company) supported by a charge over all the present and future property, assets and undertaking of APSBG (including all of its present and future rights in relation to that property, assets and undertaking) wherever situated.

As at 30 June 2020, APSBG had equity of \$3,788,498. The Directors of APSBG believe that it has demonstrated a strong operating performance over the previous three financial years and that its current level of equity is more than adequate for the nature of its business. The Directors of APS Savings Limited believe that its current level of equity is adequate for its business.

The Independent Auditor's Report is set out in Section 7 of this Prospectus and should be referred to for further detail.

APSBG has several wholly owned subsidiaries. The Company has been established as a wholly owned subsidiary as a distinct fund raising entity for APSBG. APSBG could have made the issue of Notes itself but with the secured guarantee given by APSBG to the Trustee the Company considers that its Noteholders have an adequate level of security for their investment.

Please note that all financial reference to 31 August 2020 data is based on unaudited management data.

#### **4.6 Directors and Key Managers, Interests, Benefits and Related Party Transactions**

The Directors and Key Managers of the Company are:

Glen MILNER	Director
Kaye KIENI	Director
Sharon MORRIS	Director
Kate FAZIO	Director
Tim CHILVERS	Director
Meg BONIGHTON	Director
Sean CARROLL	Director
Craig WALDEN	Chief Executive Officer
Richard FERRARO	Chief Financial Officer
Sam ATHANS	Operations and Compliance Manager
Tony CALDER	Administration Manager

Details of their qualifications and experience are given in Section 5. The Directors and Key Managers do not have any related party transactions other than being members of the parent company, APSBG from which a Funeral Benefit is provided under the standard terms and conditions applicable to any other member. The Directors and Key Managers of the Company and APSBG do not receive any fees or benefits in connection with the formation or promotion of the offer of APS Notes. They may invest funds and apply for loans from time to time in

accordance with the standard terms and conditions applicable to any other member.

The Directors of the Company are also Directors of APSBG.

Related party transactions are detailed in Section 4.7 of this Prospectus.

## **4.7 ASIC Benchmarks for Unlisted Notes**

In February 2012 ASIC issued an amended Regulatory Guide 69 which sets out 8 benchmarks formulated by ASIC to assist investors in understanding the risks and suitability of an investment in debentures and notes. It requires Debenture and Note issuers to disclose whether they comply with those benchmarks and if they do not, they should explain why that is. This Section of this Prospectus addresses those benchmarks.

ASIC has produced an investor guide 'Investing in Debentures and Unsecured Notes' to help investors to understand and use the disclosure benchmarks and promote informed decision making. The guide is available at: [www.apsbenefitsgroup.com.au](http://www.apsbenefitsgroup.com.au) and follow the link to "Important Information" or at the Company's offices situated at 440 William Street West Melbourne 3003.

### **Benchmark 1: Equity Capital**

The Company **does comply** with ASIC's benchmark with regard to equity capital as at the date of issue of this Prospectus.

ASIC's benchmark is that issuers maintain a minimum of 8% equity or 20% equity where more than a minor part (10%) of the issuer's activities is property development or lending funds directly or indirectly for property development. The Company does not lend for property development (nor does APSBG) so the appropriate benchmark for the Company is equity of 8%.

Equity is the money invested by the owners of the issuer (plus any profits retained by the issuer). It provides a 'buffer' in the event of financial difficulties and it also provides the issuer's owners with an incentive to operate prudently and responsibly. Insufficient capitalization may be a factor that contributes to financial distress.

The Company will always endeavor to maintain sufficient equity. The Directors have agreed that the Company will retain its future profits to continue to increase its equity.

The Company's level of equity was 9.1% at 31 December 2019 ( 9.5% at 31 December 2018).

The Company's level of equity was 8.7% at 30 June 2020 (9.6% at 30 June 2019).

### **Benchmark 2: Liquidity**

The Company **does comply** with ASIC's benchmark with regard to liquidity.

ASIC's benchmark is that all issuers should:

- a) Have cash flow estimates for the next three months; and
- b) Ensure that at all times they have cash or cash equivalents sufficient to meet their projected cash needs over the next three months.

Liquidity is an important measure of the short-term financial health of an issuer or business. If the issuer has insufficient cash or liquid assets, it might be unable to meet its short-term obligations (e.g. to run the business properly, pay interest, or pay investors their money back at the end of the term).

The Company's AFSL and ASIC Regulatory Guide 166 require the Company to establish a Reasonable Estimate Projection.

Accordingly, the Company prepares monthly cash flow projections for its next three months of operations; to ensure that it has at all times cash to meet its projected needs over the next three months.

The Company has a policy in place of maintaining a minimum 20% liquidity (expressed as a percentage of cash or cash equivalents over APS Note funds held), which it considers to be adequate for the purposes of meeting its projected cash needs for the next three months. As at 30 June 2020 the liquidity level is 100%, as the loan agreement with APSBG provides that all loan monies are repayable to the Company on demand (refer to page 14 and 15 of Benchmark 5: Loan Portfolio for additional information). As at 30 June 2020 the cash or cash

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equivalents held by the Company totaled \$84,094,594, which is made up of \$82,022,488 in loan monies to APSBG and \$2,062,106 in cash (refer to Section 7.2).

Both the Company and APSBG have policies of ensuring that their respective assets and liabilities have similar maturity profiles. The Company believes that this relationship between APSBG's assets and liabilities will assist APSBG to repay its loan from the Company as and when required.

The estimates under this benchmark assume that no new loans are advanced to APSBG, no new APS Notes are issued and 60 per cent of maturing APS Notes are redeemed.

The Company has a policy of stress testing each quarterly cash flow projection by applying conservative assumptions including that no new loans are advanced to APSBG, no new APS Notes are issued and 80 per cent of maturing APS Notes are redeemed.

APS Savings has achieved an 84% renewal rate for the 3 months to 31 August 2020.

### Benchmark 3: Rollovers

The Company **does comply** with ASIC's benchmark with regard to rollovers.

ASIC's benchmark is that issuers disclose their approach to rollovers, including whether the 'default' is that note investments with them are automatically rolled-over.

The Company's policy is that approximately two weeks prior to the maturity date of an APS Note, the Company will notify the Noteholder in writing, of the rates and terms upon which funds may be reinvested for a further period. This pre-maturity letter will also state that the Company's current Prospectus document, together with any relevant ongoing disclosure documents, will be available from the Company's website [www.apsbenefitsgroup.com.au](http://www.apsbenefitsgroup.com.au). Noteholders who do not have access to the website may request a hard copy of these documents, free of charge, by contacting the Company's registered office directly.

If written instructions are not received for a renewal of an APS Note before its maturity date by the Company, the APS Note shall, upon maturity, be reinvested for a similar term at the current rate of interest payable at the time applicable to that term. A "Note Certificate" will be forwarded to the Noteholder confirming the reinvestment.

### Benchmark 4: Debt Maturity

The Company **does comply** with ASIC's benchmark with regard to debt maturity.

ASIC's benchmark states that all issuers should disclose:-

- a) when its interest bearing liabilities will fall due, by term and by value; and
- b) the interest rates, or average interest rates, applicable to these debts.

### APS Notes Maturity Profile as at 31 August 2020

Months	Amount	Proportion
0-3	\$22,089,627	28.3%
4-6	\$16,173,790	20.7%
7-12	\$30,599,194	39.2%
<u>13-24</u>	<u>\$9,133,552</u>	<u>11.8%</u>
<u>Total</u>	<u>\$77,996,163</u>	<u>100%</u>

As of 31 August 2020, the interest rate on issued APS Notes varied between 3% and 4.5% p.a. As at 31 August 2020 the weighted average interest rate that the Company was liable to pay to its Noteholders was 4.05% p.a. The Company does not offer 'at call' investments.

### Benchmark 5: Loan Portfolio

The Company **does comply** with ASIC's benchmark with regard to its loan portfolio.

The Company will on lend all money raised by the issue of APS Notes to APSBG.

ASIC's benchmark is that issuers who on lend funds should disclose the current nature of the loan portfolio of that related entity including:

- a) how many loans they have and the value of those loans
- b) an analysis of the maturity profile of interest bearing assets (including loan portfolio) by term and value
- c) the interest rates, or average interest rates, applicable to the assets
- d) by number and value, the loans they have by class of activity and geographic location
- e) an analysis (number of loans, value of loans, value of principal and/or interest) of those loans more than 30 days past due and renegotiated loans
- f) by number and value, what proportion of the total loan monies are lent on a 'secured' basis and what is the nature of the security
- g) by number and value, what proportion of the total loan monies they have lent to their largest borrower and 10 largest borrowers, and
- h) by number, value and percentage, what loans are subject to legal proceedings

If the issuer's loan portfolio is heavily concentrated into a small number of loans, or loans to a small number of borrowers, there is a risk that a single negative event affecting one loan will put the overall portfolio (and investor's money) at risk. The more diversified a loan portfolio is, the lower the risk that an adverse event affecting one borrower, or one type of loan will simultaneously affect the majority of borrowers.

