

2010 ANNUAL FINANCIAL REPORT

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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 2010 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:

R Montgomery	
S Crowe	
L Littlefield	
E Celi	Commenced 2/10/2009
E Frydenberg	Retired 2/10/2009
G Geffen	Commenced 2/10/2009
A Lipzker	
K Moore	
B Rich	Commenced 2/10/2009
T Thomas	Retired 2/10/2009
R Vines	
T Waring	Retired 2/10/2009

Qualifications and experience of the Directors in office at the end of the financial year are on pages 4 and 5 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 2010 is \$864,129 (2009: \$1,451,812 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 2010 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

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). A deposit was received at the time the sale contract was signed and the balance owing to the Society is due on 27 September 2010.

Except for the expected sale of the Grattan Street investment property discussed above, no other matters or circumstances have arisen since 31 May 2010 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 \$14,761 (2009: \$13,474).

DIRECTORS' REPORT [CONT.]

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

Employees

The Society employed 80.9 full time equivalent employees (including staff contracted to work on various externally funded projects) as at 31 May 2010 (2009: 70.3).

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 2010 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 uphold the Corporations Act.

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 2009 to 31 May 2010)

	Committees							
	Directors meetings		Finance, Investment and Audit		Governance		Risk Management & Compliance	
	H	A	CMH	A	CMH	A	CMH	A
R Montgomery	9	9	5	2*	4	4	2	2
S Crowe	9	8	5	5	4	3		
L Littlefield	9	9	5	3*	4	4	2	2
E Celi	6	6			3	3		
E Frydenberg	3	3			1	1		
G Geffen	6	6						
A Lipzker	9	9						
K Moore	9	8	5	5				
B Rich	6	6					2	2
T Thomas	3	3			1	1		
R Vines	9	9					2	2
T Waring	3	3					1	-

H = Number of meetings held whilst in office CMH = Number of Committee meetings held whilst a member of that Committee
A = Number of meetings attended

* Two meetings of a sub-committee of the Finance, Investment and Audit Committee were held during the 12 months, the primary item of business being to consider and make a recommendation related to the appointment of the Society's auditors. Professor Montgomery and Professor Littlefield were not members of the sub-committee.

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 48.

Signed in accordance with a resolution of the Directors.

Dated at Melbourne this 14th day of August 2010.



B MONTGOMERY
President



K MOORE
Director

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 2010, 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.

Peter Buchholz
Partner
PricewaterhouseCoopers

Melbourne
14 August 2010

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ANNUAL ACCOUNTS 2010

STATEMENT OF COMPREHENSIVE INCOME – Year ended 31 May 2010

	Note	2010 \$	2009 \$
TOTAL REVENUE	3	16,002,843	14,956,249
EXPENSES			
General services and benefits for members		(9,510,942)	(8,293,647)
Marketing, promotion and publications		(1,856,513)	(1,698,176)
Governance, administration and occupancy (a)		(3,771,259)	(3,512,614)
TOTAL EXPENSES		(15,138,714)	(13,504,437)
SURPLUS FOR THE YEAR		864,129	1,451,812
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		864,129	1,451,812

(a) includes depreciation and rental expenses

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

STATEMENT OF FINANCIAL POSITION – As at 31 May 2010

	Note	2010 \$	2009 \$
CURRENT ASSETS			
Cash and cash equivalents	4	12,990,652	11,232,808
Trade and other receivables	6	1,526,354	1,966,740
Prepayments	7	278,703	276,791
Non current assets held for sale	9 (b)	1,500,000	-
TOTAL CURRENT ASSETS		16,295,709	13,476,339
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,052,059	1,088,345
Investment property	9 (a)	-	1,500,000
TOTAL NON-CURRENT ASSETS		1,052,059	2,588,345
TOTAL ASSETS		17,347,768	16,064,684
CURRENT LIABILITIES			
Trade and other payables	10	5,669,911	5,365,641
Provisions	11	683,675	579,428
TOTAL CURRENT LIABILITIES		6,353,586	5,945,069
NON-CURRENT LIABILITIES			
Provisions	11	53,706	43,268
TOTAL NON-CURRENT LIABILITIES		53,706	43,268
TOTAL LIABILITIES		6,407,292	5,988,337
NET ASSETS		10,940,476	10,076,347
MEMBERS' EQUITY			
Retained earnings	13	10,940,476	10,076,347
TOTAL MEMBERS' EQUITY		10,940,476	10,076,347

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

ANNUAL ACCOUNTS 2010 [CONT.]

