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2011 FINANCIAL REPORT

2011 ANNUAL FINANCIAL REPORT

DIRECTORS' REPORT

The Directors present their report on the results of The Australian Psychological Society Limited ABN 23 000 543 788 (the Society) for the financial year ended 31 May 2011 and the state of affairs of the Society at that date. The following persons were directors of the Society during the whole of the financial year and up to date of this report, or for a lesser time period as indicated:

Simon Crowe	
Bob Montgomery	Retired 16/10/2010
Lyn Littlefield	
Sue Carter	Commenced 01/01/2011
Elizabeth Celi	
Gina Geffen	
Tim Hannan	Commenced 16/10/2010
Anne Lipzker	Retired 16/10/2010
Kate Moore	Retired 16/10/2010
Bob Rich	
Trang Thomas	Commenced 16/10/2010
Robyn Vines	
Deborah Wilmoth	Commenced 01/01/2011

Qualifications and experience of the Directors in office at the end of the financial year are on pages 6 and 7 of the Annual Report.

Principal activities

The principal activities of the Society during the year were the advancement of the scientific study and the professional practice of psychology. There were no significant changes in the nature of these activities during that period.

Operating and financial review

The net surplus for the year ended 31 May 2011 is \$1,395,059 (2010: \$864,129 surplus). The review of the operations during the financial year and the results of those operations are noted elsewhere in the Annual Report.

Risk management

The Society takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Society's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has established a separate Risk Management Committee to assist the Board to manage risk. From time to time the Board may also convene separate committees to further examine specific issues and risks, and have that committee report back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a Strategic Plan, which encompasses the Society's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk
- Implementation of Board-approved operating plans and budgets and Board monitoring of progress against these budgets
- The establishment of the Finance, Investment and Audit Committee, which assists in meeting the Board's responsibility to manage the Society's financial risks. The Committee advises the Board on such matters as the Society's liquidity, interest rate and credit policies and exposures, and monitors management's actions to ensure they are in line with the Society's policy.

Dividends

No portion of surplus in any year shall be paid to members by way of dividends, bonus or otherwise.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Society during the year ended 31 May 2011 not otherwise disclosed in the Annual Report.

Likely developments and expected results

The Society intends to continue with its existing activities and consider possible new activities that are consistent with its objectives.

Significant matters subsequent to the end of the financial year

No other matters or circumstances have arisen since 31 May 2011 that have significantly affected or may significantly affect:

- a. the Society's operations in future financial years, or
- b. the results of those operations in future financial years, or
- c. the Society's state of affairs in future financial years.

Indemnification and insurance of Directors and officers

During or since the financial year, the Society has paid premiums in respect of a contract insuring all Directors, office bearers and employees of the Society against costs incurred in defending proceedings for conduct involving:

- a. A wilful breach of duty; and
- b. A contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid was \$15,530 (2010: \$14,761).

Indemnification of auditors

The Society has entered into an agreement to indemnify their auditor, PricewaterhouseCoopers, against any claims or liabilities (including legal costs) asserted by third parties arising out of their services as auditor of the Society, where the liability arises as a direct result of the Society's breach of its obligations to the auditor, unless prohibited by the *Corporations Act 2001*.

Environmental regulation

The Society is not subject to any significant environmental regulation.

Registered office

The registered office of The Australian Psychological Society Limited is located at:
Level 11, 257 Collins Street
Melbourne VIC 3000

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DIRECTORS' REPORT [CONT.]

Employees

The Society employed 88.1 full time equivalent employees (including staff contracted to work on various externally funded projects) as at 31 May 2011 (2010: 80.9).

Corporate governance

The Board of Directors governs the Society and has overall responsibility for pursuing the Society's Mission, determining the strategic plan and priorities, monitoring implementation and developing a resource base to support the Society's activities. The Board is the ultimate decision-making and policy-setting body. It is also responsible for the financial viability of the Society and ensuring compliance with statutory requirements applicable to a company limited by guarantee. To assist the Board to fulfill its role and responsibilities various Board Committees, Advisory Groups, Reference Groups and Member Forums are appointed each year.