APSBG has been lending monies to its members since 1938. It currently provides loans to 7,688 (including 466 Special Purpose Loans and 165 Secured Property Loans) of its 27,000 members. Members use the funds for motor vehicles, boats, holidays, debt consolidation of high interest loans/credit cards, home improvements etc. Loans generally range from \$1,000 to \$20,000. Special Purposes Loans are advanced to members to a maximum loan amount of \$60,000. The 165 secured loans are registered first mortgage over real property and are generally used for funding the purchase or reducing the interest rate applicable to that property. The average loan balance for all loans made by APSBG is \$21,210. The Company believes that APSBG provides sufficient diversification in a loan portfolio of almost \$163M.

APSBG has systems in place to monitor and control any arrears. These include:

- as soon as a loan repayment is missed, the borrower is immediately contacted by telephone or mail;
- if a response is not received after a further two (2) attempts by the credit officer, the file is immediately referred to our external credit agency for collection and the member's default is listed on the borrower's credit file with the credit agency. This may involve tracing lost borrowers and/or court proceedings.

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As at 31 August 2020, the total number of loans advanced by APSBG was 7,688 and the total value of those loans was \$163,059,315.

### Value of Loans Advanced by Location

State	Amount	%
NT	\$8,428,457	5%
TAS	\$876,263	1%
VIC	\$104,189,379	64%
WA	\$3,767,370	2%
SA	\$2,956,377	2%
ACT	\$5,264,760	3%
NSW	\$17,365,411	11%
QLD	\$20,211,298	12%
<b>Total</b>	<b>\$163,059,315</b>	<b>100%</b>

### Number of Loans Advanced by Location

State	Number	%
NT	990	13%
TAS	92	1%
VIC	1,547	20%
WA	339	4%
SA	305	4%
ACT	499	6%
NSW	1,734	24%
QLD	2,182	28%
<b>Total</b>	<b>7,688</b>	<b>100%</b>

The above tables provide information on the amount, number and the percentage of the loans by location. These figures will change over time.

<b>Purpose</b>	<b>Amount</b>	<b>%</b>
Medical	\$3,091,628	2%
Car Repairs	\$4,600,046	3%
Debt Consolidation	\$12,220,267	8%
Property/Investment	\$61,722,858	39%
Furniture	\$3,599,419	2%
Home Improvement	\$24,425,473	15%
Holidays	\$10,916,511	7%
Bills/Medical	\$11,989,701	7%
Cars/Boats	\$9,523,972	7%
<b>Total</b>	<b>\$163,059,315</b>	<b>100%</b>

The above table represents the total dollar value of loans advanced for each purpose and also shows each value as a percentage of the total loans advanced as at 31 August 2020. These percentages will change over time.

As at 31 August 2020, the total value of APSBG's interest bearing assets was \$185,700,425. This amount will change over time. The following table represents the maturity profile of these interest bearing assets by term and value. This is important when considering cash flow requirements and shows that within 1 month APSBG theoretically may have access to over \$90M if it is needed for cash flow purposes (subject to APSBG's ability to realise the value of its property loans within 1 month or APSBG finding an alternative financier for the property loans).

The average interest rate applicable to these assets is 8.8%. This rate will change over time.

#### **Maturity profile of Interest bearing assets**

<b>Investment Term</b>	<b>Amount</b>	<b>%</b>
< 1 Month	\$96,630,743*	52%
1-3 Months	\$6,660,997	4%
3-12 Months	\$9,768,350	5%
1-5 Years	\$62,304,573	34%
<u>5-7 Years</u>	<u>\$10,335,762</u>	<u>5%</u>
<b>Total</b>	<b>\$185,700,425</b>	<b>100%</b>

*\* Note: This amount includes the \$88,794,417 of property loans referred to above. These loans are included among interest bearing assets with a maturity of less than one month because they are repayable on 30 days written notice, and the amount of the property loans is not based on the notional 3 year terms of the loans. However, notwithstanding the right to seek repayment on 30 days written notice, the actual extent to which APSBG will be able to be repaid by the borrowers within 30 days of giving such notice will depend on various factors such as borrower liquidity and the availability of refinancing options.*

As at 31 August 2020, APSBG' largest borrower had a loan of \$2,794,685, which represents 1.7% of the total loans advanced in dollar terms and 0.01% of the total number of loans advanced. This loan is secured by first mortgage on property in Brighton (Melbourne), valued in April 2019 at \$8,089,091 by external independent valuation.

As at 31 August 2020, APSBG had advanced 10 loans totaling \$21,492,951 (including interest) to its 10 largest borrowers which represents 13% of the total loans advanced in dollar terms and 0.1% of the total number of loans advanced.



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As at 31 August 2020, the number of loans in arrears for more than 30 days (including 45 loans valued at \$18,850,913 where repayments have been reduced or deferred due to the impact of the pandemic on the members financial situation) is summarized in the following table:

Days in Arrears	Repayment Arrears \$	Balance of Loans in Arrears \$	Number of Loans in Arrears	% of Loans in Arrears	Balance of Loans in Arrears as a Percentage of Total Loans
30-59 Days	131,254	366,787	47	<1%	<1%
60-89 Days	124,526	333,143	36	<1%	<1%
90-119 Days	129,502	326,479	41	<1%	<1%
120 Days or more	863,366	23,188,169	190	3%	14%
<b>Total</b>	<b>\$1,248,648</b>	<b>\$24,214,578</b>	<b>314</b>	<b>4%</b>	<b>15%</b>

APSBG monitors the impact of the pandemic on its members and will continue to assess the circumstances and discuss with its members the best course of action in relation to these 45 loans where we have agreed for repayments to be reduced or deferred for specified periods. Of the \$24,214,578 loans in arrears, 24 loans with a balance of \$18,395,850 are secured, whilst 290 loans with a total balance of \$5,818,728 are unsecured.

As at 31 August 2020, 7 of the loans in arrears by more than 30 days with a total value of \$82,241 (less than 1% of loans) inclusive of interest were being pursued for the outstanding balances via legal proceedings. This amount may change over time.

### Loan Type - \$ Value of loans

Unsecured      \$74,264,898                      Secured              \$88,794,417

The average loan size is \$21,210. The maximum loan advance was \$2,794,685. This amount may change over time.

### Loan Type - No. of Loans

Unsecured      7,523                      Secured              165

Almost 46% of all loans by value, and 98% of all loans by number, are unsecured.

### Benchmark 6: Related Party Transactions

APS Savings Limited **does comply** with ASIC's benchmark with regard to related party transactions.

ASIC's benchmark is that issuers who on lend funds should disclose their approach to related party transactions, including, how many loans they have made to related parties and the value of those loans, and what assessment and approval process they follow with related party loans.

Related party loans might not be made with the same rigor and independence as transactions made on an arm's length commercial basis and have a greater risk of defaulting.

As at the date of this Prospectus, APS Savings does have related party transactions. As disclosed in this Prospectus, the Company has lent all monies raised to date, and will loan monies raised under this Prospectus, to

APSBG, on the terms and conditions of the loan agreement referred to in Section 8.3. As at 31 August 2020 the total loan to APSBG was \$84,229,507.

### **Benchmark 7: Valuations**

Neither the Company nor APSBG comply with ASIC's recommendation in Benchmark 7 that valuations should be conducted by external, independent valuers.

Benchmark 7 says that where an issuer is involved in or (directly or indirectly) lends money for property-related activities, it should take the following approach to obtaining and relying on valuations:

- (a) properties (i.e. real estate) should be valued on an 'as is' and, for development property, on an 'as if complete' basis;
- (b) development properties should be re-valued at least every 12 months unless the funds are retained by the issuer and only released in stages to cover project completion costs.
- (c) the issuer should have a clear policy on how often it obtains valuations, including how recent a valuation has to be when it makes a new loan;
- (d) the issuer should establish a panel of valuers and ensure that no single valuer conducts more than one-third of the total number of valuations obtained; and
- (e) the appointment of valuers should be with the trustee's consent.

Robust and objective valuations are needed to ensure the issuer's financial position is correctly stated in the prospectus and ongoing disclosure. It is therefore, important for the investor confidence that independent experts perform the valuations, and that the process is transparent.

