Annual Report

2016–2017

Creating greater member value

ASG Annual report 2017

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ASG's Board and management continue to challenge the organisation and advance its impact in the three key areas of strategic importance—advocacy, financial products and educational resources to support improved education outcomes for our members and society.

We aim to be a holistic education services provider focusing not only on traditional secondary and post-secondary education, but also recognising the growing demand for services and products that help individuals and companies support lifelong learning.

This report provides an overview of ASG's strategic, social and financial performance. As Chairman of ASG I am very proud of what the staff and management have achieved over the course of the year and congratulate everyone involved. In the following sections of my report I would like to particularly highlight some of the impact we are having from an advocacy point of view, point out our adoption of an important global social policy and recognise some changes at Board.

The education landscape

ASG's role in the provision of education services in Australia and New Zealand continues to highlight the importance of supporting the education sector through advocacy. The education sectors in these countries are constantly balancing the need to get strong educational outcomes in a challenging economic and political environment. This means that our education systems must address one of the biggest challenges we face—of managing the transition from a manufacturing economy to a knowledge based and innovative one.

We actively responded to government measures such as budget announcements to ensure that we present our concerns and goals for a better education sector. In New Zealand, education continues to garner attention with the government providing new funding pledges over the next four years. In Australia, the federal budget made a new offer of funding to states and territories, and stepped away from the controversial university fee deregulation.

However, our research[1] continually shows that Australian and New Zealand parents are worried about the cost of education, which continues to increase significantly. We will continue to call on all levels of government to work together in a bipartisan manner to ensure that they are placing the recipients of education at the heart of everything they do.

Our research also shows that not only are parents worried about their children's education, they can also see that the rapidly changing employment landscape poses challenges to their children's future.

Today's world demands that we prepare children and adults for major career changes and a future that will be shaped by the expansion of automation and technology. The reality is that education has become a constant and ongoing aspect in our lives. It is no longer something we acquire once in our youth, but rather something that is linked to many parts of our lives.

ASG has advocated that the Australian government can generate considerable savings by helping parents to save for their children's education. ASG's white paper: *Repositioning education as a major life event,* found that 85 per cent of parents support a co-contribution savings scheme where the government would provide parents and families with incentives to save for education. This is supported by further research, which shows approximately 60 per cent of students rely on their parents for financial support while at university. This creates further financial strain on the family budget with students now required to fund 46 per cent of their course costs—up from 42 per cent.

We will continue to monitor legislative changes in both countries and also advocate strongly to achieve the best possible outcomes that support the education aspirations of our members.

Signing up to the United Nations Global Compact

Towards the end of the financial year we made a decision to sign up to the United Nations Global Compact (UNGC), the world's largest corporate sustainability initiative. ASG will continue to follow and improve its performance against the UNGC principles to support future sustainability by building linkages between our business operations and our environmental, social and governance practices. We look forward to sharing evidence of our commitment towards this important goal in next year's annual report.

Board composition

Vale Terry O'Connell

We are saddened with the passing of Terry O'Connell, an ASG Board director, on 28 August 2017, after a protracted illness. Terry's long association with ASG began in 1983. During his time at ASG he was its CEO, managing director, chairman, and non-executive director.

1. ASG Planning for Education Index, 2016, 2015, 2014

Under his leadership, ASG gained recognition as a not-for-profit organisation, which encouraged parents to save for their children's future education. Terry was also the pioneer of the ASG National Excellence in Teaching Awards (NEiTA)—which he initiated in 1994. Now in its 23rd year the ASG NEiTA acknowledges the great work teachers do in our communities, both in Australia and New Zealand.

Terry was also a significant influence in the Friendly Societies movement. He was appointed to the Friendly Societies of Australia (FSA) as a committee member in 2006 and appointed its president in October 2011 until his retirement in November 2013.

For ASG's Board and staff, Terry's passion, drive and belief for ASG and its impact in helping to improve educational outcomes was an inspiration to all, including his mentorship of many individuals.

New participating consultant

During the year we recruited a new participating consultant—André Carstens—to provide specialist advice to the Board. André, a chartered accountant by profession, has a strong interest in corporate governance, improving business productivity, and mergers and acquisitions. We welcome André to ASG and look forward to working with him.

Thank you

ASG remains a great organisation we can all be proud of and this is thanks to the support we receive from our members, our employees and management, and the Board. I look forward to working with you all to keep delivering on our strategy and generating long-term value to our members.

Craig Dunstan
Chairman

CEO's report

This year has been a strong one as we made positive inroads in building a powerful member value proposition. We saw strong evidence of a considerable momentum in the modernisation of the organisation and awareness of ASG in the market. It has been a year that has truly seen ASG generating greater value for our members.

Business performance

Funds under management remains strong at $1.48 billion as we continued to refine our strategic asset allocation to drive sound returns in an increasingly challenging external environment.

In Australia, the bonus rate for The Education Fund was 5.70 per cent, the Supplementary Education Program was 5.40 per cent, and the Pathway Education Fund (PEF) was 4.75 per cent. In New Zealand, The Education Fund (NZ) was 5.55 per cent and the Supplementary Education Program (NZ) was 5.35 per cent.

Our ability to attract more members was enhanced as we now provide potential members with more opportunities to engage with ASG through our existing and new channels —thus providing more choice.

We also introduced a corporate partnership initiative and have worked with various organisations to introduce the ASG offering to their employees or members. These partnerships included Accumulate Loyalty; Nufarm—a global agricultural chemical organisation; Ramsay Health; Credit Union Australia—a member owned national credit union; Gateway Credit Union, and NobleOak Friendly Society.

This multi-faceted approach saw a growth of 21 per cent in the number of new children enrolled into ASG compared to last year, and the number of new members introduced grew by 29 per cent.

Improving the member experience

We considerably enhanced our member service with the introduction of new systems and processes that enable us to respond more effectively to member requests. This change also meant that when members call us we can answer their questions promptly—minimising paperwork and delays. In addition we upgraded our member portal *My ASG* to provide members greater information and a self-service capability making us available 24 hours a day.

The enhancements to the member service also saw significant improvements on how we do things. We released the annual member benefit payments six weeks earlier than in previous years; simplified the claim process for tertiary students to receive their scholarship benefit payments; and paid benefit and scholarship payments electronically. We made close to a record 40,000 payments to members and beneficiaries between January and March this year.

During the year we also introduced a new product—Lifelong Education Fund. The new product caters specifically for those individuals who want to proactively plan for their future education beyond post¬secondary studies and as part of their professional development.

We also introduced new member only benefits and discounts for school related items, insurance and home loans.

The year also saw ASG stepping up its communication with members. We redeveloped our member portal *My ASG* to enable members to do more online—from viewing their account information, updating their membership details and that of their children, to accessing an expanding range of special offers, information, and educational resources.

We also developed more education resources and introduced a series of webinars to provide members with useful information on educational topics.

Thank you

Our new growth momentum and strong culture of continuous improvement will need to be maintained to ensure we perform strongly into the future. As we continue to improve our efficiencies, we will also need to manage our costs well and innovate strongly to ensure we are continually improving every element of our business and the value we provide to members.

I would like to thank the ASG board of directors, employees and our members for the support and encouragement to continuously improve each year.

John Velegrinis
Chief Executive Officer

Board of directors and participating consultant

Craig Dunstan

B Com, LLB, MBA, F Finsia, MAICD

Craig is the chairman and a non-executive independent director. He was appointed by the Board in 2009 as a consultant and joined the Board as director in 2011. He was appointed as chairman of the Board in October 2015. Craig has extensive experience in the financial services industry in Australia, Asia and the United States. He is currently the managing director of Vasco Investment Managers Limited, and non-executive director of Federated Investors Australia Services Limited and LaTrobe Health Services Limited.

Craig is a member of the Investment Committee and the chairman of the Nominations and Remuneration Committee and the Innovations Committee. He was the founder and former managing director of ASX listed Macarthur Cook Limited, former executive director of Australian Unity Funds Management Limited, and a former board member of the Asia Public Real Estate Association.

Allen Blewitt

BA (Hons), MEd, FAICD, FAIM

Allen is the deputy chairman and a non-executive independent director. Allen was appointed as a participating consultant to the ASG Board in October 2012 and as a director on 23 July 2015. He is a director of Cambridge English Language Assessment in Australia and New Zealand and a director of Cambridge Box Hill Language Assessment.

He is an independent consultant advising organisations on governance, strategic planning, education and business strategy. Allen was global CEO of the Association of Chartered Certified Accountants (ACCA) in London and was deputy CEO and director of Education and Professional Development with the Institute of Chartered Accountants (ICAA). He has also been a secondary school teacher, university lecturer and teacher educator.

Allen is the chairman of the Education Advisory Panel and was appointed chairman of the ASG National Excellence in Teaching Awards Foundation in April 2014. He is also a member of the Audit Committee and the Nominations & Remuneration Committee.

Tony Brain

B Com, Cert. Superannuation Management, CA, GAICD, FAIST

Tony was appointed as a participating consultant to the ASG Board in February 2014 and joined the Board as a non-executive independent director on 1 January 2016. Tony joined the Risk Committee in February 2016 and in September 2016 was appointed as Chairman of the Risk Committee. Tony is a chartered accountant with 30 years experience both in Australia and the United Kingdom with a Big 4 international chartered accounting firm—12 of those as a partner. This experience has involved a mixture of assurance advice and financial and regulatory audit work along with regulatory and risk consulting in the financial services sector.

Tony was previously Head of Risk at AustralianSuper, is a member of the Finance and Investment Committee of Victoria University as well as being a member of the Companies Auditors Disciplinary Board. He is a fellow of the Australian Institute of Superannuation Trustees and has experience as a director of the Trustee Board of the Royal Australian College of General Practitioners Superannuation Fund, chairman of the Trustee Board of the Deloitte Superannuation Fund and chairman of a superannuation fund Acting Trustee through formal appointment by APRA.

Dr Jacqueline Jennings

B Met, M Mgt, Phd Mgt, GAICD

Jacqueline is a non-executive independent director, appointed by the Board in 2011 as a consultant and joined the Board as a director in March 2012. She is also chair of the Investment Committee and a member of the Audit Committee.

Jacqueline has extensive executive experience in sales, marketing, business development and strategy, and financial management. Jacqueline is chair of the Alpine Resorts Management Board Mt Buller and Mt Stirling, where she is a member of the Audit and Risk Committee and Remuneration Committee. She also has experience as a director of Peoplecare Health Insurance, and was a member of the Finance and Risk Committee within that Board, and a director of the non-health fund subsidiary of that company.

Leon Nash

B Bus, MBA, FCPA, FAICD

Leon is a non-executive independent director, who first joined the Board in 2006 and was last re-elected on 28 October 2014. Leon has extensive experience in general management, accounting, business, economics, human resources and corporate finance. He has acted as the financial controller (Australia and New Zealand) of a multinational fast moving consumer goods company (FMCG).

His executive experience has been across many sectors including manufacturing, construction, FMCG and land development at a local and multinational level. Leon also has past experience as a director and company secretary for Australian Timken Pty Ltd and Australian Timken Superannuation Pty Ltd. He is the chairman of the Audit Committee and a member of the Risk Committee and the Innovation Committee.

Terry O'Connell

FAICD

Terry was a non-executive independent director. His association with ASG began in 1983. He first joined the Board in 1988, re-elected on 26 October 2012 and was chairman of the Board up to October 2015.

Terry was also chairman of the NEiTA Foundation for many years. The Foundation recognises gifted teachers in Australia and New Zealand. Terry also has experience as CEO and managing director of ASG, and has extensive experience in business administration and the friendly society movement.

Terry retired from the Board with effect from 31 July 2017.

Monique Sasson

B Ed, GAICD, Certificate in Governance and Risk Management

Monique is a non-executive independent director who first joined the Board in 2002, and was last re-elected on 25 October 2016. Monique has a diverse background in the performing arts and education, and has extensive experience in reputation management, media relations, corporate communications and property investment advice. She is the author of two books on property investment and a frequent media contributor.

In addition to her directorship of ASG, Monique is the principal of Career Eye, a career mentoring service for professional women. Monique is currently a member of the Nominations and Remuneration Committee, and a member of the Risk Committee.

André Carstens

B Com(Hons), FCA, MAICD

André Carstens was appointed as a participating consultant to the Board in March 2017.

André is a Chartered Accountant (Fellow) and a member of the Australian Institute of Company Directors. He has extensive leadership experience having held chief executive and chief financial officer positions with a number of multinational businesses including Colonial First State Group, Aviva Australia, Spotless Group and the Gribbles Group.

André has also served as a non-executive director and Audit Committee chairman of Praemium Limited. He is currently executive officer of Colonial Foundation and a member of the Board Finance and Audit Committee of Trinity College.

On 1 August 2017, André was appointed as a director to fill the casual vacancy created by the retirement of Terry O'Connell with effect from 31 July 2017.

Participating consultant

Jen Storey

M Arts, PG Dip, B.Ed

Jen Storey was appointed as a participating consultant to the Board in April 2016. Jen is a highly successful leader with more than 20 years digital experience across a variety of industries including extensive involvement in financial services.

She is presently director of Outside Insights Consulting Pty Ltd as well as global director of the Innovation Garage for Computershare. She was formerly partner and chief marketing officer at Edgelabs. She has also worked with and consulted to numerous organisations such as Australia Post, Suncorp and NAB.

Jen has a Bachelor of Education, post-graduate diploma in Information Services and a Masters in Public Relations.

She is a member of the Innovation Committee.

The Australian Scholarships Group Friendly Society Limited (ASG) is a member owned mutual organisation, which at 30 June 2017 had more than 130,000 children enrolled.

ASG's mission

ASG supports individuals to fulfil their education and lifelong learning aspirations.

Board of directors

The role of the Board is to provide leadership and strategic guidance for ASG and its related bodies corporate (ASG Group) in addition to overseeing management's implementation of ASG's strategic initiatives. The Board is accountable to members for the performance of the ASG Group's businesses. In performing its role, the Board aspires to excellence in governance standards.

For the full reporting period, the ASG Board consisted of seven members, each with specific expertise and experience relevant to ASG's activities.

ASG's Board comprises of directors who are non-executive and assessed by the Board to be independent and free of material relationships that might influence their ability to act in the best interests of ASG and its members.

ASG's Board values and supports diversity in all areas, including gender and race. The Board regularly reviews the skills represented by the directors against the strategic objectives of ASG and has a Board renewal program, ensuring that the Board consists of directors with a broad range of skills and relevant experience. The names and particulars of the directors of ASG during the financial year are on pages 6 and 7.

Board role and responsibilities

The key responsibilities of ASG's Board include:

- approval of the strategic direction of ASG, annual budget and business plan, and monitoring of performance against them for the ASG Group; and
- approving and monitoring the effectiveness of risk management by the ASG Group, including satisfying itself through appropriate reporting and oversight that internal control mechanisms are in place and are being implemented in accordance with regulatory requirements.

Role of chair

The chair, an independent non-executive director, is responsible to members for the sound leadership of ASG's Board and its meetings, setting the agenda, facilitating the work of the Board at its meetings, and ensuring that the procedures and standards of the Board and ASG's Constitution are observed.

Director emeritus

Director emeritus is an honorary position created initially for ASG's founders Mr Harry Tyler and Mr Gary Bickerton. ASG's Board may confer the title on those retiring directors who have made an outstanding contribution to ASG over many years.

The current director emeritus are:

Mr Gary R Bickerton, MAICD

As a founding member, Gary first joined the ASG Board in 1974. He was the founding president of the Independent Provident Society of Victoria (Friendly Society); IPSV Services Pty Ltd (Scholarship marketing company); Australian Scholarship Trust (Trustee) now collectively known as the Australian Scholarships Group Friendly Society Limited. Gary retired from ASG's Board in March 2011 and was appointed Director Emeritus in the same month.

Mr Colin Evans, MISA (Snr), AFAMI, MIICA, FAICD

Colin has been associated with ASG for more than 30 years and has been an active member since the early 1980s when he enrolled his children in ASG. Colin joined the ASG Board in 1984 and was elected deputy chair in 2009. Colin retired from his position of deputy chair of ASG in December 2015 and was appointed director emeritus in the same month.

Board participating consultants

Board participating consultants are independent consultants who are engaged to provide specialist and technical advice to ASG's Board.