The Society's Constitution provides for the Board of Directors to be comprised of the President, Executive Director, six elected General Directors and up to three Directors appointed by the Board. The Executive Director is appointed by the Board. Every second year a President-Elect is elected to the Board to assume the role of President for a term of two years commencing at the end of their one year term as President-Elect. Each General Director is elected for a term of three years and each Additional Director appointed by the Board is appointed for a term of one year. Profiles of members of the Board of Directors as at 31 May 2011 are included at the front of this Annual Report.

All Directors must comply with the Board's code of conduct. This code covers issues such as the requirement to act in good faith, duties of due care and diligence, conflict of interest, proper use of power and information, independence, confidentiality and the obligation to comply with the Society's governing documents.

The Board meets at least six times a year for scheduled meetings. The Board is committed to holding at least two of these meetings outside of Melbourne, with the remaining meetings held at the Society's National Office in Melbourne.

Day-to-day management of the organisation's affairs and implementation of corporate strategy and policy initiatives are the responsibility of the Society's Executive Director, Professor Lyn Littlefield. The Society's company secretary is Barry Whitmore who has been a member of both the Institute of Chartered Accountants in Australia and CPA Australia for more than 20 years, and is a graduate member of the Australian Institute of Company Directors.

Directors' meetings including Committee meetings
(1 June 2010 to 31 May 2011)

	Committees							
	Directors Meetings		Finance, Investment and Audit		Governance		Risk Management and Compliance	
	H	A	CMH	A	CMH	A	CMH	A
Simon Crowe	8	8	5	5	3	3	-	-
Bob Montgomery	3	3	3	3	3	3	2	2
Lyn Littlefield	8	8	5	5	3	3	3	3
Sue Carter	3	3	2	2	3*	2*	-	-
Elizabeth Celi	8	8	-	-	3	3	-	-
Gina Geffen	8	8	-	-	-	-	-	-
Tim Hannan	5	5	-	-	-	-	-	-
Anne Lipzker	3	3	-	-	-	-	-	-
Kate Moore	3	3	3	2	-	-	-	-
Bob Rich	8	8	-	-	-	-	3	3
Trang Thomas	5	5	2	1	-	-	-	-
Robyn Vines	8	8	-	-	-	-	3	3
Deborah Wilmoth	3	3	-	-	-	-	-	-

H = Number of meetings held whilst in office
A = Number of meetings attended

CMH = Number of Committee meetings held whilst a member of that Committee

* Ms Carter was a member of the Governance committee prior to her appointment as a Director effective from 1 January 2011. The number of Governance Committee meetings held whilst she was a member of the Committee and the number of meetings she attended, as shown in the above table, includes meetings held prior to her appointment as a Director.

Auditor's declaration

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 66.

This report is presented in accordance with a resolution of the Directors.



SIMON CROWE
President



SUE CARTER
Director

Melbourne 17 August 2011.

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AUDITOR'S INDEPENDENCE DECLARATION



PricewaterhouseCoopers
ABN 52 780 433 757
Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999
Website: www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of The Australian Psychological Society Ltd ("the Society") for the year ended 31 May 2011, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Australian Psychological Society Ltd during the period.

Amanda Campbell
Partner
PricewaterhouseCoopers

Melbourne
17 August 2011

Liability limited by a scheme approved under Professional Standards Legislation

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ANNUAL ACCOUNTS 2011

STATEMENT OF COMPREHENSIVE INCOME - Year ended 31 May 2011

	NOTE	2011 \$	2010 \$
TOTAL REVENUE FROM CONTINUING OPERATIONS	3	20,348,608	16,002,843
OTHER INCOME	4	400,000	-
EXPENSES			
General services and benefits for members		(12,769,798)	(9,510,942)
Marketing, promotion and publications		(2,581,864)	(1,856,513)
Governance, administration and occupancy		(4,001,887)	(3,771,259)
TOTAL EXPENSES		(19,353,549)	(15,138,714)
SURPLUS FOR THE YEAR		1,395,059	864,129
TOTAL COMPREHENSIVE INCOME		1,395,059	864,129