The Company indirectly lends money for property related activities, as it loans funds to APSBG which then lends money on mortgages. Mortgage lending as part of APSBG's business has grown significantly over recent years. APSBG does not lend for property development.

Rather than using external valuers, as recommended by Benchmark 7, APSBG has historically generally relied on internal valuations for mortgage lending with a loan to valuation ratio below 70%, and in doing so, satisfies itself as to the value of the property by relying on a combination of the contract of sale, rates notices, and an independent online appraisal using recent sales data for the area.

When APSBG cannot determine what it regards as a proper value of a property by internal assessment, or the loan to valuation ratio exceeds 70%, it may request an external assessment from one of its list of qualified valuers. Valuers are independent of APSBG, have no interest in the property being valued, have no relationship with the borrower, and are approved by the Trustee.

While APSBG does not regularly engage external valuers, where it does so, the external valuations on property obtained by APSBG comply with Benchmark 7.

Real property assets which are taken as security are valued on an 'as is' basis. This means that the property is valued as it currently exists in respect to current market conditions.

APSBG's internal valuations are limited to low risk loans, and the holders of the APS Notes are well secured through the charge to the Trustee and the guarantee from APSBG in any event.

Property lending currently represents 54 per cent of APSBG's loan portfolio. The largest property related loan as at 31 August 2020 was \$2,794,685, representing 3% of APSBG's property related loan assets. This loan is secured by property in Brighton (Melbourne), valued in April 2019 at \$8,089,091 by external independent valuation.

APSBG is satisfied that its prudent lending policies and experience in property valuations minimises any risks which might otherwise be inherent in relying on internal valuation procedures. As property-related lending grows as a proportion of APSBG's business, APSBG anticipates its use of external valuers will increase.

**Benchmark 8: Lending principles – loan to valuation ratios**

The Company **does comply** with this benchmark.

A high LVR means that the property is more vulnerable to a downturn in the property market. Therefore, the risk of depositors losing their money could be higher.

The ASIC benchmark states that where an issuer (directly or indirectly) on lends money in relation to property related activities it should maintain the following LVR's:

- (a) where the loan relates to property development – 70% on the basis of the latest complying valuation;  
and
- (b) in all other cases – 80% on the basis of the latest complying valuation.

APSBG' lending activities include property related loans, which are always funded within the above lending ratios.

**Continuing Compliance**

The Company expects that it will continue to meet Benchmarks 1,2,3,4,5,6, and 8.

## **5. Directors & Company Officers**

### **5.1 Directors**

Glen Milner was appointed as a Director of the Company in October 2011, Kaye Kieni and Sharon Morris were appointed in October 2014, Kate Fazio was appointed as a Director in October 2016, Meg Bonighton and Sean Carroll were appointed as Directors in October 2018 and Tim Chilvers was appointed as a Director in October 2019.

**Glen MILNER**, Bachelor of Business (Public Administration), MAICD

Chairman APSBG, prior to his retirement, Glen Milner was Manager, People Services at the Bureau of Meteorology. In total, Glen had 42 years in the Australian Public Service predominantly in the Human Resources management field. Board of Management experience includes Vice President (4 years) and President of Basketball Victoria Inc. and Chair of the Finance Committee (3 years), as a Board Director of Basketball Stadiums Victoria Ltd (3 years), as a Board Director of Basketball Australia Ltd (3 years), as a Board member of Australian Basketball Association Inc. (3 years) and as President and Vice President of Broadmeadows Basketball Association Inc. (25 years).

**Kaye KIENI**, Bachelor of Business (Accounting), GDip Information Systems, Master of Information Systems Management, Certificate in Governance and Risk Management, CPA

Director, Finance, at the Productivity Commission since July 2007. Kaye has previously held similar positions at other Commonwealth Government Entities including serving as the inaugural CFO of the Australian Fairpay Commission Secretariat.

Kaye has over 29 years' experience in Financial Management and Governance at various Commonwealth Government Entities.

**Sharon MORRIS**, Bachelor of Arts (Psych and Politics), GDip Public Relations and Counselling and is a Sydney Leadership graduate.

Sharon Morris is General Manager for Australia and New Zealand, Chartered Institute of Procurement & Supply (CIPS). Previously Sharon was CEO of the Mother's Day Classic Foundation, has worked for the Royal Agricultural Society of Victoria, was Project Manager for the 150th Anniversary Celebration at the Parliament of Victoria and was the Manager of the Victoria Police Public Relations Unit. Sharon has worked overseas in Bangkok, Kuala Lumpur, Hong Kong, Seoul, Sydney and Taipei, and served on the Public Service Panel, Churchill Fellowship Victoria, The Winston Churchill Memorial Trust from 2004 - 2014 and as Executive Director and Company Secretary of MDC Foundation Limited (2015-2019) and National Secretary with Women in Super from 2010 -2017.

**Kate FAZIO**, BA (Media & Comms), B Laws (Hons), GDip Legal Practice, GCert Social Impact, Master of Social Impact and Philanthropy

Kate Fazio joined the APSBG Board in 2016. Kate is Head of Innovation and Engagement at Justice Connect. Prior to this role Kate has worked in several other senior management roles at Justice Connect and practiced as a solicitor.

**Meg BONIGHTON**, B.Bus (Marketing), BA (Politics)

Meg is a Director of APSBG, and is currently Executive Director, Global Contact Centres at Telstra. Meg has held a number of senior management roles in the banking and finance industry over the past 22 years.

**Sean CARROLL**, Masters Organisational Psychology (Monash), BA and BCommerce (Monash), GAICD

Director APSBG, and Managing Partner, Culturesmith Pty Ltd. Sean has worked in various senior management and leadership roles in logistics and banking and finance over the past 17 years.

**Tim CHILVERS** Masters of Applied Finance, Diploma of Financial Services, Bachelor of Business

First appointed a Director of APSBG in 2019, Tim has spent over 20 years in banking, finance and wealth management. He is currently Managing Director at Navigate, Evolve, Lead and the Faculty Head, Australian Institute of Coaching.

## **5.2 Company Officers**

**Craig WALDEN**, BBus (Accounting), Dip Finance and Mortgage Broking Management, MAICD

Craig was appointed as Company Secretary of APSBG in 2002 and of the Company in April 2011 and has also served as CEO of both entities since that time. Craig began his career in the Australian Taxation Office before heading into chartered accounting and then a career in financial services. He was head of Coles Myer superannuation funds, has been a registered tax agent, a human resources manager and a consultant specialising in business development and strategy. Craig is a Responsible Manager under the Company's Australian Financial Services Licence.

**Richard FERRARO**, CPA, MAICD

Richard was appointed as Chief Financial Officer of the Company and of APSBG in October 2012, as well as a Director of APS Tax Accounting and Business Services Pty Ltd for the same period. Richard is a registered tax agent and has a strong background in tax and finance having spent over 20 years in senior corporate accounting roles. Richard manages the financial reporting, cash flow analysis and most of the regular compliance obligations of the Company.

**Sam ATHANS**, Dip Finance and Mortgage Broking Management

Sam was appointed as Administration Manager of the Company in early 2011, and as Operations Manager in 2017. Sam has over 35 years' experience in finance and banking. Sam is responsible for the day to day running of the business reporting directly to the CEO and the Board of Directors as required. Sam is a Responsible Manager under the Company's Australian Financial Services Licence.

**Tony CALDER**, Cert 4 in Mortgage Management

Tony was appointed as Customer Service Supervisor of the Company in October 2015, and as Administration Manager of the Company in March 2017. Tony has over 31 years' experience in finance and banking having worked in mortgage management for over 20 years at Westpac. Tony manages the customer service and administrative obligations of the Company, including compliance.

## **6. Details of the Issue**

### **6.1 Purpose of this Prospectus**

The purpose of this Prospectus is to:

1. ensure that APSBG members and investors generally have access to competitive interest rates on investments; and
2. enable the Company to raise additional funds through the issue of APS Notes to provide for the expansion of the principal activity of APSBG of lending money by way of loans to its members for which there is a continuing demand.

The proceeds of this issue will be invested in accordance with the Trust Deed between the Company and the Trustee (refer to Section 8.1).

There is no minimum amount to be raised under this Prospectus as the Company already has sufficient funds for the conduct of its business and there is also no maximum amount to be raised subject to the Company's borrowing limitations referred to in Section 8.2.

Subscriptions for APS Notes may only proceed on the Investment Application Form accompanying this Prospectus. No APS Notes will be allotted or issued on the basis of this Prospectus after its expiry date, but the Directors reserve the right to close the Prospectus at an earlier date.