During the year the following people served as Board participating consultants:

- Ms J Storey was a consultant for the full reporting period.
- Mr A Carstens was appointed as a consultant from 15 March 2017 onwards.

Meetings of the Board

The ASG Board meets one day each month during the year (other than in January) with an additional one day strategic offsite meeting normally scheduled in May. There is an additional two day strategic planning meeting normally scheduled in November of each year.

Election of directors

Directors are elected by the members at the Annual General Meeting (AGM) for a term of not more than three years. Directors can offer themselves for election at the end of each term subject to them satisfying APRA's fit and proper requirements. If a casual vacancy occurs during the year, ASG's Board has the power to appoint an interim director who satisfies APRA's fit and proper requirements and whose appointment must end at the next AGM.

Conflicts of interest

To avoid any possible conflicts of interest, directors and participating consultants must declare any specific conflicts of interest arising from the business of any particular meeting at each meeting. On an annual basis, each director provides a detailed declaration of interests.

Regulators

ASG's business operations in Australia are primarily and extensively regulated by the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC). In New Zealand ASG is regulated by the Financial Markets Authority of New Zealand (FMA).

ASG is required to comply with a wide range of regulations that apply across all of its business activities, including for example, APRA Prudential Standards on governance and risk management.

Remuneration

ASG is committed to providing a remuneration framework, which is designed to recruit, motivate and retain high quality employees who will ensure ASG's success, and support:

- ASG's long term financial soundness
- ASG's risk management framework
- Delivery of ASG's holistic member support strategy.

Our remuneration policy is based on aligning remuneration outcomes with our strategy, encouraging and rewarding strong delivery against this strategy while ensuring rewards remain appropriate and proportionate compared within ASG, market practice and our risk profile.

Our remuneration framework is maintained and reviewed annually against market trends and business needs. The Nominations and Remuneration Committee of the Board reviews annual performance and remuneration outcomes to ensure that there is no bias in respect to gender or control roles which may expose us to undue risk.

Committees

ASG's Board establishes committees to assist it in its role of overseeing the corporate governance practices of ASG.

ASG's Board appoints the chairs and members of these committees and determines each committee's 'Terms of Reference'.

The following committees were in place for the relevant period:

Audit committee

The audit committee:

- oversees statutory and financial reporting requirements
- reviews the annual financial statements prior to their approval by ASG's Board
- ensures the adequacy and independence of the internal and external audit functions
- reviews the internal and external audit plans to ensure they address all material risks, internal controls and reporting requirements prior to submission to ASG's Board for approval
- reviews audit findings to ensure issues are appropriately managed and rectified.

The Audit Committee generally invites the chief financial officer, internal audit manager, external auditors and actuary to the meetings. The committee provides a forum for the effective communication between ASG's Board and ASG's Actuary, internal and external auditors.

The members of the Audit Committee as at 30 June 2017 were:

Mr L G Nash	Non-Executive Independent Director (Chair)
Dr J A Jennings	Non-Executive Independent Director
Mr A Blewitt	Non-Executive Independent Director

Education advisory committee

The Education Advisory Panel was established to advise ASG's Board on educational trends, issues and developments, which may have relevance for ASG, its services and products.

With the exception of the chair, members of the committee are external to ASG and drawn from all states of Australia and New Zealand. All members are chosen on the basis of recognised educational expertise and experience.

The members of the panel as at 30 June 2017 were:

Mr A Blewitt	Non-Executive Independent Director (Chair)
Ms P Roberts	Western Australia educational representative
Ms C Driver	Queensland educational representative
Ms S Fenton	Victoria educational representative
Mr P Walsh	New Zealand educational representative
Dr N McCulla	New South Wales educational representative
Dr J Rimes	Tasmania educational representative
Mrs R Shepherd	South Australia educational representative
Mr K Wills	ACT educational representative

Investment committee

The Investment Committee was established to advise ASG's Board on investment management matters and in particular asset allocation and the performance of the investment managers engaged by ASG.

The members as at 30 June 2017 were:

Dr J A Jennings	Non-Executive Independent Director (Chair)
Mr C M Dunstan	Non-Executive Independent Director
Mr J Velegrinis	Chief Executive Officer
Mr K Brown	Chief Financial Officer
Mr P Taubman	Head of Investments

Nominations and remuneration committee

The Nominations and Remuneration Committee is responsible to ASG's Board for advising on remuneration matters and for recommending candidates for the roles of director and participating consultant.

The members as at 30 June 2017 were:

Mr C M Dunstan	Non-Executive Independent Director (Chair)
Mr A Blewitt	Non-Executive Independent Director
Ms M K Sasson	Non-Executive Independent Director

Risk committee

The risk committee:

- provides an institution-wide view of ASG's risk position relative to its risk appetite and capital strength
- oversees the implementation of the risk management strategy
- challenges proposals and activities on risk management aspects
- reviews and advises the Board on the Risk Management Framework and its elements, including the risk appetite, risk management strategy, risk register and ICAAP
- attends to various internal control responsibilities
- establishes, maintains and oversees procedures for employees to submit confidentially information about accounting, internal control, compliance, audit and other matters about which the employee has concerns.

The members of the Risk Committee as at 30 June 2017 were:

Mr T Brain	Non-Executive Independent Director (Chair)
Mr L G Nash	Non-Executive Independent Director
Ms M K Sasson	Non-Executive Independent Director

The Risk Committee generally invites ASG's Chief Risk Officer, members of ASG's management, external auditors and actuary to meetings.

Innovations Committee

The Innovations Committee is established for a period of time determined by the Board to provide additional oversight and risk management for key selected strategic initiatives.

The Innovations Committee:

- reviews the progress of the strategic initiatives
- reports to the Board on the strategic initiatives
- identifies risks in the strategic initiatives and ensures that those risks are mitigated appropriately, and
- assists with implementing the strategic initiatives across ASG.

The members of the Innovations Committee as at 30 June 2017 were:

Mr C M Dunstan	Non-Executive Independent Director (Chair)
Mr L G Nash	Non-Executive Independent Director
Ms J Storey	Board Participating Consultant
Mr J Velegrinis	Chief Executive Officer
Mr B Hawkins	Chief Operating Officer
Mr K Brown	Chief Financial Officer

External audit

Deloitte Touche Tohmatsu (Deloitte) has been appointed to conduct an audit of the financial report and to report to members in accordance with the requirements set out in the Corporations Act 2001.

A representative from Deloitte attends the AGM and is available to answer questions from members on the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted in the preparation of the financial statements, and Deloitte's independence in relation to the conduct of the audit of ASG's financial statements.

Internal audit

The Internal Audit department assesses whether ASG's risk management, internal controls, governance and compliance processes are efficient and effective for the appropriate identification, reporting and management of risks, and for compliance with policies, standards, procedures and applicable laws and regulations.

Actuary

K Yogaranandan	Mercer Consulting (Australia) Pty Ltd (up to 15 May 2017)
B Cummings	KPMG (from 15 May 2017)

Asset consultant

ASG has engaged Willis Towers Watson to provide investment management consulting services.

The directors of the Australian Scholarships Group Friendly Society Limited submit herewith the annual directors' and financial report for the financial year ended 30 June 2017.

Directors

The following persons were directors of ASG during the financial year and up to the date of this report:

Mr A Blewitt	Deputy Chairman
Mr T Brain	Director
Mr C M Dunstan	Chairman
Dr J A Jennings	Director
Mr L G Nash	Director
Mr T P M O'Connell	Director*
Ms M K Sasson	Director

* Mr T O'Connell retired as a director with effect from 31 July 2017. Mr André Carstens was appointed to fill the vacancy with effect from 1 August 2017.

Company secretary

Ms F Ferro

Joined ASG in June 2013 in the role of general counsel and company secretary.

Principal activities

The Australian Scholarships Group Friendly Society Limited operates in Australia and New Zealand. The principal activities of ASG and its subsidiaries in the course of the financial year were the provision of financial products that offset the cost of education and lifelong learning, the provision of a range of education resources that support education and lifelong learning, and the advocacy for the importance of education and lifelong learning in nation building.

Operating results

The profit of the Group for the financial year was:	2017 $'000	2016 $'000
Operating profit after income tax from continuing operations	328	452

Review of operations

The report of our 43rd year of operations has been compiled and audited. The directors are pleased to report a sound performance for the year.

The financial year 2017 has produced strong investment returns, most of which have been derived from growth assets, which performed well post the US elections. This has been driven by an expectation of stronger economic growth and the possible re-emergence of inflation. The strong investment returns for our open funds have translated into declared bonus rates above projected amounts this year.

The management fund reports an operating loss, which was in line with budget expectations, as ASG continues to invest in future business growth and an improved member experience. Enrolments into our open funds increased by more than 30 per cent year on year, for the second year in a row, providing us with the opportunity to support more individuals to fulfil their education and lifelong learning.

The following are some of the key figures from the year:

	2017 $'000	2016 $'000	Movement %
Total Assets of the Benefit Funds	1,391,822	1,488,028	-6.47
Consolidated Management Fund	88,086	88,385	-0.34
Controlled Entities	3,721	3,340	11.41
Total Assets	1,483,629	1,579,753	-6.08

Details of benefit funds open to new members are:

Benefit Funds open to new members	2017 Member Funds $'000	2016 Member Funds $'000	2017 Declared Bonus %	2016 Declared Bonus %
The Education Fund	341,217	317,949	5.70	2.80
Supplementary Education Program	309,641	279,871	5.40	2.55
Pathway Education Fund	31,520	9,600	4.75	2.57
The Education Fund (New Zealand)	19,971	17,210	5.55	1.15
Supplementary Education Program (New Zealand)	9,397	7,985	5.35	0.95

The following bonus rates for the Pathway Education Fund were approved and declared by the Board:

	June 2017	March 2017	December 2016	September 2016
Pathway Education Fund	1.00%	1.40%	1.15%	1.10%

This equates to an annual bonus rate of 4.75 per cent.

The bonus rates for benefit funds closed to new members can be found on Note 29 of the Annual Report.

Significant changes in principal activities

During the financial year, there were no significant changes in the principal activities of the Group.

Matters subsequent to the end of the financial year

There has not been any matter or circumstance, other than that referred to in the reports, financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

Directors' interests and benefits

Since the end of the previous financial year and to the date of signing this report, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in Note 27: Related Party Disclosures forming part of the Group's financial statements in the Full Annual Report) by reason of a contract made by the Company with the director or with a firm of which the director is a member, or with a company in which the director has a substantial interest.

Directors' meetings

Each director and participating consultant attended the following meetings and board committee during the year while they were a director, participating consultant or committee member.

	Board of Directors		Investment Committee		Audit Committee		Risk Committee		Education Committee		Remuneration Committee		Innovations Committee		Strategy Offsite	
Directors:	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr A Blewitt[1]	11	11			5	5			2	2	3	3			3	3
Mr C M Dunstan (Chairman)	11	11	12	9							5	5	3	3	3	3
Dr J A Jennings	11	10	12	12	5	4									3	3
MR L G Nash	11	10			5	5	6	6					3	3	3	3
Mr T P M O'Connell[2]	11	5									2	1			3	2
Ms M K Sasson	11	8					6	5			5	5			3	3
Mr T Brain	11	10					6	6							3	3
Mr André Carstens[3,4]	4	4													1	1
Ms J Storey[5]	11	11											3	2	3	3

1 Allen Blewitt replaced Terry O'Connell on the Nominations & Remuneration Committee in October 2016.
2 Terry O'Connell was granted leave of absence by the Board from February 2017 and subsequently retired on 31 July 2017.
3 André Carstens was appointed as participating consultant on 15 March 2017 and from 1 August 2017 was appointed to fill the vacancy arising from Terry O'Connell's retirement on 31 July 2017.
4 André Carstens was appointed alternate for Tony Brain at the June 2017 Board meeting.
5 Jen Storey was appointed alternate for Monique Sasson at the August 2016 Board meeting, alternate for Leon Nash at the September 2016 Board meeting and alternate for Terry O'Connell for the board meetings from February 2017 to June 2017 inclusive.

Indemnification and insurance of directors and officers

During the financial year, ASG paid a premium for a contract insuring the directors, participating consultants, company secretary and executive officers of ASG to the extent permitted by the *Corporation Act 2001*. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liabilities covered and the amount of the premium.

In accordance with the Constitution of ASG and under a separate deed, the directors, participating consultants and officers are indemnified to the extent permitted by law against any liability incurred by them in connection with the proper discharge of their duties, other than for conduct involving a lack of good faith.

Auditor's independence declaration

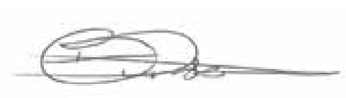
The auditors' independence declaration is included on page 14 of the Annual Report.

Rounding off of amounts

ASG is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the Directors' Report and the Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the directors



C M Dunstan
Chairman

Melbourne, 27 September 2017

Deloitte.

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The Board of Directors
Australian Scholarships Group Friendly Society Limited
23-35 Hanover Street
Oakleigh, VIC 3166

27 September 2017

Dear Board Members

Australian Scholarships Group Friendly Society Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian Scholarships Group Friendly Society Limited.

As audit partner for the audit of the financial statements of Australian Scholarships Group Friendly Society Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Max Rt Murray
Max Murray
Partner
Chartered Accountants

ASG Financial Report 2017

Contents

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017

Continuing operations	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000
Revenue			
Investment income		86,477	79,290
Net gains/(loss) on financial assets held at fair value through profit and loss		26,718	(14,215)
Premium revenue - life investment contracts		5,402	5,568
Premium revenue - life insurance contracts		826	948
Revenue from benefit funds		19,191	20,900
Other revenue		2,346	2,332
Total revenue	5	140,960	94,823
Expenses			
Commission expenses		(672)	(713)
Policy acquisition expenses - life investment contracts		(1,330)	(1,512)
Policy maintenance expenses - life investment contracts		(4,071)	(4,056)
Investment management expenses		(13,839)	(14,610)
Claims expense - life insurance contracts		(430)	(362)
Depreciation & amortisation		(1,254)	(1,163)
Staff expenses		(17,969)	(16,845)
Office expenses		(2,125)	(2,730)
Communication expenses		(771)	(704)
Marketing expenses		(1,050)	(1,881)
General expenses		(3,573)	(3,302)
Member & scholarship grants		(2,117)	(2,019)
Other operating expenses		(869)	(1,256)
Total expenses	6	(50,070)	(51,153)
Operating profit		90,890	43,670
Policy liability revaluation	31	(752)	641
Investment income allocated to policyholders	31	(73,309)	(39,526)
Profit before income tax expense		16,829	4,785
Income tax expense	7(a)	(16,501)	(4,333)
Profit for the year		328	452
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Gain on property revaluation		389	292
Remeasurement of defined benefit obligations		(166)	(108)
Income tax relating to items not reclassified subsequently		(117)	(87)
Total items that will not be reclassified subsequently to profit or loss		106	97
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		19	180
Income tax relating to items reclassified subsequently		(6)	(54)
Total items that will be reclassified subsequently to profit or loss		13	126
Other comprehensive income for the year, net of tax		119	223
Total comprehensive income for the year		447	675
Profit attributable to:			
Members of ASG		328	452
		328	452
Total comprehensive income attributable to:			
Members of ASG		447	675
		447	675

The accompanying notes form part of, and are to be read in conjunction with, these consolidated financial statements.