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION - As at 31 May 2011

	NOTE	2011 \$	2010 \$
CURRENT ASSETS			
Cash and cash equivalents	6	15,662,960	12,990,652
Trade and other receivables	8	1,446,732	1,526,354
Prepayments	9	605,971	278,703
Non current assets held for sale	10	-	1,500,000
TOTAL CURRENT ASSETS		17,715,663	16,295,709
NON CURRENT ASSETS			
Property, plant and equipment	11	881,821	1,052,059
TOTAL NON CURRENT ASSETS		881,821	1,052,059
TOTAL ASSETS		18,597,484	17,347,768
CURRENT LIABILITIES			
Trade and other payables	12	5,330,134	5,669,911
Provisions	13	844,875	683,675
TOTAL CURRENT LIABILITIES		6,175,009	6,353,586
NON CURRENT LIABILITIES			
Provisions	13	86,940	53,706
TOTAL NON CURRENT LIABILITIES		86,940	53,706
TOTAL LIABILITIES		6,261,949	6,407,292
NET ASSETS		12,335,535	10,940,476
MEMBERS' EQUITY			
Retained earnings	15	12,335,535	10,940,476
TOTAL MEMBERS' EQUITY		12,335,535	10,940,476

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

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ANNUAL ACCOUNTS 2011 [CONT.]

STATEMENT OF CHANGES IN EQUITY - Year ended 31 May 2011

	2011 \$	2010 \$
OPENING RETAINED EARNINGS	10,940,476	10,076,347
Total comprehensive income for the year	1,395,059	864,129
CLOSING RETAINED EARNINGS AT YEAR END	12,335,535	10,940,476

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS - Year ended 31 May 2011

	NOTE	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and members (a)		22,931,323	18,660,351
Payments to suppliers, employees and others (b)		(22,600,231)	(17,152,093)
Interest and other costs of finance paid		(161,681)	(129,113)
NET CASH FROM OPERATING ACTIVITIES	7	169,411	1,379,145
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		869,039	558,943
Proceeds from sale of property, plant and equipment (c)		1,900,000	-
Rent received		-	179,188
Payments for property, plant and equipment	11	(266,142)	(359,432)
NET CASH FROM INVESTING ACTIVITIES		2,502,897	378,699
Net increase in cash held		2,672,308	1,757,844
Cash at beginning of financial year		12,990,652	11,232,808
CASH AT THE END OF THE FINANCIAL YEAR	6	15,662,960	12,990,652

- (a) In the 2009/10 financial year approximately \$2.7m (nil in 2010/11, \$0.5m in 2008/09) was paid to the Society by the Australian Government as funds to be forwarded to scholarship holders under the Mental Health Postgraduate Scholarship Scheme Clinical Psychology Initiative administered by the Society on behalf of the Australian Government. This amount was included in the Statement of Cash Flows as part of the 'Receipts from Customers and Members' figure, however given the basis upon which the funds have been provided to the Society they were not been recognised as revenue, but recognised as liabilities instead.
- (b) In the 2010/11 financial year approximately \$1.3m (\$1.9m in 2009/10) was paid by the Society as funds forwarded to scholarship holders under the Mental Health Postgraduate Scholarship Scheme Clinical Psychology Initiative administered by the Society on behalf of the Australian Government. This amount is included in the Statement of Cash Flows as part of the ' Payments to Suppliers, Employees and Others' figure, however given the basis upon which the funds have been provided to the Society they have not been recognised as expenses, but recognised as a reduction of liability instead. The Society's administration of the Scholarship Scheme ceased in August 2010.
- (c) A contract of sale related to the Society's freehold property at 1 Grattan St Carlton was signed by the Society and the purchaser on 26 July 2010 for a sale price of \$1,900,000 (excluding GST). The sales proceeds owing to the Society, other than the deposit which had already been received, were received on 27 September 2010 when settlement took place.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

■ 2011 ANNUAL FINANCIAL REPORT

ANNUAL ACCOUNTS 2011 [CONT.]

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS - Year ended 31 May 2011

NOTE 1: Corporate information

The financial statements of The Australian Psychological Society Limited (the Society) for the year ended 31 May 2011 were authorised for issue in accordance with a resolution of the directors dated 17 August 2011.

The Society is a company limited by guarantee, does not have share capital and is incorporated in Australia.