### **6.2 Security and Risk Assessment**

Repayment of all monies that are invested in APS Notes is secured by a first ranking charge given by the Company over all the present and future property, assets and undertaking of the Company (including all of the Company's present and future rights in relation to that property, assets and undertaking) wherever situated in favour of the Trustee as trustee for the Noteholders.

In addition to the Company's security given to the Trustee, APSBG has provided a guarantee in respect of the Company's obligations to the Trustee under the Trust Deed (and other security documents between the Trustee and the Company), supported by a charge over all the present and future property, assets and undertaking of APSBG (including all of its present and future rights in relation to that property, assets and undertaking) wherever situated.

In addition to the security under the Trust Deed and APSBG's deed of guarantee, the Trustee has entered into general security deeds with each of the Company and APSBG. More information on the respective security arrangements is at Section 8.1 of this Prospectus.

The property which is the security for the charge given by the Company as at the date of this Prospectus is referred to in Sections 4.5 and 6. The property which is the security for the charge given by APSBG is referred to in the financial report in Section 7.

In the assessment of the Company the property that constitutes the security for the charges referred to is sufficient and is reasonably likely to be sufficient to meet the liability for the repayment of all such money and other liabilities that have been or may be incurred and rank in priority to, or equally with, that liability.

The Trustee acts as a representative of the holders of APS Notes in accordance with its obligations as set out in the Trust Deed, further details of which are contained in Section 8.1 of this Prospectus, and in the Corporations Act.

The APS Notes do not represent deposits or liabilities of the Trustee, its directors or officers or related entities of the Trustee, and neither the Trustee nor the directors or officers of the Trustee or related entities of the Trustee guarantees or is otherwise responsible for the obligations of the Company, APSBG, the return of capital or any particular rate of return on APS Notes.

The risk associated with investment in this issue of APS notes as to loss of capital or interest depends on the performance of the Company and the financial strength of APSBG as guarantor. The guarantor of the notes is also the borrower under the inter-company loan and is only likely to be required to meet its obligations under the guarantee in circumstances where it is unable to meet similar obligations under the loan. This will be affected by factors including the composition of the loan portfolio of APSBG, fluctuations in market interest rates and the ongoing strength of the business of APSBG generally.

APSBG has also established and implemented a fully operational risk management system plan that is consistent with Australian and New Zealand standard on risk management systems and meets the requirements of its AFSL. This risk management plan has also been adopted by APS Savings Limited and

meets the requirements of its AFSL. The Company's AFSL Responsible Manager, who reports to the Board of Directors, is responsible for the management and maintenance of the risk management system. This provides a structured approach to ensure strategies are in place to meet the Company's obligations under the Corporations Act, its AFSL as well as other core risks including human resources, financial, technology, internal and external business and economic risks which may impact on the Company's operations.

APSBG has formal loan procedures in place for the processing and approval of loan applications received from its members. These procedures include:

- 1) All loan applicants must provide - personal and employment details, a detailed balance sheet of their financial position, names, addresses and phone details of three personal referees and a signed privacy form allowing APSBG to obtain information from other lenders.
- 2) Evidence of income supporting the application.
- 3) Credit checks are undertaken on the member's credit file.
- 4) The application is then assessed in accordance with the National Consumer Credit Protection (NCCP) Act which enforces responsible lending.

The Loans Officer will:-

- Make reasonable enquiries of the borrower's financial position, their requirements and objectives.
- Take reasonable steps to verify borrower's financial position by questioning credit enquiries which have been noted on their credit file.
- Make an assessment as to whether the loan is considered "*not unsuitable*" ensuring that the borrower has the ability to repay the loan without undue pressure.
- If all requirements are met, forward a letter of approval together with contracts to the borrower.

Loan applications will be declined (and the member immediately notified) if:

- the application is considered unsuitable for the applicant.

- their commitments exceed an acceptable level when compared to their regular income.
- they are an un-discharged bankrupt.
- they have a poor credit rating (e.g. previous defaults on loans/credit cards).

### **6.3 Products and Services**

To invest in APS Notes you must complete the Investment Application Form accompanying this Prospectus and lodge it with a cheque at, or forward it by mail to, the registered office of the Company at 440 William St West Melbourne, Vic 3003, or complete the On-Line Investment Application Form via our website [www.apsbenefitsgroup.com.au](http://www.apsbenefitsgroup.com.au). Instructions are also set out on the Investment Application Form.

The Company offers the investor the opportunity to invest for a 6, 12 or 24 month fixed term, with interest paid monthly. APS Notes will also be issued for non-fixed terms requiring a minimum of 31 days' notice of withdrawal. The investor may elect to either receive the interest payment (to a nominated bank account) or to reinvest the interest in additional APS Notes and therefore obtain the benefit of capitalising the interest at the same rate applicable to the principal investment.

A minimum subscription of \$10.00 applies.

#### **6.3.1 APS Notes on Issue**

As at 31 August 2020 the Company had \$77,996,163 APS Notes on issue.

#### **6.3.2 About the Company's Investments**

Monies invested in APS Notes by investors will be used for the Company's business, which is principally lending to its parent, APSBG.

### **6.4 Applications and Allotment**

The Company will allot APS Notes as applications are received and they will be acknowledged by the Company forwarding a 'Note Certificate' within 28 days after receipt of the subscription money. The Company reserves the right to reject applications for APS Notes.

### **6.5 Payment of Interest**

The Company issues APS Notes with varying investment terms and interest rates. APS Notes are for a fixed term of either 6, 12 or 24 months. APS

Notes will also be issued for non-fixed terms requiring a minimum of 31 days notice of withdrawal.

APS Notes provide a fixed rate of interest for the term of the 6, 12 or 24 month investment, and a variable rate of interest for the 31 days' notice of withdrawal accounts.

The interest rate applicable to each term is set out on the Interest Rate Card. Applicants should confirm the interest rate and term of the APS Notes with the Company prior to completing the Investment Application Form to ensure that the terms and interest rates shown on the Interest Rate Card are current. The means of determining the terms and interest rates are simple and involve no charge.

Interest is calculated and accrues daily from the date of receipt of your application monies. Interest is automatically reinvested if no instructions have been given.

Upon maturity interest may be either reinvested back into your APS Notes or transferred directly to your nominated account with another financial institution. All interest payable on APS Notes is secured under the Trust Deed (for further details refer to Section 8.1).

#### **6.6 Variation of Interest Rates and Maturity Dates**

Interest rates for APS Notes are set out in the Interest Rate Card. The Company reserves the right to vary any interest rate or investment term for APS Notes to be issued during the currency of this Prospectus. A variation in interest rate or investment term will not affect APS Notes already on issue.

Where you make an application for APS Notes and your selected rate or term on the Investment Application Form is not current, or you do not select an interest rate or term, the Company may either:

- a) repay the money received from you, or
- b) send you a notice which explains the correct information and your rights to be repaid or to have the APS Notes issued at the correct rate or term, or
- c) issue the APS Notes to you at the current interest rate as well as giving you the notice referred to in the previous paragraph and one month to withdraw your Application and be repaid if you wish.

Where the interest rate specified on your Investment Application Form is higher than the current interest

rate, the Company may elect to issue the APS Notes, to you at the higher interest rate.

#### **6.7 Repayment of Principal and Interest**

The Company will repay in full fixed term APS Notes together with interest at maturity upon the production to the Company of the relevant certificate. Prior to the maturity date of an APS Note, the Company will notify the Noteholders in writing of the rates and terms upon which funds may be reinvested for a further term.

If instructions are not provided for the reinvestment in APS Notes and the relevant certificate is not produced for redemption, the investment will on maturity be reinvested for the same term at the interest rate then applicable to APS Notes for that term.

#### **6.8 Withdrawal before Maturity**

The Company will consider requests by Noteholders who, through unforeseen and exceptional circumstances, wish to redeem some or all of their APS Notes before maturity. Early redemption will be at the absolute discretion of the Company and may be subject to a reduction in the rate of interest having regard to the period for which the Company held the investment and the maturity date.

If a sole Noteholder dies, his or her legal personal representative may redeem the Noteholder's APS Notes prior to maturity subject to compliance with legal requirements relating to deceased estates.

#### **6.9 Fees and Brokerage**

No entry or exit fees apply to an investment in APS Notes pursuant to this Prospectus and neither the Company nor APSBG pay brokerage or trail commissions to any individual or organization.

#### **6.10 Other Information**

The terms of issue of the APS Notes does not give Noteholders any right to participate in the operations of the Company or APSBG other than to receive interest and payment on maturity and any other rights as set out above in this Section 6.