STATEMENT OF CHANGES IN EQUITY – Year ended 31 May 2010

	2010 \$	2009 \$
OPENING RETAINED EARNINGS	10,076,347	8,624,535
Total comprehensive income for the year	864,129	1,451,812
CLOSING RETAINED EARNINGS AT YEAR END	10,940,476	10,076,347

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

STATEMENT OF CASH FLOWS – Year ended 31 May 2010

	Note	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES (a)			
Receipts from customers and members		18,660,351	17,489,193
Payments to suppliers, employees and others		(17,152,093)	(15,963,535)
Interest and other costs of finance paid		(129,113)	(139,345)
NET CASH FROM OPERATING ACTIVITIES	5	1,379,145	1,386,313
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		558,943	826,679
Rent received		179,188	161,248
Payments for property, plant and equipment		(359,432)	(922,916)
NET CASH FROM INVESTING ACTIVITIES	8	378,699	65,011
Net increase in cash held		1,757,844	1,451,324
Cash at beginning of financial year		11,232,808	9,781,484
CASH AT THE END OF THE FINANCIAL YEAR	4	12,990,652	11,232,808

(a) In the 2009/10 financial year approximately \$2.7m (\$1.5m in 2009) 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 is 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 have not been recognised as revenue, but recognised as liabilities instead. Similarly, payments of these funds to scholarship holders have been included in the Statement of Cash Flows as part of the 'Payments to Suppliers, Employees and Others' figure, but have not been recorded as an expense.

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

ANNUAL ACCOUNTS 2010 [CONT.]

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

– Year ended 31 May 2010

NOTE 1: Corporate information

The financial statements of The Australian Psychological Society Limited (the Society) for the year ended 31 May 2010 were authorised for issue in accordance with a resolution of the directors dated 14th August 2010.

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 and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have also been prepared on a historical cost basis, except for the land and buildings that have been measured at fair value.

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

(b) Summary of significant accounting policies

i. Compliance with IFRS

The financial statements comply with Australian Accounting Standards and the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

ii. New accounting standards and interpretation

Australian accounting standards and interpretations that have been recently issued or amended but are not yet effective have not been adopted by the entity for the annual reporting period ending 31 May 2010. These are outlined in the opposite table:

Reference	Title	Summary	Application date of standard	Impact on the APS financial statements	Application date for the APS
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	In May 2009 the AASB issued a number of improvements to existing Australian Accounting Standards	Annual period beginning on or after 1 Jan 2010	The Society does not expect that any adjustments will be necessary as the result of applying the revised rules.	Year ended 31 May 2011
AASB 1053 and AASB 2010-2	AASB 1053 Application of tiers of Australian Accounting Standards AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	A two-tier differential reporting regime applies to all entities that prepare general purpose financial statements	Annual period beginning on or after 1 Jul 2013	The Society has public accountability as defined in AASB 1053 and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the entity.	Year ended 31 May 2015
AASB 124 and AASB 2009-12	AASB 124 Related Party Disclosures AASB 2010-2 Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	The amendment clarifies and simplifies the definition of a related party	Annual period beginning on or after 1 Jan 2011	It is not expected to have any effect on the Society's related party disclosures.	Year ended 31 May 2012
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 3, 7, 121, 128, 131, 132 & 139]	In June 2010 AASB made a number of amendments to Australian Accounting Standards, as a result of the IASB's annual improvement project.	Annual period beginning on or after 1 Jul 2010	The Society does not expect that any adjustments will be necessary as the result of applying the revised rules.	Year ended 31 May 2012
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 1, 7, 101 & 134 and Interpretation 13]	In June 2010 AASB made a number of amendments to Australian Accounting Standards, as a result of the IASB's annual improvement project.	Annual period beginning on or after 1 Jan 2011	The Society does not expect that any adjustments will be necessary as the result of applying the revised rules.	Year ended 31 May 2012

ANNUAL ACCOUNTS 2010 [CONT.]

(c) Income tax

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

(d) Property, plant and equipment

Property, plant and equipment, other than land and building (investment property) 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. Major 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

v. Rental revenue

Rental revenue from the investment property is accounted for on a straight line basis over the lease term.