Consolidated statement of financial position as at 30 June 2017

	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000
Assets			
Cash and cash equivalents	28 (a)	9,247	5,099
Trade and other receivables	9	14,070	13,616
Life investment contract assets	10	1,383,830	1,479,663
Life insurance contract assets	11	7,992	8,365
Other financial assets - investment assets	12	58,744	60,805
Inventories	13	196	235
Other assets	14	12	35
Current tax assets	7(c)	-	45
Property, plant and equipment	15	6,189	6,343
Investment property	16	900	2,925
Other intangible assets	17	2,449	2,622
Total assets		1,483,629	1,579,753
Liabilities			
Trade and other payables	18	5,375	9,383
Current tax payables	7(c)	5,951	230
Deferred tax liabilities	7(d)	6,545	4,362
Provisions	19	3,400	2,929
Life investment contract liabilities	32	1,363,854	1,464,792
Total liabilities		1,385,125	1,481,696
Net assets		98,504	98,057
Equity			
Policyholder equity		7,837	8,252
Retained earnings		88,358	87,617
Reserves		2,309	2,188
Total equity		98,504	98,057

The accompanying notes form part of, and are to be read in conjunction with, these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 30 June 2017

Consolidated	Retained earnings $'000	General reserve $'000	Foreign currency translation reserve $'000	Revaluation reserve $'000	Total reserve $'000	Policyholder equity $'000	Total equity $'000
Balance at 1 July 2015	86,948	(96)	107	2,098	2,109	8,325	97,382
Transfers from benefit funds	700	-	-	-	-	-	700
Transfer to management fund	-	-	-	-	-	(700)	(700)
(Loss)/profit for the year	(31)	-	-	-	-	483	452
Other comprehensive income/(expense)	-	(108)	(25)	212	79	144	223
Total comprehensive profit for the year	(31)	(108)	(25)	212	79	627	675
Balance at 30 June 2016	87,617	(204)	82	2,310	2,188	8,252	98,057
Transfers from benefit funds	700	-	-	-	-	-	700
Transfer to management fund	-	-	-	-	-	(700)	(700)
Profit for the year	41	-	-	-	-	287	328
Other comprehensive income/(expense)	-	(166)	15	272	121	(2)	119
Total comprehensive profit/(loss) for the year	41	(166)	15	272	121	285	447
Balance at 30 June 2017	88,358	(370)	97	2,582	2,309	7,837	98,504

Consolidated statement of cash flows for the year ended 30 June 2017

	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash flows from operating activities			
Management fees and commissions received		19,191	20,900
Contributions received from policyholders		131,500	134,120
Other revenue received		1,952	2,286
Investment income received		9,546	16,598
Management fees paid		(19,241)	(20,178)
Payments to suppliers and employees		(25,594)	(26,935)
Payments to benefit funds		(2,117)	(2,019)
Payments to policyholders		(300,606)	(266,293)
Income tax paid		(8,552)	(18,725)
Net cash used in operating activities	28 (b)	(193,921)	(160,246)
Cash flows from investing activities			
Payment for investment securities		(328,116)	(480,476)
Proceeds from sale of investment securities		524,572	643,091
Proceeds from disposal of property, plant and equipment		390	23
Proceeds from sale of investment property		1,947	-
Payments for property, plant and equipment		(85)	(282)
Payments for intangible assets		(711)	(1,668)
Net cash generated by investing activities		197,997	160,688
Cash flows from financing activities			
Transfers from benefit funds		700	700
Transfers to management fund		(700)	(700)
Net cash used in financing activities		-	-
Increase in cash and cash equivalents		4,076	442
Cash and cash equivalents at the beginning of the financial year		11,327	10,863
Effects of exchange rate changes on the balance of cash held in foreign currencies		23	22
Cash and cash equivalents at the end of the financial year	28(a)	15,426	11,327

The accompanying notes form part of, and are to be read in conjunction with, these consolidated financial statements.

1. General information

The Australian Scholarships Group Friendly Society Limited ("ASG", "the Parent") is a registered Australian unlisted public company under the *Corporations Act 2001* and a friendly society under the *Life Insurance Act 1995*.

These consolidated financial statements are for the consolidated entity consisting of the Australian Scholarships Group Friendly Society Limited and its subsidiaries, referred to in these consolidated financial statements collectively as "the ASG Group".

The company is domiciled in Australia and its registered office and principal place of business is:

23-35 Hanover Street
Oakleigh VIC 3166
Tel: (03) 9276 7777

A description of the nature of the ASG Group's principal activities is included in the Directors' Report on page 11 which is not part of these consolidated financial statements.

2. Application of new and revised accounting standards

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

ASG has applied the required amendments to Standards issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period as follows:

» Amendments to IAS 1 - Disclosure Initiative

» Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the ASG Group's consolidated financial statements.

Standards and Interpretations in issue not yet adopted

ASG has not applied the following new and revised AASBs that have been issued but are not yet effective:

Effective for annual periods beginning on or after 1 January 2018:

» AASB 9 – Financial Instruments

» AASB 15 – Revenue from Contracts with Customers (and the related Clarifications)

Effective for annual periods beginnings on or after 1 January 2019:

» AASB 16 – Leases

Effective for annual periods beginnings on or after 1 January 2021:

» AASB 17 – Insurance Contracts

ASG is still in the process of accessing the full impact of the application of the above standards on the consolidated financial statements and it is not practicable to provide a reasonable financial estimate of the effect until ASG completes the detailed review.

3. Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the consolidated financial statements:

3.1 Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Life Insurance Act 1995*, *Corporations Act 2001*, Australian Accounting Standards and Interpretations, and comply with other requirements of the law.

The consolidated financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the directors on 27 September 2017.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, unless otherwise stated.

Historical cost is based on the fair values paid for the exchange of assets. Fair value is the price you would expect to pay or receive for an asset when the market is behaving normally.

The price may be directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, ASG takes into account those characteristics that market participants would consider relevant.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, unless another basis is specifically required by the Australian Accounting Standards Board (AASB). For example, AASB 117 'Leases', AASB 102 'Inventories', and in AASB 136 'Impairment of Assets'.

In addition, for consolidated financial statements reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

» Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

» Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

» Level 3 inputs are unobservable inputs for the asset or liability.

Amounts in the consolidated financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated. All amounts are presented in Australian dollars, unless otherwise stated.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of ASG and entities controlled by ASG, including subsidiaries is referred to as 'the ASG Group'. Control is achieved where ASG:

» has power over its subsidiaries
» is exposed, or has rights, to variable returns from its involvement with its subsidiaries
» has the ability to use its power to affect its subsidiaries' returns.

ASG assesses whether or not it controls its subsidiaries if there are changes to one or more of the three elements of control listed.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the ASG Group.

3.4 Accounting for benefit funds

Classification and presentation

Under AASB 1038 'Life insurance contracts', the benefits issued by ASG are deemed to be life insurance contracts. These benefits contain an insurance component by way of membership to the Contingency Fund and/or the Family Protection Fund, as well as an investment component by way of membership to the specific benefit fund the member is joining.

AASB 1038 allows the unbundling of these components, and ASG separates the life insurance component and the investment component of each benefit within its systems. In accordance with AASB 1038, the life insurance component is accounted for as a life insurance contract and the investment component is accounted for as a life investment contract as this component does not expose ASG to any significant insurance risk.

Life insurance contracts involve the acceptance of significant insurance risk. Insurance risk is defined as significant, if an insured event could cause an insurer to pay significant additional benefits in the normal course of business.

Life investment contracts are contracts regulated under the Life Insurance Act 1995 that do not meet the definition of a life insurance contract.

Under AASB 1038 the consolidated financial statements must include all assets, liabilities, revenues, expenses and equity. Therefore, ASG's consolidated financial statements include total (combined) benefit fund data.

Assets backing policy liabilities

Assets backing life investment business are held within discrete benefit funds and assets backing life insurance business are held within the Contingency and/or Family Protection funds, as appropriate. The use of assets is restricted by the benefit fund rules, investment policy, requirements of the *Life Insurance Act 1995* and prudential standards.

Claims expense - life insurance contracts

Claims expense is the expense component of claim payments to members and relates to life insurance contracts. These are recognised on a cash basis as claims are paid.

Contributions and withdrawals

Withdrawals relating to life investment contracts, in the form of surrenders and maturity payments, are determined to be deposit in nature and as such are recognised as a change in policy liabilities.

Basis of expense recognition

Apportionment of expenses, to the extent that it is permissible under the benefit fund rules, is primarily by direct allocation.

No costs or charges other than bank charges, duties, taxes and benefits payable to members and nominated children may be paid out of the life investment benefit funds.

Policy acquisition expenses and policy maintenance expenses of the benefit funds are received as the revenue component of member contributions.

Investment management expenses and ongoing management charges are allocated to the benefit funds based on the average size of each fund over each quarter and are determined by the percentage stipulated in the relevant benefit fund rule.

Allocation of benefit fund surplus

The proposed amounts available for benefit fund bonus distribution are transferred from the benefit fund profit or loss account to the benefit funds' unallocated surplus prior to the recommendation being given by ASG's Actuary. Once declared by ASG's Board of Directors the amounts are credited to members' accounts.

Bonus rates

Life investment contract liabilities as they appear in Note 29 include bonuses for the year ended 30 June 2017, which have been approved by ASG's Actuary and declared by the Board of Directors.

3.5 Revenue recognition

Revenue is measured at fair value of the amount received or receivable.

Investment income

Dividend income from investments is recognised when the ASG Group's right to receive payment has been established.

Distribution income is recognised on a receivable basis as of the date the unit value is quoted after distribution.

Interest income from a financial asset is recognised when it is probable that the benefits will flow to ASG and the amount can be measured reliably. Interest income is accrued on a timely basis, based on the principal amount outstanding and at the effective interest rate applicable.

Premium revenue - life investment contracts

Revenue from life investment contracts is the revenue component of member contributions, that is the portion of member contributions that will be used to pay the policy acquisition expenses and the policy maintenance expenses.

Revenue for life investment contracts is recognised on a cash basis as revenue is earned when received from policyholders.

Premium revenue - life insurance contracts

Premium revenue from life insurance contracts is the member contributions to the Contingency and Family Protection funds.

Revenue for life insurance contracts is recognised on a cash basis as revenue is earned when received from policyholders.

Revenue from benefit funds

Revenue from benefit funds, comprising of management fees and charges, are brought to account as the services to which they relate are completed.

Other revenue

Rental income

Rental income from investment properties is recognised on a straight line basis i.e. spread over the term of the relevant lease.

Sale of goods

Revenue from the sale of goods is recognised when the ASG Group:

» has transferred to the buyer the significant risks and rewards of ownership of the goods

» retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold

» can reliably measure the amount of revenue and the costs involved

» determines that it is probable that the economic benefits associated with the transaction will flow to the ASG Group.

The average credit period on the sale of goods is 30 days. No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable amounts by reference to past experience.

Fair value increments

Fair value gains on investment properties are recognised when they arise.

3.6 Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except for certain exchange differences on transactions entered into in order to hedge certain foreign currency risks.

3.7 Employee benefits

Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and amounts can be measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits take into account services provided by employees up to the reporting date, and are based on the present value of the estimated future cash outflows.

Retirement benefit costs

ASG has a defined benefit superannuation plan. Payments to this plan are recognised as an expense when employees have rendered service entitling them to the contributions.

The cost of providing benefits under this plan is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting date.

The annual valuation includes actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), which are reflected appropriately in the consolidated statement of financial position in the period in which they occur.

Items recognised in other comprehensive income are reflected in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined liability or asset.

Defined benefit costs are categorised as follows:

» service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

» net interest expense or income.

ASG presents the first two components of defined benefit costs in profit or loss in the line item staff expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the ASG's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any amounts available in the form of refunds from the plan or reductions in future contributions to the plan.

3.8 Taxation

The income tax for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate. This is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated financial statements because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax assets and liabilities for the current and prior periods are recognised at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses. This is recognised to the extent that it is probable that taxable profit will be available against which these items can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised as an expense or income in the consolidated statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Tax consolidation

During the 2004 financial year, the directors elected that ASG and its wholly owned Australian resident entities would form a tax consolidated group and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is ASG.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, ASG and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the consolidated financial statements in respect of this agreement as the likelihood of ASG defaulting on its tax payment obligations and therefore payment of any amounts under the tax sharing agreement is considered remote.

Tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in their separate financial statements.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by ASG.

3.9 Property, plant and equipment

Land and buildings are measured at fair value. Fair value is determined on the basis of an annual independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income (as appropriate). The fair values are recognised in the consolidated financial statements of the ASG Group and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

Any revaluation increase arising from the revaluation of land and buildings is credited to the asset revaluation reserve.

A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss.

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

3.10 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at their fair value at the reporting date. Gains or losses arising from changes in the fair value of an investment property are included in profit or loss in the period in which they arise.

3.11 Intangible assets

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3.12 Impairment of tangible and intangible assets

At each reporting date, the ASG Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the ASG Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.13 Inventories

Inventories are valued at the lower of cost or net realisable value. The cost of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion of the inventory and costs necessary to make the sale.

3.14 Financial instruments

Financial assets and financial liabilities are recognised when the ASG Group becomes a party to the relevant contract.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised in profit or loss.

Financial assets

Financial assets are initially measured at fair value plus transaction costs that are directly attributable to their acquisition, where they are not financial assets at fair value through profit or loss.

Transaction costs of financial assets at fair value through profit or loss are expensed. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains/(losses) arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the profit or loss in the period in which they arise. Financial assets are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value.

The fair values of quoted investments are based on closing mid-prices. If the market prices are not available (for example; for unlisted securities), the ASG Group establishes fair value by using valuation techniques. These include reference to the fair values of recent similar transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or a shorter period, to the net carrying amount on initial recognition.

Financial assets at fair value through profit or loss

The ASG Group, including its benefit funds, has classified unlisted trusts, Other securities and mortgage loans as financial assets 'at fair value through profit or loss'. Fair value is determined in the manner described in Note 8. Financial assets held for trading purposes are also stated at fair value, with any resultant gain or loss recognised in profit or loss. This means that during the life of a financial asset, it is revalued to market as at reporting date, with the movement in fair value recognised as an unrealised gain or loss. This movement is realised in the subsequent period or when the financial asset is sold. On disposal of financial assets, the gain or loss is calculated as the difference between the sale price of the financial asset and the original purchase price of the financial asset.

Loans and receivables

Trade receivables, loans (excluding mortgage loans at fair value), and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are recorded at amortised cost using the effective interest rate less impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

Derecognition of financial assets

The ASG Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the carrying amount on initial recognition.

The policyholder liabilities are not matched to investment maturities disclosed in the financial instruments note due to the fact that Members' Benefits may be withdrawn at any time.

Derecognition of financial liabilities

The ASG Group derecognises financial liabilities when the ASG Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.15 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost or acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

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

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

3.16 Restatement of comparative figures

Certain comparative figures have been restated to conform with the current year presentation for the consolidated statement of cash flows. These include cash flows from operating activities and cash flows from investing activities.

4. Critical accounting judgements, estimates and assumptions

In the application of the accounting policies of the ASG Group, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are only recognised in the periods affected.

Significant judgments, estimates and assumptions made by management in the preparation of these consolidated financial statements are outlined below:

Summary of significant actuarial methods and assumptions

The majority of the following information has been supplied by ASG's Actuary to summarise the significant actuarial methods and assumptions.

Valuation of benefit fund members' policy liabilities

A Financial Condition Report has been prepared by ASG's appointed Actuary, Ms Briallen Cummings (Bachelor of Economics (Hons), FIAA, FFin) of KPMG Actuarial Pty Ltd. This report covers benefit fund liabilities and prudential reserves. The effective date of the report is 30 June 2017. The amount of the benefit fund liabilities has been determined in accordance with the methods and assumptions disclosed in these consolidated financial statements.

Policy liability valuation

The policy liabilities for benefit funds are determined in accordance with Prudential Standard LPS 340 promulgated by APRA under the *Life Insurance Act 1995*.

Scholarship benefit funds

Policy liabilities for all of ASG's scholarship benefit funds (excluding the Family Protection and Contingency Funds) are valued using the accumulation method and are equal to the contributions made by members, net of fees, together with bonus additions to date. The balance of the fund is the unvested policyholder benefit liabilities (or surplus). Each year's bonus declaration results in a movement from unvested policyholder benefit liabilities to the vested policyholder benefit liabilities. The bonus rate is subject to the amount vesting being no more than the distributable portion of unvested policyholder benefit liabilities.

The main variables that determine the bonus rate for a benefit fund are the value of the net assets of each benefit fund at the end of the year, amounts left over after the bonus declaration through the previous year and the investment return (net of fees and taxes where applicable) earned by the fund throughout the year. The excess of the net assets of the benefit fund over the liabilities after meeting the prudential standards is the surplus that is generally able to be distributed to members as a bonus. There is no provision in these funds' rules for any surplus to be transferred to the Management Fund. The Management Fund receives specified fee transfers from the funds to cover expenses. All remaining assets are to be used to provide benefits to members. Hence there is no profit and consequently, no need for a profit to be carried forward.