The Trust Deed provides that the Company must call a meeting of Noteholders to consider the accounts and balance sheet that were laid before the last preceding annual general meeting of the Company if requested to do so in writing by Noteholders representing not less than 10% in nominal value of



the Notes on issue. At such a meeting Noteholders may give the Trustee direction in relation to the exercise of the Trustee's powers. The Corporations Act specifies other situations in which Noteholders may give directions to the Trustee at certain meetings of Noteholders. The Trustee is generally required to comply with a direction of Noteholders given to it at such meetings, unless it is of the opinion that the direction is inconsistent with the terms of issue of Notes, the provisions of the Trust Deed, the Corporations Act or is otherwise objectionable, and either the Trustee has obtained or is in the process of obtaining an order from the Court to set aside or vary the direction.

## 7. Independent Auditor's Report



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# Independent Auditor's Report

To the Members of APS Savings Ltd

### Report on the audit of the financial report

#### Opinion

We have audited the general purpose financial report of APS Savings Ltd (the Company) set out in sections 7.1 through 7.4 of the Prospectus, which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial report of the Company:

- a gives a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- b complies with Australian Accounting Standards.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the 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.

## 2. Emphasis of Matter: Basis of Preparation

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The financial report has been prepared for the purpose of issuing a prospectus to the members of APS Savings Ltd. As a result, the financial report may not be suitable for another purpose.

### 3. Information Other than the Financial Report and Auditor's Report Thereon

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The Directors are responsible for the other information. The other information comprises the information included in the Company's prospectus, but does not include the financial report and our auditor's report thereon.

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

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

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

### 4. Responsibilities of the Directors for the Financial Report

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

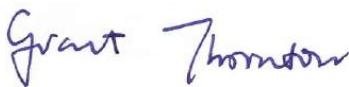
In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company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

### 5. Auditor's Responsibilities for the Audit of the Financial Report

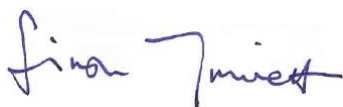
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Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



S C Trivett  
Partner – Audit & Assurance

Melbourne, 29 September 2020

## 7.1 Statement of Profit or Loss and Other Comprehensive Income – APS Savings Ltd

The following audited financial information relate to the Company.

Income		1 July 2019 to 30 June 2020	1 July 2018 to 30 June 2019	1 July 2017 to 30 June 2018
		\$	\$	\$
Interest received - APSBG		4,505,350	4,272,941	3,450,985
Interest received – other		<u>83</u>	<u>193</u>	<u>168</u>
Total income		4,505,433	4,273,134	3,451,153
<b>Expenses</b>				
General administration		(123,798)	(164,974)	(146,679)
Depreciation and amortisation		(2,672)	(2,969)	(3,134)
Interest - APS Noteholders		<u>(2,851,046)</u>	<u>(2,152,352)</u>	<u>(1,714,003)</u>
Total expenses		<u>(2,977,516)</u>	<u>(2,320,295)</u>	<u>(1,863,816)</u>
Profit/(loss) before tax		1,527,917	1,952,839	1,587,337
Income tax expense		<u>(420,177)</u>	<u>(537,031)</u>	<u>(436,518)</u>
<b>Net profit/(loss) after tax</b>		<u>1,107,740</u>	<u>1,415,808</u>	<u>1,150,819</u>

## 7.2 Statement of Financial Position –APS Savings Ltd

	at 30 June 2020	at 30 June 2019	at 30 June 2018
	\$	\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	2,062,106	473,622	487,564
Loan - APSBG	<u>82,022,488</u>	<u>64,467,018</u>	<u>49,900,079</u>
Total Current Assets	84,084,594	64,940,640	50,387,643
<b>Non-Current Assets</b>			
Other financial assets	10,000	10,000	10,000
Plant and equipment	<u>24,049</u>	<u>26,721</u>	<u>29,690</u>
Total Non-Current Assets	<u>34,049</u>	<u>36,721</u>	<u>39,690</u>
<b>Total Assets</b>	84,118,643	64,977,361	50,427,333
<b>Current Liabilities</b>			
Trade Creditors	55,728	17,500	100
APS Noteholders	<u>67,600,016</u>	<u>51,592,076</u>	<u>38,656,882</u>
Total Current Liabilities	67,655,744	51,609,576	38,656,982
<b>Non-Current Liabilities</b>			
APS Noteholders	9,104,708	7,116,598	6,934,156
Deferred tax liability	<u>6,613</u>	<u>7,349</u>	<u>8,165</u>
Total Non-Current Liabilities	<u>9,111,321</u>	<u>7,123,947</u>	<u>6,942,321</u>
<b>Total Liabilities</b>	<u>76,767,065</u>	<u>58,733,523</u>	<u>45,599,303</u>
<b>Net Assets</b>	<u>7,351,578</u>	<u>6,243,838</u>	<u>4,828,030</u>
<b>Equity</b>			
Contributed Equity	1,000,000	1,000,000	1,000,000
Retained Earnings	5,243,838	3,828,030	3,828,030
Current Year Earnings	<u>1,107,740</u>	<u>1,415,808</u>	-
<b>Total Equity</b>	<u>7,351,578</u>	<u>6,243,838</u>	<u>4,828,030</u>

### 7.3 Statement of Cash Flows – APS Savings

	Year ended 30 June 2020	Year ended 30 June 2019	Year ended 30 June 2018
	\$	\$	\$
<b>Operating activities</b>			
Payments to suppliers	(85,570)	(147,574)	(146,579)
Interest paid	(2,831,691)	(2,132,483)	(1,695,548)
Interest received	<u>4,273,024</u>	<u>3,451,178</u>	<u>2,980,713</u>
Net cash from operating activities	1,355,763	1,171,121	1,138,586
<b>Investing activities</b>			
Deposits from investors	17,976,695	13,097,767	9,598,450
Payments for plant and equipment			(12,012)
Loan to APS Benefits	<u>(17,743,974)</u>	<u>(14,282,830)</u>	<u>(11,035,095)</u>
Net cash used in investing activities	232,721	(1,185,063)	(1,448,657)
<b>Net change in cash and cash equivalents</b>	1,588,484	(13,942)	(310,071)
<b>Cash at the beginning of the financial year</b>	<u>473,622</u>	<u>487,564</u>	<u>797,635</u>
<b>Cash at the end of the financial year</b>	<u>2,062,106</u>	<u>473,622</u>	<u>487,564</u>

## 7.4 Notes to the Financial Statements for the year ended 30 June 2020 – APS Savings

### 1. Statement of significant accounting policies

The general purpose financial statements of the entity 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. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). APS Savings Ltd is a for-profit entity for the purpose of preparing the financial statements.

#### General information

APS Savings Ltd (APSS) is a company limited by shares, incorporated and domiciled in Australia.

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.

#### Significant Accounting Policies

Other than the new or amended accounting policies outlined below, the same accounting policies and methods of computation have been applied in the Company's financial report for the year ended 30 June 2020 as were applied in the last annual financial report, but with the following updates.

#### AASB 16 Leases

The Company has adopted AASB 16 Leases from 1 July 2019. The Company's has no leases and hence there has been no impact on the Company of the adoption of this standard.

#### Going concern

These financial statements have been prepared assuming the Company is a going concern. In order for the Company to continue to operate as a going concern, the Company is reliant on the continuing financial support of its parent entity, APS Benefits Group Ltd. It is also reliant on the ability to call upon the loan receivable from APS Benefits Group Ltd which amounts to \$82,022,488 (June 2019: \$64,467,006).

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 Company 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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
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**

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

**Loans and Receivables**

Loans and receivables are non-derivative 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.

**Financial Liabilities**

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

**Impairment**

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

Additionally, in accordance with AASB9, the Company assesses expected credit losses and raises a provision where forward looking analysis indicates a potential future increase in credit risk.

d. **Impairment of Assets**

At each reporting date, the Company reviews the carrying values of its tangible 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

e. **Operating Expenses**

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

f.

**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.

g. **Revenue**

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

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

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

i. **Events after the 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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

j. **Comparative Figures**

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

k. **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 Company.

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company 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.

l. **Changes in Accounting Policies**

*Adoption of new and revised Accounting Standards:*

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The adoption of these amendments has not had an impact on the Company.