(i) 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.

(j) 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.

(k) 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.

(l) 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 methods, 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.

ANNUAL ACCOUNTS 2010 [CONT.]

(m) Revenue received in advance

As identified in Note 1(h)(iv), membership subscription revenue must be recognised in the relevant reporting year it relates to. Therefore, any subscription revenue received prior to 31 May 2010 which relates to the subscription period 1 June 2010 to 31 May 2011 is recognised as revenue received in advance at 31 May 2010.

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 2010 which have not been earned are recognised as revenue received in advance at 31 May 2010, and will only be recognised as revenue when the Society has met the conditions set out in the project contract.

(n) 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.

NOTE 3: Revenue and expenses

Operating surplus for the year has been determined after:

	2010 \$	2009 \$
(a) Revenue from operating activities:		
Membership subscriptions	6,516,245	6,083,166
Newsletters, Branch, College and Interest Group revenue	1,150,132	1,016,163
Referrals revenue	346,107	333,757
Event registrations (Conferences and workshops excluding those run by Society's Units)	1,252,372	1,174,062
Advertising and commission	1,097,671	1,015,819
Assessment of qualifications	484,814	519,612
Externally funded projects revenue	3,204,767	2,968,034
Application fees	14,713	7,443
Other operating revenue	1,107,763	887,964
	15,174,584	14,006,020
(b) Revenue from non-operating activities:		
Rental revenue	182,032	161,248
Interest revenue	646,227	773,462
Other non-operating revenue	-	15,519
	828,259	950,229
TOTAL REVENUE	16,002,843	14,956,249
(c) Charging/(crediting) the following items:		
Depreciation of property, plant and equipment	395,718	339,116
Loss on restatement of investment property to fair value	-	100,000
Wages and salaries	5,535,654	4,534,225
Superannuation costs	553,613	444,810
Provisions:		
- Long service leave	45,850	53,084
- Annual leave	130,377	65,928

ANNUAL ACCOUNTS 2010 [CONT.]

NOTE 4: Cash and cash equivalents

	2010 \$	2009 \$
Cash at bank	890,652	1,732,808
Term deposits	12,100,000	9,500,000
TOTAL CASH AND CASH EQUIVALENTS	12,990,652	11,232,808

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.

Total cash includes \$1.3m relating to the Mental Health Postgraduate Scholarship Scheme Clinical Psychology Initiative, as referred to in note 10.

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

NOTE 5: 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:

	2010 \$	2009 \$
a) Reconciliation of surplus for the period to net cash flows from operating activities		
Surplus for the period	864,129	1,451,812
Plus/(minus) non-operating items:		
Interest received	(558,943)	(826,679)
Rental received	(179,188)	(161,248)
Plus/(minus) non-cash items:		
Depreciation	395,718	339,116
Loss on restatement of investment property to fair value	-	100,000
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	440,386	(459,579)
(Increase)/decrease in prepayments	(1,912)	(9,167)
Increase/(decrease) in trade and other payables	304,270	875,456
Increase/(decrease) in provisions	114,685	76,602
NET CASH FLOW FROM OPERATING ACTIVITIES	1,379,145	1,386,313

	2010 \$	2009 \$
b) Financing facilities		
The Society has access to overdraft facilities secured by mortgage over freehold land and buildings.		
Facilities used at reporting date		
Bank overdraft	-	-
Facilities unused at reporting date		
Bank overdraft	20,000	20,000
Total Facilities		
Bank overdraft	20,000	20,000

NOTE 6: Trade and other receivables

	2010 \$	2009 \$
Advertising, products, sponsorship and commission	111,313	164,237
Externally-funded projects	1,075,084	1,455,475
Allowance for impairment loss	(2,827)	(2,827)
	1,183,570	1,616,885
Other Debtors	342,784	349,855
	1,526,354	1,966,740

Trade debtors, and other sundry debtors, are non-interest bearing and have payment terms of fourteen 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:

	2010 \$	2009 \$
At the beginning of the financial year	2,827	2,827
Charge for the year	-	-
Amounts written off	-	-
AT 31 MAY	2,827	2,827

At 31 May, the ageing analysis of trade receivables is as follows:

	Total \$	0-14 days \$	15-30 days \$	31-60 days \$	61-90 days \$	91+ days \$
2010	1,186,397	879,361	169,755	47,396	7,107	82,778
2009	1,619,712	792,300	237,247	568,853	7,724	13,588

Whilst some trade receivables are past their due date none of these amounts are considered impaired.