Changes in economic conditions will alter the unallocated surplus. The capital requirements are designed to ensure there is sufficient unallocated surplus to cover the effect of these changes. The expenses of the benefit funds are equal to the management allowances transferred to the Management Fund.

Family Protection and Contingency Funds

Policy liabilities for the Family Protection and Contingency Funds are equal to:

- unearned premium (unearned premiums are one half of one month's contribution), plus
- incurred but not reported claims, plus
- reported but not admitted claims, plus
- outstanding claims, plus
- deferred acquisition costs (no deferred acquisition costs are assumed).

The total of incurred but not reported claims, reported but not admitted claims and outstanding claims is estimated from the long term claims experienced by the fund. For the

Family Protection Fund this is 41 per cent of contributions. For the Contingency Fund this is 93 per cent of contributions. The Benefit Fund Rules allow for surplus to be transferred to the Management Fund or to be used for the enhancement of member benefits. It is therefore appropriate to treat surplus, net of the Management Fund capital in the benefit fund, as policyholder equity, or unallocated benefit funds.

If experience varies from expected, then the member liabilities and unallocated benefit funds will vary by equal and opposite amounts. The equity will not change.

As the fund is sold in conjunction with other benefits, acquisition costs for this benefit are likely to be marginal. Therefore, no deferred acquistion costs have been allowed.

Capital Base Valuation

The Capital Base represents the assets available for Capital purposes.

Capital Base of a benefit fund in a friendly society is:

» the net assets of the fund as shown in the accounts; less

» policy liabilities of the fund; less

» all regulatory adjustments to the net assets of the benefit fund (eg. Deferred Tax Assets).

Deferred Tax Assets

For benefit funds, deferred tax assets are assumed to be not offsettable against deferred tax liabilities. Their sizes are insignificant relative to the sizes of the funds and therefore immaterial to the overall capital base.

Prescribed Capital Amount Valuation

Friendly societies are required to hold prudential reserves over and above their policy liabilities, as a buffer against adverse experience and poor investment returns. The minimum level of resources required to be held is set by the Life Insurance Act 1995 and accompanying actuarial standards. These standards are Prudential Standards LPS001, LPS110, LPS112, LPS114, LPS115, LPS118, LPS320, LPS340, LRS001 and LRS110.1.

The Prescribed Capital Amount (PCA) represents the amount of capital that must be held for regulatory purposes, to cover:

» Asset risks (including interest rates, inflation, currency, equity, property, credit spreads and default)

» Insurance risks (including mortality and expenses)

» Concentration Risks

» Operational Risks.

To comply with APRA's capital standards, the Capital Base must exceed the PCA plus any supervisory adjustment imposed by APRA.

The requirement of these standards have been met for the benefit funds as at 30 June 2017.

	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000
5. Revenue			
Premium revenue - life investment contracts		5,402	5,568
Premium revenue - life insurance contracts		826	948
Revenue from benefit funds		19,191	20,900
Revenue from the sale of goods		250	331
Revenue from the rendering of services - service fee income		1,412	1,475
Net gains of financial assets held at fair value through profit and loss		26,718	(14,001)
Revenue from investment income - interest		10,447	12,953
Revenue from investment income - distributions		76,030	66,337
Decline in fair value of mortgage loans		-	(214)
Rental revenue from investment properties		127	193
Other revenue		557	333
		140,960	94,823
6. Expenses			
Commission expenses		672	713
Policy acquisition expenses - life investment contracts		1,330	1,512
Policy maintenance expenses - life investment contracts		4,071	4,056
Investment management expenses		13,839	14,610
Claims expenses - life insurance contracts		430	362
Cost of goods sold (including royalties and services paid)		226	367
Direct investment expense		3	17
(Loss)/profit on disposal of property, plant and equipment		(123)	71
Depreciation of property, plant and equipment		373	424
Amortisation of intangible assets		881	739
Auditors' remuneration		468	447
Bad debts written off - other entities		48	31
Provision for doubtful debts - other entities		(19)	16
Key management personnel remuneration		2,573	2,490
Other remuneration and staff expenses		15,097	14,027
Defined benefit superannuation plans		299	328
Foreign exchange gain		4	-
Office expenses		2,125	2,730
Marketing expenses		1,050	1,881
General expenses		3,573	3,302
Communication expenses		771	704
Member and scholarship grants		2,117	2,019
Bank charges		261	307
		50,070	51,153

	Consolidated	
	2017 $'000	2016 $'000
7. Income tax		
(a) Income tax recognised in profit or loss		
Current tax		
In respect of the current year	14,440	8,219
Deferred tax		
In respect of the current year expense/(benefit)	2,061	(3,886)
Total income tax expense recognised in the current year	16,501	4,333
The income tax expenses for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	16,829	4,785
Income tax expense calculated	5,049	1,435
Effect of income that is exempt from taxation	(9,379)	(6,923)
Effect of expenses that are not deductible in determining taxable profit	23,840	13,556
Other - apportionment deduction adjustment	(3,029)	(3,632)
	16,481	4,436
Adjustments recognised in the current year in relation to the current tax of prior years	20	(103)
	16,501	4,333

The tax rate used in the 2017 and 2016 reconciliation is the corporate tax rate of 30 per cent payable by Australian corporate entities on taxable profits under Australian tax law and 28 per cent payable by New Zealand corporate entities on taxable profits under New Zealand tax law.

	2017 $'000	2016 $'000
(b) Income tax recognised in other comprehensive income		
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Property revaluations	122	87
Total income tax recognised in other comprehensive income	122	87
(c) Current tax assets and liabilities		
Income tax payable attributable to:		
Parent entity	(14,272)	(8,268)
Entities in the tax-consolidated group	(136)	(41)
Tax credits & instalments	8,464	8,122
Exchange difference of foreign subsidiary	(7)	2
	(5,951)	(185)
Current tax balances are presented in the consolidated statement of financial positions as follows:		
Current tax assets	-	45
Current tax payables	(5,951)	(230)
	(5,951)	(185)
(d) Deferred tax balances		
Deferred tax balances are presented in the consolidated statement of financial positions as follows:		
Deferred tax liabilities	6,545	4,362
	6,545	4,362

7. Income tax (continued)

Taxable and deductible temporary difference arise from the following:

	Consolidated			
	Opening balance	Recognised in profit or loss and other comprehensive income	Recognised directly in equity	Closing balance
2017	$'000	$'000	$'000	$'000
Gross deferred tax liabilities:				
Financial assets at fair value through profit or loss	(4,501)	(2,893)	-	(7,394)
Property, plant and equipment	(985)	-	(122)	(1,107)
Investment property	(144)	41	-	(103)
Exchange difference of foreign subsidiary	21	2	-	23
	(5,609)	(2,850)	(122)	(8,581)
Gross deferred tax assets:				
Trade and other receivables	42	(5)	-	37
Financial assets at fair value through profit or loss	586	625	-	1,211
Provisions	619	169	-	788
	1,247	789	-	2,036
	(4,362)	(2,061)	(122)	(6,545)

	Consolidated			
	Opening balance	Recognised in profit or loss and other comprehensive income	Recognised directly in equity	Closing balance
2016	$'000	$'000	$'000	$'000
Gross deferred tax liabilities:				
Financial assets at fair value through profit or loss	(8,008)	3,507	-	(4,501)
Property, plant and equipment	(898)	-	(87)	(985)
Investment property	(127)	(17)	-	(144)
Exchange difference of foreign subsidiary	5	16	-	21
	(9,028)	3,506	(87)	(5,609)
Gross deferred tax assets:				
Trade and other receivables	38	4	-	42
Financial assets at fair value through profit or loss	332	254	-	586
Provisions	497	122	-	619
	867	380	-	1,247
	(8,161)	3,886	(87)	(4,362)

8. Financial instruments

(a) Financial risk management objectives

Risk Management is a fundamental element of ASG's overall corporate governance structure. It has an important role in ensuring that adequate controls exist to mitigate against potential risks that may impact on ASG's ability to achieve its business objectives. ASG's Risk Management Framework outlines the core minimum requirements that ASG, departments and subsidiaries must follow in the management of risks at ASG. Effective risk management requires a coordinated framework across the entire organization.

ASG recognises that all staff at ASG have a responsibility for risk management under ASG's Risk Governance Framework. In terms of governance, the ASG Board is responsible for setting the overall corporate governance strategy.

ASG's Board of directors has established an Audit Committee and a Risk Committee to assist the Board in the effective discharge of its responsibilities for business, market, credit, operational, liquidity and reputational risk management. The Audit Committee and Risk Committee's scope cover the broad range of inter-related business risks to which ASG and its controlled entities are exposed.

The Internal Audit Department and Risk and Compliance Department support the Audit Committee and Risk Committee respectively, in relation to their risk oversight, including compliance. Senior management is responsible for managing the risk process in conjunction with the Internal Audit and Risk and Compliance departments. The Internal Audit Department and Risk and Compliance Department actively partner with ASG's management to help ASG to effectively identify, access, manage and report its risks. To assist in this regard, the Internal Audit Department and Risk and Compliance Department provide various tools, policies and procedures, training and advice. Refer to Governance Statement for further information regarding the principal responsibilities of the Audit Committee and Risk Committee.

The Board has established the Investment Committee which assists the Board in fulfilling its responsibilities in relation to investment management.

The principal responsibility of the Investment Committee is:

» formulating strategy for the management of Investment Risk, which includes management of assets of ASG within the constraints imposed by the approved investment policies and guidelines detailed in the Investment Policy, Risk Policies, and any regulation in force

» monitoring and reporting to the Board according to the framework specified in the Investment Policy, Risk Policies and in accordance with current legislation.

Senior management has the primary responsibility for implementing ASG's risk management strategy. Management is responsible for assisting with identifying, assessing, managing and reporting risks within the business.

The ASG Group's activities expose it primarily to the financial risks of changes in interest rates and market price, as well as credit and liquidity risks.

(b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign currency risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

For the financial instruments held by the benefit funds managed by ASG are exposed to market risk. However, as these financial instruments are matched with policyholder liabilities in the benefit funds; any movement in the carrying value of financial instruments held by the benefit funds has an equal and opposite effect on policyholder liabilities. Hence, the market risk is borne by the policyholders.

(b) Market risk

(i) Price risks

Price risk is the risk that the fair value of future cash flows of a financial instrument may fluctuate because of changes in market prices. The ASG Group is exposed to price risk. This arises from investments held by the group and classified on the balance sheet as financial assets 'at fair value through profit or loss'.

To manage its price risk arising from investments in equity securities, the ASG Group diversifies its portfolio. Diversification of the portfolio is achieved in accordance with investment policies overseen by the Investment Committee, the objective of which is to manage risk within acceptable limits.

It should be noted that in relation to ASG's benefit funds, a 10 per cent change in the unit price of investments in unlisted trusts would lead to a \$110.002 million change (2016: \$115.505 million change) in investment income which would be offset by an investment income/loss allocated to policyholders. Therefore, the net financial position of ASG's benefit funds would remain unchanged before and after a 10 per cent change in price.

As the majority of the ASG Group's financial instruments are carried at fair value with changes in fair value recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, all changes in market conditions will directly affect investment income, and therefore bonus rates that can be paid to members.

The following table illustrates the effects on profit or loss and total equity of the Management Fund based on the pricing risk ASG was exposed to at reporting date:

		Consolidated			
		Profit		Total Equity	
	Change in variable	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Pricing risk	+/(-) 10%	+/-5,237	+/-5,296	+/-5,237	+/-5,296

The ASG Group's sensitivity to price risk has decreased by 1 per cent. This was mainly due to the level of investments in unlisted trusts decreasing by similar percentage compared to last financial year.

(ii) Foreign currency risk management

Foreign exchange risk is the risk that the fair value of future cash flows of an overseas financial instrument will fluctuate as a result of movements in international exchange rates.

The ASG Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters either directly by applicable fund managers or by utilising an averaging approach to the repatriation of foreign currency into Australian dollars.

New Zealand exposure

ASG is exposed to the New Zealand dollar via its New Zealand business operations. The following table illustrates the effects on profit or loss and total equity of the Management Fund of a 10 per cent increase or decrease in the Australian dollar against the New Zealand dollar.

		Consolidated			
		Profit		Total Equity	
	Change in variable	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Foreign currency risk	+/(-) 10%	+/-207	+/-204	-	-

Global exposure

As part of the diversification of its investment portfolio, the ASG Group has investments in unlisted trusts that are hedged and unhedged. Only unhedged funds expose the ASG Group to foreign currency risk. However, not all unhedged trusts provide information about which securities are held in which currency and so information about overall exposures at balance date have been used in this sensitivity analysis. Overall 54 per cent of unhedged investments are exposed to the US dollar, 22 per cent are exposed to the Euro, 10 per cent are exposed to the Japanese Yen and 14 per cent to other currencies. As all investments are denominated in Australian dollars movement in underlying currencies are reflected in the unit price.

It should be noted that in relation to ASG's benefit funds, changes in the underlying currencies sufficient to result in a 10 per cent change in the unit price would lead to a $12.820 million change (2016: $13.838 million change) in investment income which would be offset by an equivalent amount being allocated to policyholders. Therefore, the net financial position of ASG's benefit funds would remain unchanged before and after this change in the underlying currencies.

The following table illustrates the effects on profit or loss and total equity of the Management Fund of a 10 per cent increase or decrease in the Australian dollar against the relevant foreign currencies which are exposed by the unhedged unit trusts.

		Consolidated			
		Profit		Total Equity	
	Change in variable	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Foreign currency risk	+/(-) 10%	+/-568	+/-574	+/-568	+/-574

(iii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The ASG Group's main interest rate risk arises from cash and cash equivalents.

The ASG Group is exposed to interest rate risk as it undertakes investment activities in financial instruments at both fixed and floating interest rates.

ASG's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis points change in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

It should be noted that in relation to ASG's benefit funds, a 100 basis points change in interest rate would lead to a $2.326 million increase (2016: $2.656 million increase) or a $2.253 million decrease (2016: $2.656 million decrease) in investment income which would be by an offset investment income/loss allocated to policyholders. Therefore, the net financial position of ASG's benefit funds would remain unchanged before and after a 100 basis points change in interest rate.

The following table illustrates the effects on profit or loss and total equity based on the interest rate risk the ASG Group was exposed to at reporting date:

		Consolidated			
		Profit		Total Equity	
	Change in variable	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Interest rate risk	+/(-) 1%	+/-107	+/-114	+/-107	+/-114

The ASG Group's sensitivity to interest rates has decreased during the current period mainly due to the level of investments in cash and fixed interest securities were decreasing by similar percentage compared to last financial year.

(c) Capital risk management

Capital risk management is a fundamental element of the ASG Group's overall corporate governance structure in terms of the Risk Management Framework. It ensures that the ASG Group's capital is effectively managed through employing strategies that manage capital resources in line with documented targets and reserves, ensuring that various actuarial and prudential standards that ASG is required to comply with are met.

The ASG Group's investments are managed with a view to ensuring each fund of ASG and each entity in the group will be able to promptly meet its obligations as and when they fall due. The management of investments is carried out in accordance with ASG's constitution, Board policies, the prudential standards issued by APRA, the Life Insurance Act 1995 and disclosure documents and any relevant directives from APRA.

Capital is utilised to finance growth, non-current asset acquisitions and business plans, and also provides support if adverse outcomes arise from investment performance or other activities.

The appropriate level of capital is determined by the Board based on both regulatory and economic considerations.

Categories of financial instrument

	Consolidated	
	2017 $'000	2016 $'000
Financial assets		
Fair value through profit or loss (FVTPL)	1,395,660	1,495,293
Loans and receivables (amortised cost)	62,797	60,928
Cash and cash equivalents	15,426	11,327
Financial liabilities		
Life investment contract liabilities	1,363,854	1,464,792
Other liabilities	8,775	12,312

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the ASG Group. The ASG Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The ASG Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Investment Committee periodically.

Periodic assessments of debtor balances are undertaken by management and provisions for doubtful debts are raised as appropriate. The ASG Group measures credit risk on a fair value basis.

The ASG Group does not have any significant exposure to any single counterparty or any group of counterparties having similar characteristics. Investments in the various instrument categories comply with the guidelines for counterparties and issuers contained within the Board's investment policy and the authorised investments and investment ranges (counterparty limits) specific to each benefit fund outlined in the relevant investment mandates.