The nature of the operations and principal activities of the Society are described in the Directors' report.

NOTE 2: Statement of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Interpretations.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar.

(i) Compliance with Australian Accounting Standards

The financial statements comply with Australian Accounting Standards-Reduced Disclosure requirements as issued by the Australian Accounting Standards Board (AASB).

(ii) Early adoption of standards

The Society has elected to apply the following pronouncement to the annual reporting period beginning 1 June 2010: -AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

This includes applying the revised pronouncement to the 2010 comparative values in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. None of the items in the financial statements had to be restated as the result of applying this standard. The adoption of AASB 1053 and AASB 2011-2 allowed the Society to apply reporting requirements applicable to not-for-profit private sector entities. This has resulted in a reduction in the number of disclosures. There was no other impact on the current or prior year financial statements.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Income tax

The Commissioner of Taxation has ruled that all income derived is exempt from income tax.

(c) Property, plant and equipment

Property, plant and equipment, other than land and buildings (non-current assets held for sale) are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on a straight line basis on all property, plant and equipment other than freehold land and buildings, with freehold land and buildings measured at fair value. Depreciation periods are:

- Plant and equipment: 3 to 8 years
- Leasehold Improvements: Lease term

Impairment of non-financial assets

The Society assesses impairment of all assets at each reporting date by evaluating conditions specific to them and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined.

(d) Investment property

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the year in which they arise.

(e) Leases

Operating leases are leases under which the lessors effectively retain substantially all of the risks and benefits of ownership of leased items. Payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

(f) Branches, Colleges and Interest Groups

The financial result of the activities of the Society's Branches, Colleges and Interest Groups are included within the Society's operating surplus.

(g) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefit will flow to the Society and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised.

(i) Sale of goods

Revenue from the sale of goods is recognised when goods are shipped to the customer.

(ii) Rendering of services

Revenue is recognised by reference to the stage of completion of a contract or contracts in progress at balance date or at the time of completion. Stage of completion is measured by reference to total cost incurred to date as a percentage of total estimated cost for each contract which is determined by a set quotation with the customer.

(iii) Interest revenue

Revenue is recognised as interest accrues using the effective interest method.

(iv) Membership subscriptions

Subscriptions related to the reporting period are recognised when these have been received from members.

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ANNUAL ACCOUNTS 2011 [CONT.]

(h) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Superannuation contributions are made for employees at 10% (9% for 'casual' employees) in compliance with government legislation.

Liabilities arising in respect of wages and salaries, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

(i) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(j) Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of six months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Trade and other receivables

Trade receivables, which generally have 14 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Given the short term nature of these assets fair value on recognition generally remains the fair value until these are extinguished.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectable are written off when identified.

(l) Revenue received in advance

As identified in Note 2(g)(iv), membership subscription revenue must be recognised in the relevant reporting year it relates to. Therefore, any subscription revenue received prior to 31 May 2011 which relates to the subscription period 1 June 2011 to 31 May 2012 is recognised as revenue received in advance at 31 May 2011.

The timing of the receipt of payments for work undertaken on externally funded projects is typically set out in the project contract. Payments received, and amounts due and receivable, up to 31 May 2011 which have not been earned are recognised as revenue received in advance at 31 May 2011, and will only be recognised as revenue when the Society has met the conditions set out in the project contract.

(m) Other creditors

Other creditors are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Society prior to the end of the financial year that are unpaid at the end of the financial year and arise when the Society becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

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ANNUAL ACCOUNTS 2011 [CONT.]

NOTE 3: Revenue

Operating surplus for the year has been determined after:

	2011 \$	2010 \$
(a) Revenue from operating activities:		
Membership subscriptions	7,112,100	6,516,245
Newsletters, Branch, College and Interest Group revenue	1,439,115	1,150,132
Referrals revenue	365,087	346,107
Event registrations <i>(Conferences and workshops including the International Congress of Applied Psychology hosted by the Society in July 2010, but excluding those run by the Society's Member Groups)</i>	2,876,593	1,252,372
Advertising and commission	1,200,662	1,097,671
Assessment of qualifications	695,908	484,814
Externally funded projects revenue	4,308,711	3,204,767
Application fees	105,012	14,713
Other operating revenue	1,313,866	1,107,763
	19,417,054	15,174,584
(b) Revenue from non-operating activities:		
Rental revenue	-	182,032
Interest revenue	931,554	646,227
	931,554	828,259
TOTAL REVENUE FROM CONTINUING OPERATIONS	20,348,608	16,002,843

NOTE 4: Other Income

	2011 \$	2010 \$
Gain on sale of investment property	400,000	-

The gain on sale pertains to the sale of the Grattan St investment property on the 26 July 2010 (Note 10).