NOTE 7: Prepayments

	2010 \$	2009 \$
Prepayments	278,703	276,791

ANNUAL ACCOUNTS 2010 [CONT.]

NOTE 8: Property, plant and equipment

	2010 \$	2009 \$
Plant and equipment		
At cost	2,085,847	1,769,321
Accumulated depreciation	(1,543,803)	(1,343,444)
	542,044	425,877
Leasehold improvements		
At cost	1,352,130	1,309,225
Accumulated depreciation	(842,115)	(646,757)
	510,015	662,468
Total property, plant and equipment		
Cost	3,437,977	3,078,546
Accumulated depreciation and amortisation	(2,385,918)	(1,990,201)
	1,052,059	1,088,345
Reconciliation		
Plant and equipment		
Carrying amount at beginning	425,877	428,955
Additions	316,527	203,245
Depreciation expense	(200,360)	(206,323)
	542,044	425,877
Leasehold Improvements		
Carrying amount at beginning	662,468	75,590
Additions	42,905	719,671
Depreciation expense	(195,358)	(132,793)
	510,015	662,468
Total property, plant and equipment movements		
Carrying amount at beginning	1,088,345	504,545
Additions	359,432	922,916
Depreciation expense	(395,718)	(339,116)
	1,052,059	1,088,345

The Society assessed at 31 May 2010 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 9: Investment property and non-current asset held for sale

	2010 \$	2009 \$
9(a) Investment property		
Opening balance as at 1 June	1,500,000	1,600,000
Net (loss)/gain from fair value adjustment	-	(100,000)
Re-classified to Non-current assets held for sale	(1,500,000)	-
CLOSING BALANCE AS AT 31 MAY	-	1,500,000
9(b) Non-current assets held for sale		
Opening balance as at 1 June	-	-
Re-classified from Investment 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 is due on 27 September 2010.

NOTE 10: Trade and other payables

	2010 \$	2009 \$
Revenue received in advance:		
Membership subscriptions	1,062,074	1,022,761
Event income (conferences and workshops)	40,542	368,282
Externally-funded projects	2,183,228	2,784,319
Other	39,830	87,684
	3,325,674	4,263,046
Mental Health Postgraduate Scholarship Scheme funds	1,281,293	-
Other creditors	1,062,944	1,102,595
	5,669,911	5,365,641

Other creditors are non-interest bearing and are settled within thirty 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.

The amount of \$1,281,293 represents funds received by the Society from the Australian Government for distribution to scholarship holders under the Mental Health Postgraduate Scholarship Scheme Clinical Psychology Initiative. The scheme was administered by the Society on behalf of the Australian Government Department of Health and Ageing.

ANNUAL ACCOUNTS 2010 [CONT.]

NOTE 11: Provisions

	2010 \$	2009 \$
Current		
Employee benefits - Annual leave	430,086	340,881
- Long service leave	253,589	238,547
	683,675	579,428
Non-current		
Employee benefits - Long service leave	53,706	43,268
TOTAL PROVISIONS	737,381	622,696

NOTE 12: Lease commitments

	2010 \$	2009 \$
Operating leases - the Society as Lessee		
Commitments are as follows:		
Not later than one year	993,542	832,243
Later than one year and not later than five years	1,506,870	2,318,162
TOTAL OPERATING LEASE COMMITMENTS	2,500,412	3,150,405
Operating lease expenses recognised as an expense during the period	901,721	787,030

NOTE 13: Retained earnings

	2010 \$	2009 \$
Balance at the beginning of the financial year	10,076,347	8,624,535
Surplus for the year	864,129	1,451,812
BALANCE AT THE END OF THE FINANCIAL YEAR	10,940,476	10,076,347

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 14: Key management personnel disclosure