Investments in debt instruments are securities from issuers which have a credit rating of investment grade BBB- or higher or equivalent from independent rating agency. Investments in short-term securities and cash are securities from issuers, which have a short-term rating of investment grade A-3 or equivalent from an independent rating agency.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

ASG has ceased to offer mortgage products to members and the general public. However, it does maintain a mortgage portfolio. Loans are secured by registered first mortgage over capital improved property and comply with mortgage investment guidelines. Maximum credit risk exposure of the group is equivalent to financial assets included in the consolidated statement of financial position and disclosed as $1.460 billion (2016:$ 1.554 billion) plus undrawn mortgage facilities of $1.814 million (2016: $2.192 million), thus totalling $1.462 billion (2016: $1.556 billion).

(e) Liquidity risk management

The ASG Group defines liquidity risk as the potential that the group may be unable to meet its obligations as a consequence of a timing mismatch between asset and liability cash flow patterns. In managing this risk, the Management has a system in place that monitors the liabilities of each benefit fund, while management has systems in place that monitor the liabilities of the group's subsidiaries. The Management ensures that an appropriate level of liquid assets is maintained for the operations of ASG's benefit funds plus a buffer for unforeseen demands. Management ensures that an appropriate level of liquid assets is maintained for the operations of ASG's subsidiaries.

The ASG Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and managing the maturity profiles of financial assets and liabilities.

The authorised investments of ASG's benefit funds are contained in their respective rules. For the benefit funds, a minimum of 15 per cent of total assets must be held in liquid funds.

In determining suitability of assets, it is important to note that the majority of assets are readily realisable. Ability to realise a sizeable proportion of the assets in an orderly manner at short notice is consistent with the fact that members' benefits may be withdrawn at any time.

The assets held are invested in accordance with APRA Prudential Standards and each of the Fund's rules and are in accordance with the current investment strategy set down by ASG for each fund.

The following tables detail the ASG Group's exposure to liquidity risk as at 30 June 2017.

8. Financial instruments (continued)

Consolidated - 2017

		Fixed maturity dates						
	Weighted average effective interest ate %	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5+ years $'000	Total $'000
Financial assets:								
Life investment contract assets:								
Cash and cash equivalents	1.35	3,647	-	-	-	-	-	3,647
Receivables		48,727	-	-	-	-	-	48,727
Fair value through profit or loss:								
Unlisted trusts		1,100,015	-	-	-	-	-	1,100,015
Other securities	2.01	225,337	-	-	-	-	-	225,337
Mortgage loans	3.69	76	125	35	73	26	5,769	6,104
Life insurance contract assets:								
Cash and cash equivalents	1.35	2,532	-	-	-	-	-	2,532
Fair value through profit or loss:								
Other securities	1.71	5,460	-	-	-	-	-	5,460
Management Fund								
Cash and cash equivalents	1.35	9,247	-	-	-	-	-	9,247
Receivables		14,070	-	-	-	-	-	14,070
Fair value through profit or loss:								
Unlisted trust		52,370	-	-	-	-	-	52,370
Other securities	2.20	6,220	-	-	-	-	-	6,220
Mortgage loans	4.44	-	-	-	-	-	154	154
Total financial assets		1,467,701	125	35	73	26	5,923	1,473,883
Financial liabilities:								
Trade payables		5,375	-	-	-	-	-	5,375
Life investment contract liabilities		1,363,854	-	-	-	-	-	1,363,854
Total financial liabilities		1,369,229	-	-	-	-	-	1,369,229

8. Financial instruments (continued)

Consolidated - 2016

		Fixed maturity dates						
	Weighted average effective interest ate %	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5+ years $'000	Total $'000
Financial assets:								
Life investment contract assets:								
Cash and cash equivalents	1.75	3,224	-	-	-	-	-	3,224
Receivables		47,312	-	-	-	-	-	47,312
Fair value through profit or loss:								
Unlisted trusts		1,155,051	-	-	-	-	-	1,155,051
Other securities	2.30	265,619	-	-	-	-	-	265,619
Mortgage loans	4.45	428	114	169	46	121	7,579	8,457
Life insurance contract assets:								
Cash and cash equivalents	1.75	3,004	-	-	-	-	-	3,004
Fair value through profit or loss:								
Other securities	2.47	5,361	-	-	-	-	-	5,361
Management Fund								
Cash and cash equivalents	1.75	5,099	-	-	-	-	-	5,099
Receivables		13,616	-	-	-	-	-	13,616
Fair value through profit or loss:								
Unlisted trust		52,958	-	-	-	-	-	52,958
Other securities	2.47	6,083	-	-	-	-	-	6,083
Mortgage loans	4.45	-	-	-	-	-	1,764	1,764
Total financial assets		1,557,755	114	169	46	121	9,343	1,567,548
Financial liabilities:								
Trade payables		9,383	-	-	-	-	-	9,383
Life investment contract liabilities		1,464,792	-	-	-	-	-	1,464,792
Total financial liabilities		1,474,175	-	-	-	-	-	1,474,175

8. Financial instruments (continued)

(f) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the consolidated financial statements approximates their fair values unless otherwise stated.

The fair values of financial assets and financial liabilities are determined as follows:

» The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

» The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The consolidated financial statements include holdings in unlisted unit trusts which are measured at fair value. Fair value is estimated using a mid price from the Fund Managers.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Consolidated- 2017

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Life insurance contract assets:				
Fair value through profit or loss:				
Other securities	5,460	-	-	5,460
Life investment contract assets:				
Fair value through profit or loss:				
Unlisted trusts	278,245	743,847	77,923	1,100,015
Other securities	225,337	-	-	225,337
Mortgage loans	-	-	6,104	6,104
Other financial investment assets:				
Fair value through profit or loss:				
Unlisted trusts	13,763	38,607	-	52,370
Other securities	6,220	-	-	6,220
Mortgage loans	-	-	154	154
Total	529,025	782,454	84,181	1,395,660

There are no transfers between Level 1 and 2 in the period.

Consolidated- 2016

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Life insurance contract assets:				
Fair value through profit or loss:				
Other securities	5,361	-	-	5,361
Life investment contract assets:				
Fair value through profit or loss:				
Unlisted trusts	313,809	793,406	47,836	1,155,051
Other securities	265,619	-	-	265,619
Mortgage loans	-	-	8,457	8,457
Other financial investment assets:				
Fair value through profit or loss:				
Unlisted trusts	13,849	39,109	-	52,958
Other securities	6,083	-	-	6,083
Mortgage loans	-	-	1,764	1,764
Total	604,721	832,515	58,057	1,495,293

There were no transfers between Level 1, 2 and 3 in the period.

8. Financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets

Consolidated - 2017

	Fair value through profit or loss		
	Unlisted property trust $'000	Mortgage Loans $'000	Total $'000
Life investment contract assets:			
Opening balance	47,836	8,457	56,293
Total gains or losses:			
in profit or loss	-	498	498
change in fair value of financial assets designated at fair value	6,075	-	6,075
Purchases/drawdowns	24,012	388	24,400
Mortgage repayments/settlements	-	(3,239)	(3,239)
Transfers in to level 3	-	-	-
Closing balance	77,923	6,104	84,027
Other financial investment assets:			
Opening balance	-	1,764	1,764
Total gains or losses:			
in profit or loss	-	1	1
change in fair value of financial assets designated at fair value	-	-	-
Purchases	-	3,825	3,825
Mortgage repayments/settlements	-	(5,436)	(5,436)
Transfers in to level 3	-	-	-
Closing balance	-	154	154

Consolidated - 2015

	Fair value through profit or loss		
	Unlisted property trust $'000	Mortgage Loans $'000	Total $'000
Life investment contract assets:			
Opening balance	16,262	12,675	28,937
Total gains or losses:			
in profit or loss	-	655	655
change in fair value of financial assets designated at fair value	4,696	(179)	4,517
Purchases/drawdowns	26,878	15	26,893
Mortgage repayments/settlements	-	(4,709)	(4,709)
Transfers in to level 3	-	-	-
Closing balance	47,836	8,457	56,293
Other financial investment assets:			
Opening balance	-	1,764	1,764
Total gains or losses:			
in profit or loss	-	-	-
change in fair value of financial assets designated at fair value	-	-	-
Purchases	-	-	-
Mortgage repayments/settlements	-	-	-
Transfers in to level 3	-	-	-
Closing balance	-	1,764	1,764

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

If the above unobservable inputs to the valuation model were 1% higher/lower while all the other variables were held constant, the carrying amount of the unlisted property trust and mortgages would decrease/increase by $841,810 (2016: decrease/increase by $580,570).

	Consolidated 2017 $'000	Consolidated 2016 $'000
9. Trade and other receivables at amortised cost		
Trade receivables	8,154	9,828
Policy acquisition receivable from policyholders	247	375
Allowance for doubtful debts	(121)	(140)
Receivables from investment assets	2,326	2,107
GST receivable	1	88
Sundry debtors	3,463	1,358
	14,070	13,616
Ageing of past due but not impaired		
30 - 60 days	2	4
60 - 90 days	6	3
Total	8	7
Movement in the allowance for doubtful debts		
Balance at the beginning of the year	(140)	(125)
Impairment losses charge	19	(15)
Balance at the end of the year	(121)	(140)
10. Life investment contract assets at fair value		
Cash and cash equivalents	3,647	3,224
Distributions from investment assets	47,475	45,020
Receivables from management fund	211	1,251
Receivables from mortgage settlement	1,041	1,041
Unlisted trusts	1,100,015	1,155,051
Fixed income securities	3,113	3,232
Certificates of deposit	222,224	262,387
Mortgage loans	6,104	8,457
	1,383,830	1,479,663
11. Life insurance contract assets at fair value		
Cash and cash equivalents	2,532	3,004
Certificates of deposit	5,460	5,361
	7,992	8,365
12. Other financial assets - investment assets at fair value		
Unlisted trusts	52,370	52,958
Certificate of deposit	6,220	6,083
Mortgage loans	154	1,764
	58,744	60,805
13. Inventories		
Finished goods of YCDI! and Education Resources	196	235
14. Other assets		
Prepayments	12	35

15. Property, plant and equipment

	Consolidated	
	2017 $'000	2016 $'000
Carrying amounts of:		
Freehold land	4,563	3,974
Buildings	1,035	1,532
Leasehold improvements	5	9
Plant and equipment	586	828
	6,189	6,343

	Freehold land at fair value $'000	Buildings at fair value $'000	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Total $'000
Consolidated					
Gross carrying amount					
Balance at 1 July 2015	3,733	2,846	390	2,939	9,908
Additions	-	8	-	274	282
Disposals	-	(11)	(54)	(498)	(563)
Net revaluation increments	241	51	-	-	292
Net foreign currency exchange differences	-	36	1	8	45
Other - reallocations	-	-	-	-	-
Balance at 1 July 2016	3,974	2,930	337	2,723	9,964
Additions	-	48	-	37	85
Disposals	-	(558)	(1)	(114)	(673)
Net revaluation increments	589	-	-	-	589
Net foreign currency exchange differences	-	(1)	-	-	(1)
Other - reallocations	-	-	-	-	-
Balance at 30 June 2017	4,563	2,419	336	2,646	9,964
Accumulated depreciation/amortisation and impairment					
Balance at 1 July 2015	-	(1,290)	(369)	(2,012)	(3,671)
Additions	-	-	-	-	-
Disposals	-	11	50	427	488
Depreciation expense	-	(112)	(8)	(304)	(424)
Net foreign currency exchange differences	-	(7)	(1)	(6)	(14)
Other - reallocations	-	-	-	-	-
Balance at 1 July 2016	-	(1,398)	(328)	(1,895)	(3,621)
Additions	-	-	-	-	-
Disposals	-	111	1	108	220
Depreciation expense for continuing operations	-	(96)	(4)	(273)	(373)
Net foreign currency exchange differences	-	(1)	-	-	(1)
Other - reallocations	-	-	-	-	-
Balance at 30 June 2017	-	(1,384)	(331)	(2,060)	(3,775)
Net book value					
As at 30 June 2016	3,974	1,532	9	828	6,343
As at 30 June 2017	4,563	1,035	5	586	6,189

15. Property, plant and equipment (continued)

The following useful lives are used in the calculation of depreciation:

Buildings	40 years
Leasehold improvements	10 years
Plant and equipment	5 - 10 years

Freehold land and buildings carried at fair value

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluations, less any subsequent accumulated depreciation. In estimating the fair value of the freehold land and buildings, the highest and best use of the freehold land and buildings is their current use. The fair value measurements of the Group's freehold land and buildings as at 30 June 2017 and 30 June 2016 were performed by Andrew D. Gaunt from Burgess Rawson & Associates, independent valuers not related to the Group.

The valuation, which conforms to Australian Valuation Standards, was determined by reference to market evidence of transaction prices for similar properties. There has been no change to the valuation technique during the year.

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 30 June 2017 are as follows:

Consolidated	Level 1	Level 2	Level 3	Fair value as at 30/06/17
	$'000	$'000	$'000	$'000
Freehold land	-	-	4,563	4,563
Buildings	-	-	1,035	1,035

There were no transfers between Level 1 and Level 2 during the year.

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

	Consolidated	
	2017 $'000	2016 $'000
Freehold land	875	875
Buildings	827	1,322
	1,702	2,197

16. Investment property

Fair value		
Completed investment property	900	2,925
Balance at beginning of financial year	2,925	2,870
Disposals	(2,100)	-
Gain on property revaluations	75	55
Balance at end of financial year	900	2,925

All of the Group's investment property is held under freehold interests.

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 30 June 2017 and 30 June 2016 has been arrived at on the basis of a valuation, which conforms to Australian Valuation Standards, carried out at that date by an independent valuer not related to the Group. In estimating the fair value of the properties, the highest and best use of the properties is their current best use. The valuations were conducted by Andrew D. Gaunt from Burgess Rawson & Associates. The valuations were arrived by reference to a discounted cash flow analysis based on the projected net cash flow of the premises over the term of the lease remaining and by reference to market evidence of transaction prices for similar properties, as applicable. There has been no change to the valuation technique during the year.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2017 are as follows:

Consolidated	Level 1	Level 2	Level 3	Fair value as at 30/06/17
	$'000	$'000	$'000	$'000
Commercial property located in Oakleigh	-	-	900	900

There were no transfers between Level 1 and 2 during the year.

17. Other intangible assets

	Consolidated		
	Computer Software $'000	Software Licences $'000	Total $'000
Gross carrying amount			
Balance at 1 July 2015	2,540	333	2,873
Additions	1,654	10	1,664
Disposals	(136)	(4)	(140)
Balance at 1 July 2016	4,058	339	4,397
Additions	616	95	711
Disposals	(26)	-	(26)
Balance at 30 June 2017	4,648	434	5,082
Accumulated amortisation and impairment			
Balance at 1 July 2015	(1,158)	-	(1,158)
Amortisation expense (i)	(739)	-	(739)
Disposals	122	-	122
Balance at 1 July 2016	(1,775)	-	(1,775)
Amortisation expense (i)	(881)	-	(881)
Disposals	23	-	23
Balance at 30 June 2017	(2,633)	-	(2,633)
Net book value			
As at 30 June 2016	2,283	339	2,622
As at 30 June 2017	2,015	434	2,449

(i) Amortisation expense is included in the line item Amortisation of intangible assets as per Note 6.

The following useful lives are used in the calculation of amortisation.

Computer software	4-5 years
Software licences	Perpetual

	Consolidated	
	2017 $'000	2016 $'000
18. Trade and other payables at amortised cost		
Trade payables	674	1,240
Accruals	983	695
Amounts due to benefit funds	3,718	7,448
	5,375	9,383

All payables are due within 12 months and the amounts disclosed are equivalent to the contractual undiscounted cash flows expected to be paid.

19. Provisions		
Employee benefits	3,400	2,929
	3,400	2,929

20. Retirement benefit plans

The Supplementary Benefit Plan provides that ASG will contribute an amount to provide an eligible employee, with continuous service of greater than 10 years, an entitlement of the greater of the Minimum Supplementary Benefit (defined based on salary) and the Supplementary Benefit Account (accumulation account in the IOOF Employer Superannuation sub-plan).

Eligible employees receive lump sum benefits on retirement, death, disablement and withdrawal.

The Superannuation Industry (Supervision) (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations apply to the IOOF Employer Superannuation sub-plan but not to the Supplementary Benefit Plan which is a separate agreement between ASG and eligible employees.