NOTE 5: Expenses

	2011 \$	2010 \$
Surplus includes the following expenses:		
Depreciation of property, plant and equipment	436,380	395,718
Wages and salaries	6,545,755	5,535,654
Superannuation costs	649,702	553,613
Provisions:		
Long service leave	83,504	45,850
Annual leave	147,098	130,377

NOTE 6: Cash and cash equivalents

	2011 \$	2010 \$
Cash at bank	562,960	890,652
Term deposits	15,100,000	12,100,000
TOTAL CASH AND CASH EQUIVALENTS	15,662,960	12,990,652

Cash at bank earns interest at floating rates on daily deposits rates. Term deposits are made for 30 to 180 days and earn interest on the respective short term deposit rates.

The total shown in this note equates to the Statement of Cash Flows.

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ANNUAL ACCOUNTS 2011 [CONT.]

NOTE 7: Reconciliation of cash flows

For purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2011 \$	2010 \$
a) Reconciliation of surplus for the period to net cash flows from operating activities		
Surplus for the period	1,395,059	864,129
Plus/(minus) non-operating items:		
Interest received	(869,039)	(558,943)
Rental received	-	(179,188)
Proceeds from sale of investment asset-Grattan Street	(1,900,000)	-
Plus/(minus) non-cash items:		
Depreciation	436,380	395,718
Carrying amount of sold investment asset- Grattan Street	1,500,000	-
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	79,622	440,386
(Increase)/decrease in prepayments	(327,268)	(1,912)
Increase/(decrease) in trade and other payables	(339,777)	304,270
Increase/(decrease) in provisions	194,434	114,685
NET CASH FLOW FROM OPERATING ACTIVITIES	169,411	1,379,145

	2011 \$	2010 \$
b) Financing facilities		
The Society had access to overdraft facilities secured by mortgage over freehold land and buildings until 24 August 2010.		
Facilities used at reporting date		
Bank overdraft	-	-
Facilities unused at reporting date		
Bank overdraft	-	20,000
Total Facilities		
Bank overdraft	-	20,000

Bank overdraft facility with Commonwealth Bank was cancelled on 24 August 2010.

NOTE 8: Trade and other receivables

	2011 \$	2010 \$
Advertising, products, sponsorship and commission	345,250	111,313
Externally-funded projects	387,278	1,075,084
	732,528	1,186,397
Other Debtors	714,204	339,957
	1,446,732	1,526,354

Trade debtors, and other sundry debtors, are non-interest bearing and have payment terms of 14 days.

Externally funded projects are based on contractual arrangements with the Australian Government or statutory authorities and all related receivables are considered collectible.

Due to the short term nature of these receivables, their carrying amounts approximate their fair value.

Movements in the provision for impairment loss were as follows:

	2011 \$	2010 \$
At the beginning of the financial year	2,827	2,827
Charge/(writeback) for the year	(2,827)	-
Amounts written off	-	-
AT 31 MAY	-	2,827

NOTE 9: Prepayments

	2011 \$	2010 \$
Prepayments	605,971	278,703

NOTE 10: Non-current asset held for sale (Investment property)

	2011 \$	2010 \$
Opening balance as at 1 June	1,500,000	1,500,000
Sale of property	(1,500,000)	-
CLOSING BALANCE AS AT 31 MAY	-	1,500,000

At the March 2010 meeting of the Society's Board of Directors the Board resolved to sell the Society's freehold land and building located at 1 Grattan St, Carlton, Victoria. This followed notice from the Society's long-term tenants that they would cease their tenancy from 31 May 2010.