Details of key management personnel

		2009/2010 \$ remuneration (including superannuation)
(a) Non-executive directors		
R Montgomery		37,932
S Crowe		18,966
E Celi	Commenced 2/10/2009	12,717
E Frydenberg	Retired 2/10/2009	6,249
G Geffen	Commenced 2/10/2009	12,717
A Lipzker		18,966
K Moore		18,966
B Rich	Commenced 2/10/2009	12,717
T Thomas	Retired 2/10/2009	6,249
R Vines		18,966
T Waring	Retired 2/10/2009	6,249

(b) Executives		
L Littlefield (Executive Director)		
B Whitmore (General Manager and Chief Financial Officer)		

Compensation of key management personnel

Aggregated compensation of key management personnel was as follows:

	2010 \$	2009 \$
Short-term employee benefits	682,787	622,679
Long-term employee benefits	19,472	14,568
	702,259	637,247

ANNUAL ACCOUNTS 2010 [CONT.]

NOTE 15: Auditors' remuneration

	2010 \$	2009 \$
During the year the following fees were paid or payable for services provided by the auditors of the Society:		
(a) PricewaterhouseCoopers Australia		
- an audit or review of the financial statements of the entity	16,500	-
- an audit or review of various externally-funded projects (as required by project contracts)	2,955	-
- an audit or review of a special-purpose financial statement related to course accreditation	750	-
Total remuneration of PricewaterhouseCoopers Australia	20,205	-
(b) Non-PricewaterhouseCoopers		
- an audit or review of the financial statements of the entity	-	22,000
- an audit or review of various externally-funded projects	5,825	1,000
- an audit or review of a special-purpose financial statements related to course accreditation	-	1,318
- tax compliance advice	-	900
Total remuneration of non-PricewaterhouseCoopers audit firms	5,825	25,218
TOTAL AUDITORS' REMUNERATION	26,030	25,218

NOTE 16: Related parties

The Society engages a wide range of suppliers in carrying out its business. The following payments were made to Directors of the Society for the supply of services identified below and all transactions to which the payments relate were on normal terms and conditions:

	2010 \$	2009 \$
Erica Frydenberg provided professional development services to the Society	1,250	500
Bob Montgomery provided professional development services to the Society	7,500	nil

The above transactions only reflect those transactions incurred during the tenure of the respective Director.

NOTE 17: 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 18: Financial Instruments and financial risk management objectives and policies

FINANCIAL INSTRUMENTS

The Society's principal financial instruments include cash and cash equivalents, trade and other receivables and trade and other payables. The accounting classification of each category of financial instruments as defined in Note 2(k), 2(l) and 2(n), and their carrying amounts, are set out below:

31 May 10	Note	Cash and cash equivalents \$	Loans and receivables \$	Financial liabilities at amortised cost \$	Total carrying amount \$
Financial assets					
Cash and cash equivalents	4	12,990,652			12,990,652
Trade and other receivables (current)	6		1,526,354		1,526,354
Financial liabilities					
Trade and other payables (current) - other creditors	10			2,344,237	2,344,237

31 May 09	Note	Cash and cash equivalents \$	Loans and receivables \$	Financial liabilities at amortised cost \$	Total carrying amount \$
Financial assets					
Cash and cash equivalents	4	11,232,808			11,232,808
Trade and other receivables (current)	6		1,966,740		1,966,740
Financial liabilities					
Trade and other payables (current) - other creditors	10			1,102,595	1,102,595

The Society's investments and obligations expose it to market, liquidity and credit risks. The nature of these risks and the policies the Society has for controlling them and any concentrations of exposure are discussed below.

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RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board provides principles for overall risk management, covering market risks, credit and liquidity risks. The objective of these policies is to support the delivery of the Society's financial targets whilst protecting future financial security. The Board does not have a policy to use derivatives.

The Board also oversees how management monitors compliance with the Society's risk management policies and procedures.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of the Society's financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, other price risk and foreign exchange risk.

i. 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 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%
Year ended 31 May 2009	< 1 Year \$	Totals \$	Weighted average effective interest rate for the year %
Financial assets			
Short term deposits			
Fixed rate	9,500,000	9,500,000	7.06%
Cash at bank			
Floating rate	1,732,808	1,732,808	4.40%

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.

Sensitivity analysis

As the Society has cash investments at balance date and is likely to continue to invest cash, any increase in prevailing interest rates would have a positive impact on the Society's earnings. Any decrease in interest rates, whilst reducing the Society's earnings, is unlikely to have a material negative impact on earnings or the Society's ability to achieve its strategic and operational objectives.