**2. Revenue**

	1 July 2019 to 30 June 2020	1 July 2018 to 30 June 2019	1 July 2017 to 30 June 2018
Interest on loan to APSBG	\$ 4,505,350	\$ 4,272,941	\$ 3,450,985
Other interest/income	<u>83</u>	<u>193</u>	<u>168</u>
	4,505,433	4,273,134	3,451,153

**3. Operating surplus**

	at 30 June 2020	at 30 June 2019	at 30 June 2018
Operating surplus has been arrived at after charging the following items:	\$	\$	\$
Depreciation and amortisation	2,672	2,969	3,134

**4. Income taxes**

<b>Income tax expense</b>			
Profit before tax	1,527,917	1,952,839	1,587,337
Income tax calculated at 27.5%	<u>420,177</u>	<u>537,031</u>	<u>436,518</u>
<b>Actual tax expense</b>	420,177	537,031	436,518
Tax expense comprises:			
Current tax expense	420,177	537,847	434,596
Deferred tax expense	=	<u>(816)</u>	<u>1,922</u>
<b>Tax expense</b>	420,177	537,031	436,518



<b>Deferred tax asset</b>	-	-	-
Balance at the beginning of year	-	-	-
(Decrease)/increase for the year			
<b>Deferred tax liability</b>	7,349	8,165	6,243
Balance at the beginning of year	<u>(736)</u>	<u>(816)</u>	<u>1,922</u>
(Decrease)/increase for the year	6,613	7,349	8,165

## 5. Cash and cash equivalents

Cash at bank	2,062,106	487,564	797,635
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## 6. Trade and other receivables

### Current

Trade debtors	-	12	8
Loan to APS Benefits Group	<u>82,022,488</u>	<u>64,467,006</u>	<u>49,900,071</u>
	82,022,488	64,467,018	49,900,079

Debenture Notes Issued are loaned to the related party APS Benefits Group Ltd at interest.

## 7. Trade and other payables

	at 30 June 2020	at 30 June 2019	at 30 June 2018
<b>Current</b>	\$	\$	\$
Trade Creditors	55,728	17,500	100
Debenture Notes Issued	<u>67,600,016</u>	<u>51,592,076</u>	<u>38,656,882</u>
	67,655,744	51,609,576	38,656,982
<b>Non-Current</b>			
Debenture Notes Issued	9,104,708	7,116,598	6,934,156

The average credit period on purchases of goods and services is 30 days. No interest is charged on trade payables for the first 60 days from the date of invoice. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The Company accepts investments in the form of interest-bearing Debenture Notes from members and makes loans at interest to related party APS Benefits Group Ltd. The Company's obligation to repay is secured by the Company and APS Benefits Group Ltd.'s present and future property, assets and undertaking. The Debenture Notes are repaid to members at the end of the note term.

## 8. Property, plant and equipment

	Plant and equipment
<b>Gross carry amount</b>	\$
Balance at 30 June 2018	47,685
Additions	=
Balance at 30 June 2019	47,685
Additions	=
Balance at 30 June 2020	47,685
<b>Accumulated Depreciation</b>	
Balance at 30 June 2018	17,995
Depreciation expense	<u>2,969</u>
Balance at 30 June 2019	20,964
Depreciation expense	<u>2,672</u>
Balance at 31 December 2020	23,636
<b>Net Book Value</b>	
As at 30 June 2018	29,690
As at 30 June 2019	26,721
As at 30 June 2020	<u>24,049</u>

## 9. Segment reporting

There is only one reportable segment based on the aggregation criteria in AASB 8. The Business operates only within Australia

## 10. Contingent liabilities

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

## 11. Commitments

The Directors are not aware of any commitments that the Company needs to disclose.

## 12. Related party transactions

Related party transactions consist of a \$82,022,488 (2019: \$64,467,00) loan to APS Benefits Group Ltd, interest earned of \$4,505,350 (2019: \$4,272,941) on the loan to APS Benefits Group Ltd and a \$14,400 (2019: \$14,400) administration management fee that relates to employee expenses as there are no employees directly paid by APS Savings Ltd. There were no related party transactions that incorporate special terms and conditions and no guarantees given or received. The interest charged is on normal terms and conditions available to anyone.

## 13. Share capital

The share capital of APS Savings Ltd consists only of fully paid ordinary shares.

Shares beginning of year	1,000,000	1,000,000	1,000,000
Share issue	-	-	-
Total shares issued	1,000,000	1,000,000	1,000,000

## 14. Key management personnel

There were no employees paid directly by APS Savings Ltd, however there were directors of the Company and key management personnel paid by APSBG that have Notes with the Company. The interest paid on these deposits is on normal terms and conditions available to anyone.

Notes held by key management personnel	at 30 June 2020	at 30 June 2019	at 30 June 2018
	\$	\$	\$
Balance 1 <sup>st</sup> July	262,285	115,919	68,750
Change in key management	(67,737)	-	-
Additional deposits	383,080	248,080	43,100
Interest received	12,636	9,473	4,069
Redemptions	(141,370)	(111,187)	-
Balance 30 <sup>th</sup> June	448,894	262,285	115,919

## 15. Reconciliation of cash flows from operating activities

Profit for period	1,107,740	1,415,808	1,150,819
Non cash flows in profit			
- Depreciation	2,672	2,969	3,134
Changes in assets and liabilities			
- (Increase)/Decrease in accrued interest receivable	(232,409)	(821,956)	(470,440)
- Increase/(Decrease) in accrued interest payable	477,760	574,300	455,073
	1,355,763	1,171,121	1,138,586

## 16. Fair value measurement of financial instruments

### Fair value of financial assets and liabilities

A review of the fair value calculation indicated that there were no significant variances between book and fair values for the Company. As a result, the fair value details have not been included. Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability.

The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Company and there is no active market to assess the value of the financial assets and liabilities. Assets where the fair value is lower than the book value have not been written down in the accounts of the Company on the basis that they are to be held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

The fair value estimates were determined by the following methodologies and assumptions:

- the carrying values of cash and cash equivalents redeemable within 3 months approximate their fair value as they are short term in nature or are receivable on demand.
- as the loan receivable from APS Benefits Group is a variable rate loan, the amount shown in the Statement of Financial Position is considered to be a reasonable estimate of fair value.
- the fair value of fixed rate debentures repricing within twelve months is the amount shown in the Statement of Financial Position at 30 June. Discounted cash flows (based upon the deposit type and its related maturity) were used to calculate the fair value of other debentures however no material difference between fair value and carrying value was determined.

## 7.5 Statement of Profit or Loss and Other Comprehensive Income – APSBG

The following financial information relate to APSBG of which the Company is a subsidiary. It is not a report of the financial position of the Company itself. They are included here because of the importance of the financial position of APSBG to investors in APS notes, as the loan(s) to APSBG represent the Company’s major asset (as shown on the Company’s balance sheet) and the obligations of the Company to the Trustees for the APS Noteholders are guaranteed by APSBG, and that guarantee by APSBG is secured by a charge over its assets. The financial statements and notes to the financial statements for APSBG have been extracted from pre-existing audited financial reports. Notes to the financial statements are included in Section 7.7 below.

		<b>Consolidated</b>		
	Note	<b>June 2020</b>	<b>June 2019</b>	<b>June 2018</b>
		\$	\$	\$
Revenue from operations		17,914,642	17,133,298	16,595,248
Employee benefits expense		(2,731,443)	(2,707,560)	(2,663,556)
Depreciation and amortization expense		(202,275)	(70,069)	(49,373)
Benefits paid to members		(2,712,817)	(2,489,816)	(2,338,421)
Changes in mortuary fund liabilities	3	(3,639,000)	(6,135,000)	(2,918,000)
Occupancy expense		(85,303)	(236,436)	(252,771)
Postage and telephone expense		(130,660)	(155,728)	(200,100)
Bad debts expense		(1,920,774)	(756,230)	(1,420,105)
External services expense		(842,079)	(1,078,175)	(983,195)
Board and AGM expenses		(219,634)	(224,225)	(221,114)
Interest expense on debenture notes issued		(2,851,046)	(2,152,352)	(1,714,003)
Interest expense on lease liabilities		(95,597)	-	-
Marketing expense		(140,231)	(158,237)	(180,913)
Other expenses		(898,413)	(800,390)	(799,540)
Operating surplus/(deficit) before tax		1,445,370	169,080	2,854,157
Income tax expense	1	(2,103,030)	(2,002,969)	(1,645,820)
Net surplus/(deficit) for the year		(657,660)	(1,833,889)	(1,208,337)
Other comprehensive income				
Net gain on revaluation of property		-	-	-
Total comprehensive income		(657,660)	(1,833,889)	(1,208,337)