A contract of sale related to the Grattan St property was signed by the Society and a purchaser on 26 July 2010 for a sale price of \$1,900,000 (excluding GST). A deposit was received at the time the sale contract was signed and the balance owing to the Society was received on 27 September 2010.

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ANNUAL ACCOUNTS 2011 [CONT.]

NOTE 11: Property, plant and equipment

	2011 \$
Plant and Equipment	
At cost	2,350,428
Accumulated depreciation	(1,780,021)
	570,407
Leasehold Improvements	
At cost	1,353,692
Accumulated depreciation	(1,042,278)
	311,414
Total property, plant and equipment	
Cost	3,704,120
Accumulated depreciation and amortisation	(2,822,299)
	881,821
Reconciliation	
Plant and equipment	
Carrying amount at beginning	542,044
Additions	272,046
Disposals	(7,466)
Depreciation expense	(236,217)
	570,407
Leasehold Improvements	
Carrying amount at beginning	510,015
Additions	1,562
Depreciation expense	(200,163)
	311,414
Total property, plant and equipment movements	
Carrying amount at beginning	1,052,059
Additions	273,608
Disposals	(7,466)
Depreciation expense	(436,380)
	881,821

The Society assessed at 31 May 2011 whether there is any indication that an asset may be impaired. There is no indication that an impairment loss is present, that is where the carrying amount of an asset exceeds its recoverable amount.

NOTE 12: Trade and other payables

	2011 \$	2010 \$
Revenue received in advance:		
Membership subscriptions	1,210,286	1,062,074
Event income (conferences and workshops)	704,078	40,542
Externally-funded projects	2,268,251	2,183,228
Other	72,895	39,830
	4,255,510	3,325,674
Mental Health Postgraduate Scholarship Scheme funds	-	1,281,293
Other creditors	1,074,624	1,062,944
	5,330,134	5,669,911

Other creditors are non-interest bearing and are settled within 30 days. The Society pays within the allocated settlement period when prompt payment discounts are available.

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

The Society has issued a bank guarantee to a maximum amount of \$229,416, related to the lease of its National Office premises at 257 Collins Street, Melbourne under a lease agreement commencing 1 January 2008 with a term of five years. The lease agreement is with RAM Investments No.1 Pty Ltd.

NOTE 13: Provisions

	2011 \$	2010 \$
Current		
Employee benefits - Annual leave	541,016	430,086
- Long service leave	303,859	253,589
	844,875	683,675
Non-current		
Employee benefits - Long service leave	86,940	53,706
TOTAL PROVISIONS	931,815	737,381

NOTE 14: Lease commitments

The Society leases office premises and office equipment under non-cancellable operating leases expiring within one to four years.

	2011 \$	2010 \$
Operating leases - the Society as Lessee		
Commitments are as follows:		
Not later than one year	1,140,369	993,542
Later than one year and not later than five years	784,256	1,506,870
TOTAL OPERATING LEASE COMMITMENTS	1,924,625	2,500,412
Operating lease expenses recognised as an expense during the period	1,001,065	901,721

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ANNUAL ACCOUNTS 2011 [CONT.]

NOTE 15: Retained earnings

	2011 \$	2010 \$
Balance at the beginning of the financial year	10,940,476	10,076,347
Surplus for the year	1,395,059	864,129
BALANCE AT THE END OF THE FINANCIAL YEAR	12,335,535	10,940,476

The Society is a company limited by guarantee and accordingly each Member of the Society undertakes to contribute to the assets of the Society in the event of the same being wound up during the time that he or she is a Member, or within one year after he or she ceases to be a Member, for payment of debts and liabilities that the Society contracted before he or she ceases to be a Member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories amongst themselves such amount as may be required, not exceeding twenty dollars.

NOTE 16: Key management personnel disclosures

	2011 \$	2010 \$
(a) Key management personnel compensation*		
Aggregate key management personnel compensation	799,095	702,259
(b) Transactions with key management personnel*		
The following amounts were recognised during the reporting period from other transactions with key management personnel and all transactions to which the payments relate were on normal terms and conditions:		
Provision of professional development services to the Society	7,100	8,750

* 'Key management personnel' includes Directors and Senior Executives

NOTE 17: Related party transactions

The following transactions occurred with related party-APAC (Note 20):

	2011 \$	2010 \$
Amounts billed to and received from APAC for costs incurred by the Society in assessing psychology training programs offered by higher education providers on behalf of APAC.	217,875	192,698

NOTE 18: Contingent assets and liabilities

There are no contingent assets or contingent liabilities of a material nature as at the end of the reporting period.