IOOF Investment Nominees Limited, acting as Trustee, is responsible for the governance of the IOOF Employer Super sub-plan. The Trustee has a legal obligation to act solely in the best interests of sub-plan beneficiaries. The Trustee has the following roles:

» Administration of the sub-plan and payment to the beneficiaries from Plan assets when required in accordance with the sub-plan rules;

» Management and investment of the sub-plan assets; and

» Compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans.

There are a number of risks to which the Plan exposes ASG. The more significant risks relating to the defined benefits are:

» Investment risk - The risk that investment returns will be lower than assumed and ASG will need to increase contributions to offset this shortfall.

» Salary growth risk - The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.

» Legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The IOOF sub-plan assets are mainly invested in the IOOF MultiMix Moderate Trust. The assets are diversified within this investment option and therefore the Plan has no significant concentration of investment risk. The balance of assets is invested in cash.

There were no plan amendments affecting the defined benefits payable, curtailments or settlements during the year.

Reconciliation of Net Defined Benefit Liability/(Asset)

Financial year ending	2017 $'000	2016 $'000
Net defined benefit liability/(asset) at start of the year	984	765
(+) Current service cost	299	303
(+) Net interest	25	25
(-) Actual return on plan assets less interest income	161	16
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	352	-
(+) Actuarial (gains)/losses arising from changes in financial assumptions	(149)	95
(+) Actuarial (gains)/losses arising from liability experience	124	29
(-) Employer contributions	146	217
Net defined benefit liability/(assets) at the end of year	1,328	984

Reconciliation of Fair Value of Plan Assets

Financial year ending	2017 $'000	2016 $'000
Fair value of plan assets at the beginning of the year	2,181	2,362
(+) Interest income	49	67
(+) Actual return on plan assets less interest income	161	16
(+) Employer contributions	146	217
(-) Benefits paid	(80)	(419)
(-) Taxes, premiums & expenses paid	(92)	(62)
Fair value of plan assets at end of the year	2,365	2,181

Reconciliation of Defined Benefit Obligation

Financial year ending	2017 $'000	2016 $'000
Present value of defined benefit obligations at beginning of the year	3,165	3,127
(+) Current service cost	299	303
(+) Interest expense	74	92
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	352	-
(+) Actuarial (gains)/losses arising from changes in financial assumptions	(149)	95
(+) Actuarial (gains)/losses arising from liability experience	124	29
(-) Benefits paid	(80)	(419)
(-) Taxes, premiums & expenses paid	(92)	(62)
Present value of defined benefit obligations at the end of year	3,693	3,165

Reconciliation of the Effect of the Asset Ceiling

The asset ceiling has no impact on the net defined benefit liability/(asset).

Fair value of Plan assets

As at 30 June 2017

Asset category	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Investment funds*	2,365	-	2,365	-
Total	2,365	-	2,365	-

*The funds invested in the IOOF MultiMix Moderate Trust.

The percentage invested in each asset class at the reporting date is:

As at	2017	2016
Australian Equity	24%	23%
International Equity	16%	16%
Fixed Income	31%	32%
Property	9%	9%
Alternatives/Other	8%	12%
Cash	12%	8%

Fair Value of Entity's Own Financial Instruments

The fair value of Plan assets includes no amounts relating to:

» Any of ASG's own financial instruments

» Any property occupied by, or other assets used by ASG.

Significant Actuarial Assumptions

Financial year ending Assumptions to determine defined benefit cost	2017	2016
Discount rate	3.2% pa	4.2% pa
Expected salary increase rate	2.5% pa	2.5% pa

As at Assumptions to determine defined benefit obligations	2017	2016
Discount rate	3.8% pa	3.2% pa
Expected salary increase rate	2.5% pa	2.5% pa

Sensitivity Analysis

The defined benefit obligation as at 30 June 2017 under several scenarios is presented below.

Scenarios A and B relate to discount rate sensitivity. Scenario C and D relate to salary increase rate sensitivity.

Scenario A: 0.5% p.a. lower discount rate assumption

Scenario B: 0.5% p.a. higher discount rate assumption

Scenario C: 0.5% p.a. lower salary increase rate assumption

Scenario D: 0.5% p.a. higher salary increase rate assumption

	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
Discount rate	3.8% pa	3.3% pa	4.3% pa	3.8% pa	3.8% pa
Salary increase rate	2.5% pa	2.5% pa	2.5% pa	2.0% pa	3.0% pa
Defined benefit obligation^ ($'000)	3,693	3,817	3,578	3,587	3,806

^includes defined benefit contributions tax provision

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset-Liability matching strategies

No asset and liability matching strategies have been adopted by the Plan.

Funding arrangements

In February 2017, it was recommended that ASG contributes to the Plan to target individual funding levels at 95%, subject to a limit based on maximum annual concessional contributions for each member. ASG subsequently decided to contribute to the Plan to target individual funding levels of 90%. When members leave service, ASG pays an employer contribution to fully fund any shortfall between the Supplementary Benefit Account and the Minimum Supplementary Benefit, including allowance for contribution tax and buy/sell spreads on unit prices. The employer contribution also includes payment of insurance premiums and administration expenses.

Expected employer contributions for the year to 30 June 2018 have been estimated using a methodology consistent with the letter dated 28 February 2017, assuming:

» Current membership at 30 June 2017

» Expected return on Supplementary Benefit accounts of 3.7% pa

» Actual salary at 1 July 2017

» A 90% funding target.

In addition, expected employer contributions for the year 30 June 2017 also includes expected insurance premium and administration expenses of $25,000.

ASG expects to make a contribution of $186,000 to the defined benefit plans during the next financial year.

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligations as at 30 June 2017 is 8 years.

Expected benefit payments for the financial year ending on	$'000
2018	1,426
2019	131
2020	113
2021	148
2022	215
Following 5 years	1,904

21. Commitments for expenditure

	Consolidated 2017 $'000	2016 $'000
(a) Capital expenditure commitments		
Plant and equipment		
Not longer than 1 year	941	1,114
	941	1,114

(b) Lease commitments

Non-cancellable operating lease commitments are disclosed in Note 22 to the consolidated financial statements.

22. Leases

Operating leases

Leasing arrangements

Operating leases relate to office space, primarily enrolment centre facilities. Lease terms vary on average between one to five years, with an option to extend for a further period depending on the terms of the individual contract. All operating lease contracts contain market review clauses. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

	Consolidated 2017 $'000	2016 $'000
Non-cancellable operating lease payments		
Not longer than 1 year	403	437
Longer than 1 year and not longer than 5 years	532	739
	935	1,176

23. Remuneration of auditors

	Consolidated 2017 $	2016 $
Auditor of the parent entity		
Audit or review of the Financial Report	320,509	347,842
Audit of regulatory reports	147,320	99,116
	467,829	446,958
Non-audit services	-	-

The auditor of ASG is Deloitte Touche Tohmatsu and costs incurred include the non-recoverable component of GST. Refer to Note 3(15).

24. Details of controlled entities

		Ownership interest 2017 %	2016 %
Parent Entity			
Australian Scholarships Group Friendly Society Limited			
Controlled Entities:			
ASG School Fees Pty Ltd	(i)	100	100
ASG Education Funding Solution Pty Ltd	(i), (iv)	100	100
Walbury Pty Ltd	(iii)	-	100
S.A.F.E. Holdings Pty Ltd	(i)	100	100
- ASG's Educational Products Pty Ltd	(i)	100	100
- Marcom Projects Pty Ltd	(i)	100	100
- Quinniup Pty Ltd	(iii)	-	100
ASG Education Programmes (NZ) Limited	(i)	100	100
NEiTA Foundation Trust	(ii)	-	-
KidsLife Foundation Trust	(ii)	-	-

All companies are incorporated in Australia (Victoria), except for ASG Education Programmes (NZ) Limited which is incorporated in New Zealand.

(i) Controlled entities of ASG. The book value of the investment in ASG School Fees Pty Ltd, ASG Education Funding Solutions Pty Ltd and Walbury Pty Ltd is $100 for each company. The book value of the investment in ASG Education Programmes (NZ) Pty Limited is $95 ($NZ100). The book value of the investment in S.A.F.E. Holdings Pty Ltd is nil.

(ii) These entities are controlled by virtue of a trust deed, which in substance gives ASG the capacity to enjoy the majority of the benefits and to be exposed to the majority of the risks.

24. Details of controlled entities (continued)

(iii) On 3 July 2016 the Group deregistered two of its controlled entities, Quinniup Pty Ltd and Walbury Pty Ltd. These were both dormant entities that are no longer required.

(iv) School Plan Management Pty Ltd changed its name to ASG Education Funding Solutions Pty Ltd on 22 December 2016.

(v) There are no significant restrictions on ASG's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

(vi) ASG gives financial support to ASG Education Programmes (NZ) Limited amounting $0.9 million (2016: $1.0 million), which is a management subsidy on its operating expenses.

25. Events since the end of the financial year

There have been no other material events from 30 June to the date of this report.

26. Parent entity information

Summary financial information

The accounting policies of the Parent Entity, which have been applied in determining the financial information shown below, are the same as those applied in the consoldiated financial statements. Refer to Note 2 for a summary of the significant accounting policies.

	2017 $'000	2016 $'000
Financial position		
Assets		
Current assets	80,485	72,602
Non-current assets	1,406,497	1,507,895
Total assets	1,486,982	1,580,497
Liabilities		
Current liabilities	20,585	16,075
Non-current liabilities	1,371,546	1,469,683
Total liabilities	1,392,131	1,485,758
Equity		
Policyholder equity	7,838	8,109
Retained earnings	84,710	84,274
Reserves	2,303	2,356
Total equity	94,851	94,739
Financial performance		
Profit/(loss) for the year	23	347
Other comprehensive income	89	214
Total comprehensive income for the year	112	561

Guarantees entered into by the Parent entity

The Parent entity did not have any guarantee for transactions entered into by a wholly owned subsidiary company.

Contigent liabilities of the Parent entity

The Parent entity did not have any contigency liabilities as at 30 June 2017 and 2016.

Commitments entered into by the Parent entity

The Parent entity did not have any commitments as at 30 June 2017 and 2016.

27. Related party disclosures

(a) Ownership interests in related parties

Information in relation to ownership interests in controlled entities is provided in Note 24 to the financial statements.

(b) Key management personnel compensation

The key management personnel of the Group consisted of the following 17 (2016: 18) positions: the Chief Executive Officer, Direct Reports (6), Non-Executive Directors (7), and in addition, the Company Secretary, Head of Investments and Internal Audit Manager.

27. Related party disclosures (continued)

The compensation of the key management personnel of the Group is set out below:

2017		Short Term Employee Benefits				Post Employment Benefits			Total
Grouping	No.	Salary & Fixed costs	Bonuses	Meeting Fees	Total	SGC Super	Defined Benefit Super	Total	
		$	$	$	$	$	$	$	$
Non-Executive Directors	7	332,000	-	46,003	378,003	34,742	7,000	41,742	419,745
CEO & Direct Reports	7	1,438,310	134,710	-	1,573,019	135,640	28,097	163,738	1,736,757
Other Non-Executive KMP	3	376,048	9,179	-	385,227	30,821	-	30,821	416,048
Total	17	2,146,357	143,889	46,003	2,336,249	201,204	35,097	36,301	2,572,550

2016		Short Term Employee Benefits				Post Employment Benefits			Total
Grouping	No.	Salary & Fixed costs	Bonuses	Meeting Fees	Total	SGC Super	Defined Benefit Super	Total	
		$	$	$	$	$	$	$	$
Non-Executive Directors	7	314,417	-	35,811	350,228	32,594	17,877	50,471	400,699
CEO & Direct Reports	7	1,415,535	41,080	-	1,456,615	112,171	31,000	143,171	1,599,786
Other Non-Executive KMP	4	437,553	12,250	-	449,803	39,962	-	39,962	489,765
Total	18	2,167,505	53,330	35,811	2,256,646	184,727	48,877	233,604	2,490,250

The 2017 financial year includes bonuses for performance in both the 2016 and 2017 financial years. Bonuses relating to performance in the 2016 financial year were paid in October 2016. Therefore, at the time of finalising the 2016 financial accounts, the board had not determined the size of the bonus pool in respect of that year, so the expenditure could not be measured reliably and could not be accrued in the 2016 financial year accounts. These amounts are included in the 2017 financial year accounts. This year, bonuses relating to performance in the 2017 financial year were determined by the Board at its July Board meeting, enabling payment to be made in August 2017 and appropriate accruals to be entered into the 2017 financial year accounts. So, these amounts are also included in the 2017 financial year accounts.

The bonuses paid in the 2016 financial year related to performance in the 2015 financial year and were paid in December 2015. Therefore, at the time of finalising the 2015 financial accounts, the board had not determined the size of the bonus pool in respect of that year, so the expenditure could not be measured reliably and could not be accrued in the 2015 financial year accounts. These amounts were therefore included in the 2016 financial year accounts.

Non-executive Director Remuneration

The ASG Constitution provides that members must approve the remuneration of Directors at the Annual General Meeting. This may be done by way of approval of a pool of money to be apportioned as the Directors' may determine. At the October 2016 AGM, the members approved a pool of $350,000 and this amount has not changed since that time.

The gross salary of Directors is paid from that pool. Superannuation guarantee contributions that are required to be paid for all Directors are not paid from this pool. These superannuation guarantee contributions are included in the 'post-employment benefits' column in the table above.

In addition to the above, Directors who were appointed prior to 1 February 2013 are entitled to a defined superannuation benefit under the ASG Supplementary Benefit Fund. This defined superannuation scheme was applicable prior to that time but was closed to new Directors in February 2013. That scheme entitles the relevant Directors to a supplementary benefit which is determined by length of eligible service, category classification and salary at the date of termination of service. However, to qualify for the supplementary benefit a minimum of ten years continuous service is required. An initial contribution into a Director's ASG Supplementary account is made when Directors have rendered ten years' service. That contribution and contributions in subsequent years are treated as an expense in the year they are made. Directors who withdraw money from their ASG Supplementary account prior to termination of service are deemed to have withdrawn from the scheme. The scheme applies to the following directors for the relevant period:

Craig Dunstan
Terry O'Connell
Leon Nash
Jacqueline Jennings

The ASG Constitution also provides that Directors may be paid all reasonable expenses incurred by them in connection with the business of the Society. To this end, Directors receive a fee for participating as a member or Chair of the Board Committees in place from time to time. The fees payable per meeting were, for the relevant period, as follows:

$485 per member per meeting;
$810 per Chair per meeting.

27. Related party disclosures (continued)

(b) Key management personnel compensation (continued)

Key management personnel

For the Education Advisory Committee, the Chair of that Committee is a Non-Executive Director, who is paid $1,300 per meeting. There are no Non-Executive Directors who are members of this Committee. These fees are all captured under the 'Meeting Fees' column in the table above. The details of the relevant Directors who were appointed for the relevant period as Chair or Member of each Committee are on page 15 of this Report.

The bonuses set (where relevant) for key management personnel are based on short and long term key performance indicators determined by the Board each year.

Superannuation guarantee contributions are included in post-employment benefits and are paid by ASG for employees.

In addition to the above, key management personnel who were appointed prior to 1 February 2013 are entitled to a defined superannuation benefit under the ASG Supplementary Benefit Fund. This defined superannuation scheme was applicable prior to that time but was closed to new employees in February 2013. That scheme entitles the relevant key management personnel to a supplementary benefit which is determined by length of eligible service, category classification and salary at the date of termination of service. However, to qualify for the supplementary benefit a minimum period of continuous service is required. An initial contribution into an employee's ASG Supplementary account is made when employees have rendered ten years' service. This contribution is treated as an expense in the year it is made. Employees who withdraw money from their ASG Supplementary account prior to termination of service are deemed to have withdrawn from the scheme. The scheme applies to the following key management personnel for the relevant period:

Chief Executive Officer, Direct Reports (3), being Chief Financial Officer, Head of New Business Development & Head of Human Resources and in addition, the Head of Investments and the Internal Audit Manager.

(c) Key management payment

Under ASG's Corporate Governance Rules, each director is required to be a member of a benefit fund in order to be eligible to hold the position of director of the Company. Therefore, each director holds at least one membership in a benefit fund and is entitled to benefits in accordance with the terms of the rules of the relevant benefit fund as they apply to all other members of the relevant fund(s).