7.6 Statement of Financial Position - APSBG

Consolidated

	June 2020	June 2019	June 2018
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	16,660,106	8,926,744	13,691,255
Trade and other receivables	69,700,010	54,819,007	28,225,512
Other financial assets	6,622,965	6,710,787	4,521,340
Other	135,184	79,248	76,198
<b>Total current assets</b>	<b>93,118,265</b>	<b>70,535,786</b>	<b>46,514,305</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	91,998,220	92,891,940	99,548,018
Property, plant and equipment	374,172	388,927	379,769
Intangible assets	-	62,072	62,072
Right of use assets	1,471,958	-	-
Deferred tax asset	1,059,266	772,296	884,499
<b>Total non-current assets</b>	<b>94,903,616</b>	<b>94,115,235</b>	<b>100,874,358</b>
<b>Total assets</b>	<b>188,021,881</b>	<b>164,651,021</b>	<b>147,388,663</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	69,649,407	53,379,898	41,208,736
Current tax liabilities	1,049,895	538,882	203,410
Lease liabilities	101,532	-	-
Provisions	930,444	837,016	730,934
Mortuary fund	2,526,750	2,448,329	2,336,500
<b>Total current liabilities</b>	<b>74,258,028</b>	<b>57,204,125</b>	<b>44,479,580</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	104,157	97,544	99,653
Provisions	23,168	12,925	45,865
Lease liabilities	1,409,072	-	-
Mortuary fund	99,334,250	95,773,671	89,750,500
Debenture Notes Issued	9,104,708	7,116,598	6,934,156
<b>Total non-current liabilities</b>	<b>109,975,355</b>	<b>103,000,355</b>	<b>96,830,174</b>
<b>Total liabilities</b>	<b>184,233,383</b>	<b>160,204,863</b>	<b>141,309,754</b>
<b>NET ASSETS/EQUITY</b>	<b>3,788,498</b>	<b>4,446,158</b>	<b>6,078,909</b>

7.7 Notes to the Financial Statements for the Year Ended 30 June 2020 – APSBG

	Consolidated		
	2020	2019	2018
<b>1. INCOME TAXES</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>(A) Income Tax Expense</b>			
Prima facie income tax expense calculated at 27.5% on the operating surplus and abnormal items	2,144,669	2,418,321	2,230,409
	2,144,669	2,418,321	2,230,409
Increase in Income Tax expense due to:-			
Entertainment expense	14,343	17,464	11,375
Non-tax assessable items:			
Non-allowable deductions	511,237	120,026	79,080
Exempt member subscription income	(703,341)	(686,062)	(689,387)
Under/(over) provision in previous year	148,231	143,694	22,158
Rebateable income	<u>(12,109)</u>	<u>(10,474)</u>	<u>(7,815)</u>
Income tax expense attributable to operating surplus	<u>2,103,030</u>	<u>2,002,969</u>	<u>1,645,820</u>
<b>(B) Components of Income Tax Expense</b>			
Current tax expense	2,383,387	1,892,876	1,692,489
Deferred tax expense	<u>(280,357)</u>	<u>110,093</u>	<u>(46,669)</u>
	<u>2,103,030</u>	<u>2,002,969</u>	<u>1,645,820</u>
<b>(C) Deferred Tax Asset and Liabilities</b>			
Deferred taxes arising from temporary differences and unused tax losses are summarised as follows:			
	<b>1 July</b>	<b>Recognised</b>	<b>30 June</b>
	<b>2019</b>	<b>in profit or</b>	<b>2020</b>
		<b>loss</b>	
Provision for doubtful debts	284,442	179,130	463,572
Employee benefits	233,734	28,509	262,243
Plant and Equipment	(54,235)	(6,329)	(60,564)
Capital losses	141,389	78,828	220,217
Other	<u>69,423</u>	<u>219</u>	<u>69,642</u>
	<u>674,753</u>	<u>280,357</u>	<u>955,110</u>

<b>2. TRADE AND OTHER PAYABLES</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
CURRENT	\$	\$	\$
	-----	-----	-----
Sundry creditors	442,408	427,590	293,726
Trade creditors	71,038	141,113	110,270
Other accruals	1,535,945	1,219,119	2,147,858
Debenture Notes Issued	<u>67,600,016</u>	<u>51,592,076</u>	<u>38,656,882</u>
	<u>69,649,407</u>	<u>53,379,898</u>	<u>41,208,736</u>
 NON-CURRENT			
Debenture Notes Issued	<u>9,104,708</u>	<u>7,116,598</u>	<u>6,934,156</u>
	<u>9,104,708</u>	<u>7,116,598</u>	<u>6,934,156</u>
 <b>3. MORTUARY FUND</b>			
Balance at start of period	98,222,000	92,087,000	89,169,000
Increase in mortuary fund	<u>3,639,000</u>	<u>6,135,000</u>	<u>2,918,000</u>
Balance at end of period	<u>101,861,000</u>	<u>98,222,000</u>	<u>92,087,000</u>
 <b>Mortuary Fund - Current Liabilities</b>	 2,526,750	 2,448,329	 2,336,500
<b>Mortuary Fund - Non-Current Liabilities</b>	 99,334,250	 95,773,671	 89,750,500

The financial information for APSBG is based on 30 June 2020 audited accounts. The full audited accounts are available at [www.apsbenefitsgroup.com.au](http://www.apsbenefitsgroup.com.au) or by asking for a copy by calling 1300 131 809.

## **8. General Information**

### **8.1 Trust Deed and Securities**

By a Trust Deed dated 6 December 2011 (as amended) (Trust Deed) and a General Security Deed dated 1 March 2012 (Company General Security Deed) the Company granted a charge and security interest over all the present and future property, assets and undertaking of the Company (including all the Company's present and future rights in relation to the property, assets and undertaking) wherever situated in favour of the Trustee as trustee for Noteholders. By a General Security Deed dated 1 March 2012 (as amended) (APSBG General Security Deed) and a deed of guarantee dated 6 December 2011 (as amended) (APSBG Guarantee) APSBG as guarantor also granted a charge and security interest over the whole of its present and future property, assets and undertaking (including all its present and future rights in relation to that property, assets and undertaking) wherever situated in favour of the Trustee as trustee for Noteholders. A copy of Trust Deed, APSBG Guarantee and the Company General Security Deed and the APSBG General Security Deed (together the "Security Documents") may be inspected by Noteholders at the registered office of the Company during normal business hours.

Under the Trust Deed, the Trustee holds in trust for the benefit of the APS Noteholders (among other things) the right to enforce the Company's duty to repay monies owed to the APS Noteholders by the Company or APSBG pursuant to the terms of the Trust Deed, APSBG Guarantee or the terms of issue of any of the APS Notes (among other things), any charge or security for repayment, the right to enforce any other duties that the Company has under the terms of the APS Notes, the provisions of the Trust Deed or Chapter 2L of the Corporations Act, and all other property which the Trustee acquires in accordance with the Trust Deed to hold pursuant to the trust constituted by the Trust Deed.

The liability of the Trustee to APS Noteholders arising under or in connection with the Trust Deed is limited to and can be enforced by the APS Noteholders against the Trustee only to the extent to which it can be satisfied out of any property of the Trust held by the Trustee out of which the Trustee is actually indemnified for the liability.

The Security Documents secure the payment to the Trustee of all money from time to time owed by the Company to APS Noteholders and to the Trustee.

#### **Use of money by APSBG**

The APSBG Guarantee includes a covenant by APSBG that it will not lend, advance, transfer or otherwise make available any money lent to it by the Company to any Related Body Corporate (as defined in the Corporations Act) of APSBG, other than the Company.

### **8.2 Limitation on Borrowing**

The power of the Company to borrow is limited by clause 7.2 of the Trust Deed. The Company covenants with the Trustee that it will not at any time issue any APS Notes nor will the Company suffer to exist any encumbrance over its property or assets if the Company's "Net Tangible Assets" do not exceed \$250,000. In that clause "Net Tangible Assets" means the Company's "Total Tangible Assets" less "Total External Liabilities". "Total Tangible Assets" means total tangible assets of the Company as calculated in accordance with generally accepted accounting principles. "Total External Liabilities" means at any time the aggregate at that time (as disclosed by the last audited balance sheet of the Company) of all secured and unsecured liabilities of the Company, including provisions for estimated liabilities and for dividends recommended, declared or accrued but unpaid, but excluding any borrowing, loan or financial accommodation which ranks for repayment behind monies owed to the APS Noteholders by the Company or APSBG under or pursuant to the terms of the Trust Deed, APSBG Guarantee or the terms of issue of any of the APS Notes (among other things).