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Society believes it is reasonable to use a sensitivity of +/-50 basis points. At 31 May 2010, if interest rates had moved as illustrated in the table below, with all other variables held constant, the impact on the surplus and the impact on equity would have been as follows:

Financial period	Variable rate instruments			
	-50 basis points		+50 basis points	
	Surplus/(Deficit) impact \$	Equity impact \$	Surplus/(Deficit) impact \$	Equity impact \$
31 May 2010: Total increase/(decrease)	(72,726)	(72,726)	72,726	72,726
31 May 2009: Total increase/(decrease)	(62,533)	(63,533)	62,537	62,537

ii. Other price risk

Other price risk is the risk that the fair value or future cash flows of the transacted financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Society is not exposed to other price risk.

ANNUAL ACCOUNTS 2010 [CONT.]

(iii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cashflows of a financial item will fluctuate as a result of movements in foreign exchange rates. The Society is not exposed to movements in the value of foreign currencies.

The Society does not enter into any hedging transactions.

(b) Credit risk

Credit risk is associated with those financial assets of the Society which comprise trade and other receivables. Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Society.

The Society only trades with recognised and credit worthy third parties.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount, net of any provisions for impairment of these assets, as disclosed in the Statement of Financial Position and Notes to the financial statements. The Society monitors receivables balances closely and whilst there are significant amounts owing from The Australian Government, as set out in Note 6 to the accounts, we do not assess there is any risk as to their collectability.

(c) Liquidity risk

Liquidity risk arises from the financial liabilities of the Society and the Society's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due. The Society's objective is to maintain an appropriate cash asset balance to fund its operations.

The Society's liquidity risk is minimal due to the active monitoring and management of the Society's high levels of cash and cash equivalents.

(d) Fair value

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value. All financial assets are due and receivable, and financial liabilities due and payable, within 12 months of balance date.

The carrying amount and net fair values of financial assets and liabilities at balance date are as follows:

	2010		2009	
	Carrying amount \$	Net fair value \$	Carrying amount \$	Net fair value \$
On-balance sheet financial assets				
Cash	890,652	890,652	1,732,808	1,732,808
Trade and other receivables	1,526,354	1,526,354	1,966,740	1,966,740
Short-term deposits	12,100,000	12,100,000	9,500,000	9,500,000
	14,517,006	14,517,006	13,199,548	13,199,548
Financial liabilities				
Trade and other creditors	2,344,237	2,344,237	1,102,595	1,102,595
	2,344,237	2,344,237	1,102,595	1,102,595

Note 19: Interest in jointly controlled entity

The Society and the Council of Psychologists Registration Boards [Australasia] Inc (CPRB) hold joint control of the Australian Psychology Accreditation Council Limited (APAC). APAC, a public company limited by guarantee, was incorporated on 2 December 2005 to establish standards of education for the training and registration of psychologists throughout Australia, and to assess whether Schools of Psychology of Australian universities meet these standards. As at 31 May 2010 the Society's share of assets and liabilities and profit or loss of APAC is not material to the financial report of the Society.

DIRECTORS' DECLARATION 2010

In accordance with a resolution of the Directors of The Australian Psychological Society Limited, we state that in the opinion of the Directors:

(a) the financial statements and notes to the financial statements of the Society are in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Society's financial position as at 31 May 2010 and of its performance for the financial year ended on that date; and
- ii. and complying with accounting standards and Corporations Regulations and other mandatory professional reporting requirements, and

(b) at the date of this Statement there are reasonable grounds to believe that the Society will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the Directors.

Dated at Melbourne this 14th day of August 2010.



B MONTGOMERY
President



K MOORE
Director

INDEPENDENT AUDITOR'S REPORT



PricewaterhouseCoopers
ABN 52 780 433 757

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SOUTHBANK VIC 3006
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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 balance sheet as at 31 May 2010, 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 (including the Australian Accounting Interpretations) 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards

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.

Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT AUDITOR'S REPORT [CONT.]



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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of The Australian Psychological Society Ltd ("the Society") is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Society and financial position as at 31 May 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the Society's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', enclosed in a rectangular box.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', enclosed in a rectangular box.

Peter Buchholz
Partner

Melbourne
14 August 2010



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