	Consolidated	
	2017 $	2016 $
Payments made by ASG	50,224	56,452

The names of key management personnel of ASG with payments for their memberships are:

C Dunstan, J Jennings, L Nash, L Staropoli and T O'Connell.

These payments referred to above are made on the same normal terms and conditions that were available to all members of ASG at the time enrolment into the applicable benefit fund took place.

(d) Other transactions with key management personnel and related entities

During the financial year the following transactions took place with key management personnel related entities on terms and conditions no more favourable than those available on similar transactions to other parties:

Amounts receivable and payable are disclosed in Note 9 and Note 18.

Transactions with Subsidiaries

» As at 30 June 2017, there was a loan balance owing to ASG Education Funding Solutions Pty Ltd of $4.5 million (2016: $4.5 million).

Transactions with Related Entities

» Service fees of $100,180 (2016: $262,438) were paid by ASG Education Funding Solutions Pty Ltd to School Plan Pty Ltd. T P M O'Connell is a director and shareholder of School Plan Pty Ltd. The agreement between ASG Education Funding Solutions Pty Ltd and School Plan Pty Ltd ended as at 31 December 2016.

(e) Other transactions with key management personnel and related entities

During the financial year the following transactions took place on normal commercial terms and conditions between ASG and other entities within the wholly owned Group:

» reimbursement of expenses
» receipt of management fees
» receipt of production and design costs
» provision of office accommodation
» sponsorships paid.

(f) Intra-group transactions

The effects of all intra-group transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements.

28. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand and in banks and, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Consolidated Statement of Cash Flows are reconciled to the related items in the Consolidated Statement of Financial Position as follows:

		Consolidated	
	Notes	2017 $'000	2016 $'000
Management fund and controlled entities:			
Cash on hand		1	3
Cash at bank		9,199	5,057
Term deposit		47	39
		9,247	5,099
Life investment contracts			
Deposits at call		3,647	3,224
	10	3,647	3,224
Life insurance contracts			
Deposits at call		2,532	3,004
	11	2,532	3,004
Total		15,426	11,327

(b) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities

	2017 $'000	2016 $'000
Profit from ordinary activities after related income tax	328	452
Non-cash flows in profit from ordinary activities:		
Gain on disposal of investments	(21,458)	(14,061)
Investment income allocated to policyholders	73,309	39,526
Revaluation (increase) / decrease on investment	(5,439)	28,005
Reinvestment of fee rebate	(1,425)	(1,682)
Reinvestment of dividend distribution	(68,916)	(62,828)
Other movements in policyholder liabilities	(174,151)	(138,968)
Depreciation and amortisation of non-current assets	1,254	1,163
Amounts written off - fixed assets	-	(4)
Profit on sale of property plant and equipments	(123)	-
Increase/(decrease) in current tax liability	5,673	(10,496)
Increase/(decrease) in deferred tax balances	2,277	(3,783)
Movement in general reserve	117	77
(Increase)/decrease in assets:		
Receivables	(1,892)	(3,608)
Inventories	39	16
Other current assets	23	197
Increase/(decrease) in liabilities:		
Payables	(4,008)	5,309
Provisions	471	439
Net cash from operating activities	(193,921)	(160,246)

29. Life investment contract business

ASG's benefit fund policy liabilities are set out below and reflect the operations of the benefit funds managed by ASG.

	Consolidated	
	2017	2016
(a) Analysis of policy liabilities	$'000	$'000
Life investment contract liabilities	1,363,854	1,464,792
Total policy liabilities	1,363,854	1,464,792
Expected to be realised on demand by the members	1,363,854	1,464,792
(b) Reconciliations of changes in policy liabilities		
Life investment contract liabilities		
Balance at the beginning of the financial year	1,464,792	1,553,304
Liability component of contributions	125,272	127,604
Withdrawals	(300,175)	(265,931)
Policy liability revaluation	752	(641)
Proposed allocation of current year's surplus	73,309	39,526
Foreign transalation movement	(96)	10,930
Balance at the end of the financial year	1,363,854	1,464,792

29. Life investment contract business

Life investment contract business by benefit fund - Statement of comprehensive income

2017	Revenue		Expenses		Profit for the year		
	Premium	Investment	Fees	Investment income paid	Before tax	After tax	Declared Bonus
	$'000	$'000	$'000	$'000	$'000	$'000	%
Assurance Benefit Fund	-	1	-	1	-	-	-
Children's Bursary Fund	155	5,889	1,033	5,011	-	-	5.90
Children's Bursary Fund (NZ)	19	750	103	666	-	-	8.20
Children's Bursary Fund No. 2	215	5,173	742	3,486	1,160	-	4.80
Children's Bursary Fund No. 2 (NZ)	70	1,963	225	1,324	484	-	6.25
Children's Scholarships Fund	229	6,463	1,197	5,495	-	-	5.90
Children's Scholarships Fund (NZ)	23	728	105	646	-	-	8.25
Children's Scholarships Fund No. 2	278	4,529	744	3,050	1,013	-	4.75
Children's Scholarships Fund No. 2 (NZ)	80	1,595	205	1,083	387	-	6.40
Flexible Insurance Fund	-	-	-	-	-	-	-
HECS Equity Enhanced Fund	-	269	24	245	-	-	10.80
Higher Education Cost Saver Fund (Balanced)	-	3,323	510	2,813	-	-	5.80
Higher Education Cost Saver Fund (Fixed)	-	24	13	11	-	-	1.00
Malaysian Flexible Insurance Fund	-	-	-	-	-	-	-
Part B Flexible Insurance Fund	-	38	18	8	12	-	0.50
Pathway Education Fund	893	1,739	1,145	961	526	-	4.75
Scholarships Benefit Fund (Balanced)	-	8,593	1,317	7,276	-	-	5.70
Scholarships Benefit Fund (Fixed)	-	196	98	98	-	-	1.50
Scholarships Benefit Fund (Malaysia)	-	2	1	1	-	-	2.25
Scholarships Benefit Fund (NZ)	-	782	341	441	-	-	1.50
Secondary Scholarship Benefit Fund (Balanced)	-	353	70	283	-	-	4.00
Secondary Scholarship Benefit Fund (Fixed)	-	14	7	7	-	-	1.50
Secondary Scholarship Benefit Fund (NZ)	-	21	9	12	-	-	2.25
Students' Education Fund	-	3,201	531	2,670	-	-	5.00
Students' Education Fund (NZ)	-	80	9	71	-	-	7.60
Students' Education Fund No. 2	-	3,725	410	3,198	117	-	5.45
Students' Education Fund No. 2 (NZ)	1	442	37	320	86	-	6.40
Supplementary Education Program	1,092	26,712	4,533	15,384	7,887	-	5.40
Supplementary Education Program (NZ)	67	772	175	436	228	-	5.35
Tertiary Education Cost Saver (NZ)	-	157	86	71	-	-	1.00
Tertiary Support Fund	-	57	5	48	4	-	5.70
The Education Fund	2,138	29,612	5,155	17,973	8,622	-	5.70
The Education Fund (NZ)	142	1,643	328	972	485	-	5.55
Total Life Investment Contract Business	5,402	108,846	19,176	74,061	21,011	-	

29. Life investment contract business (continued)

Life investment contract business by benefit fund - Statement of Comprehensive Income (continued)

2016	Revenue		Expenses		Profit for the year		
	Premium	Investment	Fees	Investment income paid	Before tax	After tax	Declared Bonus
	$'000	$'000	$'000	$'000	$'000	$'000	%
Assurance Benefit Fund	-	4	-	3	1	-	-
Children's Bursary Fund	198	3,527	1,108	2,617	-	-	2.95
Children's Bursary Fund (NZ)	19	143	101	61	-	-	0.80
Children's Bursary Fund No. 2	247	2,937	764	2,004	416	-	2.80
Children's Bursary Fund No. 2 (NZ)	76	373	218	216	15	-	1.10
Children's Scholarships Fund	309	3,865	1,311	2,863	-	-	2.90
Children's Scholarships Fund (NZ)	27	146	105	68	-	-	0.95
Children's Scholarships Fund No. 2	317	2,660	772	1,800	405	-	2.85
Children's Scholarships Fund No. 2 (NZ)	95	289	212	188	(16)	-	1.10
Flexible Insurance Fund	-	-	-	-	-	-	-
HECS Equity Enhanced Fund	-	82	24	58	-	-	2.30
Higher Education Cost Saver Fund (Balanced)	1	2,378	689	1,690	-	-	2.50
Higher Education Cost Saver Fund (Fixed)	-	39	14	25	-	-	1.50
Malaysian Flexible Insurance Fund	-	-	-	-	-	-	-
Part B Flexible Insurance Fund	-	47	20	13	14	-	0.50
Pathway Education Fund	348	265	399	151	63	-	2.75
Scholarships Benefit Fund (Balanced)	2	6,397	1,941	4,458	-	-	2.35
Scholarships Benefit Fund (Fixed)	-	274	105	169	-	-	1.50
Scholarships Benefit Fund (Malaysia)	-	3	2	1	-	-	0.50
Scholarships Benefit Fund (NZ)	5	1,486	496	995	-	-	2.50
Secondary Scholarship Benefit Fund (Balanced)	-	864	200	664	-	-	3.30
Secondary Scholarship Benefit Fund (Fixed)	-	49	18	31	-	-	3.25
Secondary Scholarship Benefit Fund (NZ)	-	53	16	37	-	-	4.00
Students' Education Fund	-	3,326	812	2,514	-	-	3.10
Students' Education Fund (NZ)	-	30	12	18	-	-	1.45
Students' Education Fund No. 2	1	3,329	555	2,728	47	-	3.45
Students' Education Fund No. 2 (NZ)	5	128	44	96	(7)	-	1.65
Supplementary Education Program	1,419	13,458	4,562	6,653	3,662	-	2.55
Supplementary Education Program (NZ)	57	164	123	65	33	-	0.95
Tertiary Education Cost Saver (NZ)	2	269	105	166	-		1.50
Tertiary Support Fund	-	38	6	36	(4)		3.55
The Education Fund	2,290	15,332	5,142	8,327	4,153	-	2.80
The Education Fund (NZ)	150	341	256	170	65		1.15
Total Life Investment Contract Business	5,568	62,296	20,132	38,885	8,847	-	

29. Life investment contract business (continued)

Life investment contract business by benefit fund - Statement of Financial Position

2017	Assets		Liabilities		Equity
	Investment $'000	Other $'000	Life Investment $'000	Other $'000	%
Assurance Benefit Fund	11	-	11	-	-
Children's Bursary Fund	80,269	3,072	83,247	94	-
Children's Bursary Fnd (NZ)	8,372	-	8,364	8	-
Children's Bursary Fund No. 2	73,637	2,802	75,059	1,380	-
Children's Bursary Fund No. 2 (NZ)	23,003	310	22,653	660	-
Children's Scholarships Fund	88,237	3,363	91,536	64	-
Children's Scholarships Fund (NZ)	8,160	-	8,150	10	-
Children's Scholarships Fund No. 2	64,691	2,459	65,925	1,225	-
Children's Scholarships Fund No. 2 (NZ)	18,474	243	18,181	536	-
Flexible Insurance Fund	-	-	-	-	-
Hecs Equity Enhanced Fund	2,254	142	2,396	-	-
Higher Education Cost Saver Fund (Balanced)	35,333	1,331	36,463	201	-
Higher Education Cost Saver Fund (Fixed)	1,030	-	1,025	5	-
Malaysian Flexible Insurance Fund	-	-	-	-	-
Part B Flexible Insurance Fund	1,953	-	1,945	8	-
Pathway Education Fund	30,490	1,382	31,520	352	-
Scholarships Benefit Fund (Balanced)	88,561	4,372	92,632	301	-
Scholarships Benefit Fund (Fixed)	7,724	-	7,716	8	-
Scholarships Benefit Fund (Malaysia)	66	-	66	-	-
Scholarships Benefit Fund (NZ)	23,595	-	23,438	157	-
Secondary Scholarship Benefit Fund (Balanced)	3,292	158	3,450	-	-
Secondary Scholarship Benefit Fund (Fixed)	490	-	490	-	-
Secondary Scholarship Benefit Fund (NZ)	595	5	600	-	-
Students' Education Fund	42,159	1,644	43,803	-	-
Students' Education Fund (NZ)	823	-	822	1	-
Students' Education Fund No. 2	49,960	1,885	51,425	420	-
Students' Education Fund No. 2 (NZ)	4,895	52	4,838	109	-
Supplementary Education Program	304,202	12,473	309,641	7,034	-
Supplementary Education Program (NZ)	9,563	147	9,397	313	-
Tertiary Education Cost Saver (NZ)	7,134	-	7,087	47	-
Tertiary Support Fund	761	29	786	4	-
The Education Fund	335,045	13,672	341,217	7,500	-
The Education Fund (NZ)	20,324	292	19,971	645	-
Total Life Investment Contract Business	1,335,103	49,833	1,363,854	21,082	-

29. Life investment contract business (continued)

Life investment contract business by benefit fund - Statement of Financial Position (continued)

2016	Assets		Liabilities		Equity
	Investment $'000	Other $'000	Life Investment $'000	Other $'000	%
Assurance Benefit Fund	46	-	46	-	-
Children's Bursary Fund	86,171	3,158	89,329	-	-
Children's Bursary Fund (NZ)	8,437	41	8,478	-	-
Children's Bursary Fund No. 2	72,909	2,590	74,410	1,089	-
Children's Bursary Fund No. 2 (NZ)	21,310	234	21,472	72	-
Children's Scholarships Fund	95,368	3,473	98,841	-	-
Children's Scholarships Fund (NZ)	8,166	42	8,208	-	-
Children's Scholarships Fund No. 2	64,391	2,330	65,739	982	-
Children's Scholarships Fund No. 2 (NZ)	17,446	184	17,606	24	-
Flexible Insurance Fund	9	-	9	-	-
HECS Equity Enhanced Fund	2,315	112	2,427	-	-
Higher Education Cost Saver Fund (Balanced)	58,348	2,096	59,469	975	-
Higher Education Cost Saver Fund (Fixed)	1,564	-	1,561	3	-
Malaysian Flexible Insurance Fund	15	-	15	-	-
Part B Flexible Insurance Fund	2,110	-	2,102	8	-
Pathway Education Fund	9,330	336	9,600	66	-
Scholarships Benefit Fund (Balanced)	150,935	6,484	156,718	701	-
Scholarships Benefit Fund (Fixed)	11,377	7	11,384	-	-
Scholarships Benefit Fund (Malaysia)	170	-	170	-	-
Scholarships Benefit Fund (NZ)	39,278	-	39,158	120	-
Secondary Scholarship Benefit Fund (Balanced)	11,493	1,431	12,924	-	-
Secondary Scholarship Benefit Fund (Fixed)	1,031	-	936	95	-
Secondary Scholarship Benefit Fund (NZ)	1,183	-	1,182	1	-
Students' Education Fund	68,159	2,548	70,707	-	-
Students' Education Fund (NZ)	1,177	6	1,182	1	-
Students' Education Fund No. 2	70,549	2,566	71,939	1,176	-
Students' Education Fund No. 2 (NZ)	5,669	62	5,727	4	-
Supplementary Education Program	274,975	9,240	279,871	4,344	-
Supplementary Education Program (NZ)	8,007	102	7,985	124	-
Tertiary Education Cost Saver (NZ)	9,558	-	9,550	8	-
Tertiary Support Fund	860	31	888	3	-
The Education Fund	312,872	10,498	317,949	5,421	-
The Education Fund (NZ)	17,122	223	17,210	135	-
Total Life Investment Contract Business	1,432,350	47,794	1,464,792	15,352	-