NOTE 19: Financial instruments and interest rate risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument, will fluctuate due to changes in interest rates. The Society's exposure to interest rate risk arises due to its deposits with financial institutions.

The financial assets and financial liabilities of the Society that are not included in the tables below are non-interest bearing and are therefore not subject to interest rate risk. This includes Trade and other receivables and Trade and other creditors.

The objective of managing interest rate risk is to minimise the Society's exposure to fluctuations in interest rates that might impact its interest revenue and cash flow. To manage interest rate risk, the Society invests the majority of its cash in short-term deposits for varying periods of between 30 days and 180 days, depending on the short and long-term cash requirements of the Society which is determined based on the Society's cash flow forecast. This consideration also takes into account the costs associated with breaking a term deposit should early access to cash and cash equivalents be required. Cash is not locked into long-term deposits at fixed rates so as to mitigate the risk of earning interest below the current floating rate.

The Society does not have any borrowings.

The following table sets out the carrying amount and effective interest rate, by contractual maturity, of the financial instruments that are exposed to interest rate risk:

Year ended 31 May 2011	< 1 year \$	Totals \$	Weighted average effective interest rate for the year %
Financial assets			
Short term deposits			
Fixed rate	15,100,000	15,100,000	5.98%
Cash at bank			
Floating rate	562,960	562,960	4.24%

Year ended 31 May 2010	< 1 year \$	Totals \$	Weighted average effective interest rate for the year %
Financial assets			
Short term deposits			
Fixed rate	12,100,000	12,100,000	4.72%
Cash at bank			
Floating rate	890,652	890,652	3.83%

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

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ANNUAL ACCOUNTS 2011 [CONT.]

NOTE 20: Interest in controlled entity

The Australian Psychology Accreditation Council Ltd (APAC), a public company limited by guarantee, was incorporated on 2 December 2005 with two members, The Australian Psychological Society Ltd (APS) and The Council of Psychologist Registration Board Incorporated (CPRB). APAC's mission is to establish standards of education for the training and registration of psychologists throughout Australia, and to assess whether Schools of Psychology of Australian universities and non-university providers meet these standards. Effective 1 July 2010 national registration for the health professions including psychologists was introduced triggering the wind-up of one of the members of APAC, the Council of Psychologists Registration Boards (CPRB). As a result, APAC has changed its constitution and is now set up with the APS as its sole member. Current practice is that the APS manages APAC'S day to day operations in accordance with APAC'S business plan and budget. The APS incurs all costs, including overheads, wages and costs related to the Accreditation visits, including the portion of the meetings of the Society's Program Development and Accreditation Committee related to accreditation work and costs are reimbursed by APAC, but not exceeding the amount of income generated by APAC.

As at 31 May 2011 assets and liabilities and profit or loss of APAC is not material to the financial report of the Society.

DIRECTORS' DECLARATION 2011

In the directors' opinion:

- (a) the financial statements and notes set out on pages 68 to 84 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 May 2011 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



SIMON CROWE
President



SUE CARTER
Director

Melbourne 17 August 2011.

2011 ANNUAL FINANCIAL REPORT

INDEPENDENT AUDITOR'S REPORT



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Independent auditor's report to the members of The Australian Psychological Society Ltd

Report on the financial report

We have audited the accompanying financial report of The Australian Psychological Society Ltd ("the Society") which comprises the statement of financial position as at 31 May 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Society.

Directors' responsibility for the financial report

The directors of the Society are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Liability limited by a scheme approved under Professional Standards Legislation



**Independent auditor's report to the members of
(continued)**

Independence

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

We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Australian Psychological Society Ltd on 17 August 2011, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's opinion

In our opinion the financial report of the Australian Psychological Society Ltd ("the Society") is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Society's financial position as at 31 May 2011 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Amanda Campbell

Partner

Melbourne

18 August 2011