Money raised by the issue of APS Notes must not at any time exceed \$100,000,000 without notice being given to the APS Noteholders. The Company has experienced a healthy increase of investment in APS Notes since the Company's last prospectus. The Company contemplates that in the near future, the amount of APS Notes on issue may increase to, or above the \$100 million threshold, at which time the Company will ensure it

complies with the requirements under the Trust Deed and the Corporations Act to allow the \$100 million threshold to be exceeded.

### Interest

The Trust Deed provides that interest will continue to accrue to the date of redemption of APS Notes. Where the Company does not redeem APS Notes on the due date, interest will accrue until actual repayment of the APS Notes. All interest accruing in this way is secured under the terms of the Trust Deed.

### Amendment to the Trust Deed

The Company and the Trustee can amend the Trust Deed by various methods including by an extraordinary resolution of Noteholders (being a resolution passed at a meeting of Noteholders and carried by a majority consisting of at least 75% of persons voting at the meeting, or if a poll is demanded, 75% by value of the total amount paid up on the APS Notes), or notification to them with an offer to redeem.

### 8.3 Material Contracts

The Company has in place the following material contracts which are critical to the Company's ability to make money and generate income and meet all key objectives of the Company.

- the **Loan Agreement** between the Company and APSBG which sets out the interest rate, repayment terms and conditions pertaining to the loan to APSBG. The Company is a wholly owned subsidiary of APSBG therefore this loan agreement is considered to be a related party agreement; and
- the **Trust Deed, General Security Deeds and APSBG Guarantee** referred to at section 8.1 above.

The terms of the Loan Agreement include the following:

APSBG will borrow from the Company all of the funds that the Company has available to lend from time to time, which amount will fluctuate. There is no specified maximum or minimum loan amount. The Company will retain sufficient funds to meet its operational costs and liquidity requirements.

The funds lent or any part of them will be repayable to the Company on demand. The loan agreement does not have a fixed term.

The interest rate payable by APSBG is at least 1% p.a. higher than the highest interest rate payable by the Company on any of the APS Notes on issue. The interest rate or the means of determining the interest rate may be varied from time to time by agreement between the Company and APSBG. Interest will be calculated on a daily basis and paid monthly in arrears.

Variations to the conditions of the loan agreement must be agreed by APSBG and the Company.

### 8.4 Privacy Policy

Protecting your privacy is important to us.

Whenever the Company collects and otherwise deals with your personal information it will be handled in accordance with the Privacy Act 1988 and the National Privacy Principles contained in the Privacy Act.

In general, the purposes for which the Company collects your personal information include:

- to facilitate the issue of APS Notes in accordance with a Prospectus,
- to forward our Investment Application Forms and Prospectus to you on request,



- to send you details of our financial products and services,
- for recruitment, and
- in general, managing our business relationships.

In using your personal information for these purposes, the Company may disclose your personal information to other parties. These other parties may include our lawyers and service providers.

In order to fulfill our legal requirements under the Corporations Act and the Income Tax Assessment Act, certain information relating to investors may be recorded in registers we keep. These registers may be inspected by trustees, auditors, and others as required by law.

If you do not consent to these disclosures, the Company will not be able to issue APS Notes to you.

The Privacy Policy of the Company contains information about how you may access or correct your personal information that it holds and can be accessed on the Company's website.

At all times, the Company will take care to ensure that your personal information is accurate, protected from misuse and treated confidentially, in accordance with the Privacy Act. The Company is not likely to disclose information to overseas recipients.

If you believe that the Company has not dealt with your personal information in a manner that complies with the Privacy Act you should contact us to discuss your concerns. Similarly, if you wish to access or find out what personal information the Company holds about you, you may make your request in writing to the Privacy Officer, at the following address: Level 1, 16-20 Howard Street, North Melbourne, Vic 3051.

## **8.5 Anti-Money Laundering**

The Company may delay, block or refuse to make a payment if it believes on reasonable grounds that making a payment may breach any law in Australia or any other country. The Company will incur no liability if it does so.

Information which is reasonably required to comply with any laws in Australia or any other country must be provided and may be disclosed where required by any laws in Australia or any other country.

When opening an investment or loan with the Company, it is reasonably believed that the payment of monies in accordance with your instructions will not breach any laws in Australia or any other country.

## **9. Corporations Act Requirements**

### **9.1 Interest and Payments**

No Director, or a firm of which a Director is a member, has an interest in the promotion of the Company or in property proposed to be acquired by the Company in connection with its formation or promotion or the offer of APS Notes that existed when the Prospectus was lodged or existed within two years before the lodging of the Prospectus.

The Directors are also the directors of APSBG of which the Company is a subsidiary.

No amounts have been paid or agreed to be paid in cash or shares or otherwise:

1. to any Director or a firm of which the Director is a member, to induce the Director to become or to qualify as a director or otherwise for services rendered by the Director or the firm in connection with the promotion of the Company, or
2. to the Directors or any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the promotion or distribution of this prospectus.

## **9.2 Consents and Responsibility Statements**

The Trustee has consented to be named as Trustee in this Prospectus. However, the Trustee has not authorised or caused the issue of this Prospectus and was not involved in preparing, nor does it take responsibility for, this Prospectus (other than statements referring directly to the Trustee).

Other than the parts of this Prospectus which refer directly to the Trustee, the Trustee has not made any representations as to the truth or accuracy of the contents of this Prospectus; and regarding or accepting any responsibility for any statements or omissions in or from any other parts of this Prospectus.

Other than the parts of this Prospectus which refer directly to the Trustee, the Trustee has relied upon the Company for the accuracy of the content of this Prospectus.

The Trustee has no involvement in the approval of any related party loans or any other steps taken under or in connection with the Company's affairs and operations.

The Trustee does not make any representations as to the performance of the Company, the compliance with benchmarks, the maintenance of capital or any particular rate of return.

APSBG has given its written consent to be named in this Prospectus and for the inclusion of the information as it relates to APSBG. APSBG has not withdrawn its consent prior to the lodgment of this Prospectus with ASIC.

APS Tax Accounting & Business Services Pty Ltd has given and not withdrawn its written consent to be named as Accountants. APS Tax Accounting & Business Services Pty Ltd has not been involved in the preparation of any other part of this Prospectus, has not authorised or caused the issue of any part of this Prospectus and specifically disclaims liability to any person in respect of statements included elsewhere in this Prospectus.

Grant Thornton Audit Pty Ltd has given and not withdrawn its written consent to the issue of this Prospectus with the Auditor's Report set out in Section 7 in the form and context in which it is included. Grant Thornton Audit Pty Ltd has not been involved in the preparation of any other part of this Prospectus, has not authorised or caused the issue of any part of this Prospectus and specifically disclaims liability to any person in respect of statements included elsewhere in this Prospectus.

Holley Nethercote has given and not withdrawn its written consent to be named as Solicitors to the Company in this Prospectus. Holley Nethercote name appears for information purposes only. Holley Nethercote has not been involved in the preparation of any part of this Prospectus, has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of this Prospectus.

## **9.3 Register of Noteholders**

The Company maintains a register of Noteholders at its registered office in accordance with its obligations under the Corporations Act. APS Noteholders and other persons have a limited right to inspect the Register, or request the Company to provide a copy of the Register or part of the Register in accordance with a declaration by ASIC.

## **9.4 Complaints Procedure**

The Company's policy is to handle complaints by APS Noteholders promptly and fairly. If you have a complaint concerning a decision by the Company in relation to your APS Notes, you may telephone or write to the Company's Complaints Officer or visit our registered Office at 440 William Street, West Melbourne Vic 3003. Telephone: 1300 131 809.

Our Complaints Officer will acknowledge receipt of your complaint within 7 days and advise you of the decision on your complaint in writing within 45 business days.

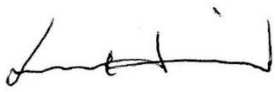
If you feel we have not satisfactorily resolved your complaint, you may refer your complaint to an independent and external complaints handling body called Financial Ombudsman Service Limited ('FOS'). Details of how to access this service are available at the Company's registered office.

## 10. DIRECTORS' STATEMENT

The Directors declare that for the period ended 30 June 2020, to the date of this Prospectus, and other than as disclosed in this Prospectus, they have not become aware of any circumstances which have or will, in their opinion, materially affect the trading and profitability of APS Savings Limited or the APS Benefits Group Limited or the value of either entity's assets or liabilities.

If you do not understand any of the material in this Prospectus, the Directors urge you to consult your financial adviser or accountant.

The Directors of the Company have consented to the lodgement of this Prospectus with ASIC.



Chairman

Glen Milner



Company Secretary

Craig Walden