29. Life investment contract business (continued)

Capital adequacy position

2017	Net Assets (Common Equity Tier 1 Capital)	Less regulatory adjustments to Tier 1 Capital		Net assets after regulatory adjustments	Capital adequacy multiple
		Deferred tax assets	Fair value adjustments		
	$'000	$'000	$'000	$'000	$'000
Assurance Benefit Fund	-	-	-	-	-
Children's Bursary Fund	37	-	37	-	-
Children's Bursary Fund (NZ)	8	-	8	-	-
Children's Bursary Fund No. 2	24	-	24	-	-
Children's Bursary Fund No. 2 (NZ)	14	-	14	-	-
Children's Scholarships Fund	41	-	41	-	-
Children's Scholarships Fund (NZ)	8	-	8	-	-
Children's Scholarships Fund No. 2	21	-	21	-	-
Children's Scholarships Fund No. 2 (NZ)	11	-	11	-	-
Flexible Insurance Fund	-	-	-	-	-
HECS Equity Enhanced Fund	2	-	2	-	-
Higher Education Cost Saver Fund (Balanced)	17	-	17	-	-
Higher Education Cost Saver Fund (Fixed)	-	-	-	-	-
Malaysian Flexible Insurance Fund	-	-	-	-	-
Part B Flexible Insurance Fund	-	-	-	-	-
Pathway Education Fund	44	-	44	-	-
Scholarships Benefit Fund (Balanced)	43	-	43	-	-
Scholarships Benefit Fund (Fixed)	-	-	-	-	-
Scholarships Benefit Fund (Malaysia)	-	-	-	-	-
Scholarships Benefit Fund (NZ)	-	-	-	-	-
Secondary Scholarship Benefit Fund (Balanced)	2	-	2	-	-
Secondary Scholarship Benefit Fund (Fixed)	-	-	-	-	-
Secondary Scholarship Benefit Fund (NZ)	-	-	-	-	-
Students' Education Fund	20	-	20	-	-
Students' Education Fund (NZ)	1	-	1	-	-
Students' Education Fund No. 2	16	-	16	-	-
Students' Education Fund No. 2 (NZ)	3	-	3	-	-
Supplementary Education Program	304	-	304	-	-
Supplementary Education Program (NZ)	7	-	7	-	-
Tertiary Education Cost Saver (NZ)	-	-	-	-	-
Tertiary Support Fund	-	-	-	-	-
The Education Fund	332	-	332	-	-
The Education Fund (NZ)	13	-	13	-	-
Total Life Investment Contract Business	968	-	968	-	-

29. Life investment contract business (continued)

Capital adequacy position (continued)

2016	Net Assets (Common Equity Tier 1 Capital)	Less regulatory adjustments to Tier 1 Capital		Net assets after regulatory adjustments	Capital adequacy multiple
		Deferred tax assets	Fair value adjustments		
	$'000	$'000	$'000	$'000	$'000
Assurance Benefit Fund	-	-	-	-	-
Children's Bursary Fund	38	-	38	-	-
Children's Bursary Fund (NZ)	6	-	6	-	-
Children's Bursary Fund No. 2	22	-	22	-	-
Children's Bursary Fund No. 2 (NZ)	11	-	11	-	-
Children's Scholarships Fund	42	-	42	-	-
Children's Scholarships Fund (NZ)	6	-	6	-	-
Children's Scholarships Fund No. 2	19	-	19	-	-
Children's Scholarships Fund No. 2 (NZ)	9	-	9	-	-
Flexible Insurance Fund	-	-	-	-	-
HECSEquity Enhanced Fund	2	-	2	-	-
Higher Education Cost Saver Fund (Balanced)	24	-	24	-	-
Higher Education Cost Saver Fund (Fixed)	-	-	-	-	-
Malaysian Flexible Insurance Fund	-	-	-	-	-
Part B Flexible Insurance Fund	-	-	-	-	-
Pathway Education Fund	10	-	10	-	-
Scholarships Benefit Fund (Balanced)	63	-	63	-	-
Scholarships Benefit Fund (Fixed)	-	-	-	-	-
Scholarships Benefit Fund (Malaysia)	-	-	-	-	-
Scholarships Benefit Fund (NZ)	-	-	-	-	-
Secondary Scholarship Benefit Fund (Balanced)	5	-	5	-	-
Secondary Scholarship Benefit Fund (Fixed)	-	-	-	-	-
Secondary Scholarship Benefit Fund (NZ)	-	-	-	-	-
Students' Education Fund	29	-	29	-	-
Students' Education Fund (NZ)	1	-	1	-	-
Students' Education Fund No. 2	21	-	21	-	-
Students' Education Fund No. 2 (NZ)	3	-	3	-	-
Supplementary Education Program	234	-	234	-	-
Supplementary Education Program (NZ)	4	-	4	-	-
Tertiary Education Cost Saver (NZ)	-	-	-	-	-
Tertiary Support Fund	-	-	-	-	-
The Education Fund	264	-	264	-	-
The Education Fund (NZ)	9	-	9	-	-
Total Life Investment Contract Business	822	-	822	-	-

30. Life insurance contracts business by benefit fund - Statement of Comprehensive Income

		Family Protection Fund		Contingency Fund		Total Life Insurance Contracts Business	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Income							
Investment income		62	89	76	98	138	187
Revenue - life insurance contracts		620	709	206	239	826	948
Total income		682	798	282	337	964	1,135
Operating Expenses							
Claims expense - life insurance contracts		126	132	304	230	430	362
Investment management expenses		40	40	40	43	80	83
Other operating expenses		3	-	17	1	20	1
Total expenses		169	172	361	274	530	446
Operating profit/(loss)		513	626	(79)	63	434	689
Profit/(loss) before income tax		513	626	(79)	63	434	689
Income tax expense/(benefit) (Note 7)		(168)	(195)	21	(11)	(147)	(206)
Total comprehensive income for the year		345	431	(58)	52	287	483
Unallocated surplus at the beginning of the financial year		4,045	4,037	4,206	4,288	8,251	8,325
Transfers to Management Fund		(500)	(500)	(200)	(200)	(700)	(700)
Retained profit		3,890	3,968	3,948	4,140	7,838	8,108

30. Life insurance contracts business by benefit fund - Statement of Financial Position

		Family Protection Fund		Contingency Fund		Total Life Insurance Contracts Business	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Assets							
Cash and cash equivalents		2,258	2,447	274	557	2,532	3,004
Investment assets		1,804	1,704	3,656	3,657	5,460	5,361
Other assets		-	-	25	-	25	-
Total assets		4,062	4,151	3,955	4,214	8,017	8,365
Liabilities							
Life insurance contract liabilities	(i)	-	-	-	-	-	-
Other liabilities		171	106	9	7	180	113
Total liabilities		171	106	9	7	180	113
Net assets		3,891	4,045	3,946	4,207	7,837	8,252
Equity							
Policyholder equity		3,890	3,968	3,948	4,141	7,838	8,109
Foreign currency translation reserve		1	77	(2)	66	(1)	143
Total equity		3,891	4,045	3,946	4,207	7,837	8,252
Capital Adequacy Position							
Net Assets (Common Equity Tier 1 Capital)		3,891	4,045	3,946	4,207	7,837	8,252
Less Regulatory adjustments to Tier 1 Capital		-	-	-	-	-	-
Net Assets after regulatory adjustments		3,891	4,045	3,946	4,207	7,837	8,252
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		3,891	4,045	3,946	4,207	7,837	8,252
Prescribed Capital Amount (net of management actions)		1,217	1,476	231	236	1,448	1,712
which comprises:							
Asset risk		11	11	13	14	24	25
Insurance risk		1,215	1,473	228	233	1,443	1,706
Aggregation benefit		(9)	(9)	(10)	(11)	(19)	(20)
Capital adequacy multiple		3	3	17	18	5	5

(i) ASG has discretion over the amount of payments made from the Family Protection Fund and Contingency Fund. This level of discretion means that no present obligation to make payments exists at 30 June 2017 and so no policyholder liability has been recognised.

In order to ensure that the funds have an appropriate level of supporting assets retained in the funds, the appointed Actuary has calculated the present value of future payments, based on past experience. This present value is $0.233 million for the Family Protection Fund and $0.238 million for the Contingency Fund as at 30 June 2017.

31. Statement of Comprehensive Income by business type

	Note	Total Life Investment Contracts Business 2017 $'000	Total Life Insurance Contracts Business 2017 $'000	Total Management Fund 2017 $'000	Total Controlled Entities (After Elimination) 2017 $'000	Total Consolidated 2017 $'000
Revenue						
Investment income		82,918	138	3,773	(352)	86,477
Gain on disposal of investments		26,847	-	1,593	-	28,440
Change in fair value of financial assets designated as at fair value through profit or loss		10,768	-	-	-	10,768
Revenue from life investment contracts		5,402	-	-	-	5,402
Revenue from benefit funds		-	-	19,191	-	19,191
Premium revenue – life insurance contracts		-	826	-	-	826
Other revenue		-	-	1,041	1,305	2,346
Total revenue		125,935	964	25,598	953	153,450
Operating expenses						
Loss on disposal of investments		5,389	-	240	-	5,629
Change in fair value of financial assets designated as at fair value through profit or loss		6,299	-	562	-	6,861
Commission		-	-	672	-	672
Policy acquisition expenses		1,330	-	-	-	1,330
Policy maintenance expenses		4,071	-	-	-	4,071
Investment management expenses		13,759	80	-	-	13,839
Claims expense – life insurance contracts		-	430	-	-	430
Depreciation & amortisation		-	-	1,244	10	1,254
Staff expenses		-	-	16,927	1,042	17,969
Office expenses		-	-	1,929	196	2,125
Communication expenses		-	-	691	80	771
Marketing expenses		-	-	901	149	1,050
General expenses		-	-	4,646	(1,073)	3,573
Member & scholarships grants		-	-	2,117	-	2,117
Other operating expenses		15	20	740	94	869
Total expenses		30,863	530	30,669	498	62,560
Operating profit/(loss)		95,072	434	(5,071)	455	90,890
Policy liability revaluation		(752)	-	-	-	(752)
Investment income paid or allocated to policyholders (bonus distribution)		(73,309)	-	-	-	(73,309)
Profit/(loss) before income tax		21,011	434	(5,071)	455	16,829
Income tax (expense)/benefit	7	(21,011)	(147)	4,807	(150)	(16,501)
Total comprehensive income for the year		-	287	(264)	305	328

31. Statement of Comprehensive Income by business type

	Note	Total Life Investment Contracts Business 2016 $'000	Total Life Insurance Contracts Business 2016 $'000	Total Management Fund 2016 $'000	Total Controlled Entities (After Elimination) 2016 $'000	Total Consolidated 2016 $'000
Revenue						
Investment income		76,020	187	3,467	(384)	79,290
Gain on disposal of investments		18,346	-	511	-	18,857
Change in fair value of financial assets designated as at fair value through profit or loss		3	-	-	-	3
Revenue from life investment contracts		5,568	-	-	-	5,568
Revenue from benefit funds		-	-	20,900	-	20,900
Premium revenue – life insurance contracts		-	948	-	-	948
Other revenue		-	-	973	1,359	2,332
Total revenue		99,937	1,135	25,851	975	127,898
Operating expenses						
Loss on disposal of investments		3,230	-	167	-	3,397
Change in fair value of financial assets designated as at fair value through profit or loss		28,843	-	835	-	29,678
Commission		-	-	713	-	713
Policy acquisition expenses		1,512	-	-	-	1,512
Policy maintenance expenses		4,056	-	-	-	4,056
Investment management expenses		14,527	83	-	-	14,610
Claims expense – life insurance contracts		-	362	-	-	362
Depreciation & amortisation		-	-	1,151	12	1,163
Staff expenses		-	-	15,930	915	16,845
Office expenses		-	-	2,421	309	2,730
Communication expenses		-	-	615	89	704
Marketing expenses		-	-	1,737	144	1,881
General expenses		-	-	4,358	(1,056)	3,302
Member & scholarships grants		-	-	2,019	-	2,019
Other operating expenses		37	1	801	417	1,256
Total expenses		52,205	446	30,747	830	84,228
Operating profit/(loss)		47,732	689	(4,896)	145	43,670
Policy liability revaluation		641	-	-	-	641
Investment income paid or allocated to policyholders (bonus distribution)		(39,526)	-	-	-	(39,526)
Finance costs		-	-	-	-	-
Profit/(loss) before income tax		8,847	689	(4,896)	145	4,785
Income tax (expense)/benefit	7	(8,847)	(206)	4,760	(40)	(4,333)
Total comprehensive income for the year		-	483	(136)	105	452

32. Statement of Financial Position by business type

	Note	Total Life Investment Contracts Business 2017 $'000	Total Life Insurance Contracts Business 2017 $'000	Total Management Fund 2017 $'000	Total Controlled Entities (After Elimination) 2017 $'000	Total Consolidated 2017 $'000
Assets						
Cash and cash equivalents		3,647	2,532	4,983	4,264	15,426
Trade and other receivables		48,727	-	14,616	(546)	62,797
Other financial assets (investment assets)		-	-	58,744	-	58,744
Life investment contract assets		1,331,456	-	-	-	1,331,456
Life insurance contract assets		-	5,460	-	-	5,460
Inventories		-	-	196	-	196
Current tax assets	(b)	-	25	5,943	6	5,974
Other assets		-	-	12	-	12
Property, plant and equipment		-	-	6,186	3	6,189
Investment property		-	-	900	-	900
Deferred tax assets	(c)	1,106	-	-	-	1,106
Other intangible assets		-	-	2,449	-	2,449
Total assets		1,384,936	8,017	94,029	3,727	1,490,709
Liabilities						
Payables and other liabilities		2,104	14	3,300	(42)	5,376
Current tax payables	(b)	11,615	166	-	144	11,925
Provisions		-	-	3,386	14	3,400
Other liabilities		-	-	-	-	-
Deferred tax liabilities	(c)	7,363	-	329	(42)	7,650
Life investment contract liabilities	(a)	1,363,854	-	-	-	1,363,854
Total liabilities		1,384,936	180	7,015	74	1,392,205
Net assets		-	7,837	87,014	3,653	98,504
Equity						
Policyholder equity		-	7,838		-	7,838
Retained earnings		-	-	84,710	3,648	88,358
Reserves		-	(1)	2,304	5	2,308
Total equity		-	7,837	87,014	3,653	98,504
(a) Life investment contract liabilities						
Balance at the beginning of the financial year		1,464,792	-	-	-	1,464,792
Liability component of contributions		125,272	-	-	-	125,272
Withdrawals		(300,175)	-	-	-	(300,175)
Transfer to/(from) other funds		-	-	-	-	-
Transfer from policyholder equity		1	-	-	-	1
Policy liability revaluation		752	-	-	-	752
Proposed allocation of current year's surplus		73,309	-	-	-	73,309
Foreign translation movement		(97)	-	-	-	(97)
Balance at the end of the financial year	(d)	1,363,854	-	-	-	1,363,854
(b) Presented in the Statement of Financial Position as follows:						
Current tax assets		-	-	-	-	-
Current tax (payables)		(11,615)	(141)	5,943	(138)	(5,951)
(c) Presented in the Statement of Financial Position as follows:						
Deferred tax (liabilities)/assets		(6,258)	-	(329)	42	(6,545)

(d) There is no contractual obligation that determines the maturity of the policyholder liabilities as such, these are repayable on demand and the amounts disclosed are equivalent to the contractual undiscounted cash flows expected to be paid. The total Policyholder liabilities also represent the balance for the Group.

32. Statement of Financial Position by business type

	Note	Total Life Investment Contracts Business 2016 $'000	Total Life Insurance Contracts Business 2016 $'000	Total Management Fund 2016 $'000	Total Controlled Entities (After Elimination) 2016 $'000	Total Consolidated 2016 $'000
Assets						
Cash and cash equivalents		3,224	3,004	799	4,300	11,327
Trade and other receivables		47,313	-	14,630	(1,026)	60,917
Other financial assets (investment assets)		-	-	60,817	-	60,817
Life investment contract assets		1,429,126	-		-	1,429,126
Life insurance contract assets		-	5,361		-	5,361
Inventories		-	-	235	-	235
Current tax assets	(b)	-	-	3,603	45	3,648
Other assets		-	-	29	6	35
Property, plant and equipment		-	-	6,328	15	6,343
Investment property		-	-	2,925	-	2,925
Deferred tax assets	(c)	481	-	-	48	529
Other intangible assets		-	-	2,622	-	2,622
Total assets		1,480,144	8,365	91,988	3,388	1,583,885
Liabilities						
Payables and other liabilities		7,310	11	2,037	25	9,383
Current tax payables	(b)	3,700	102	-	31	3,833
Provisions		-	-	2,915	14	2,929
Other liabilities		-	-	-	-	-
Deferred tax liabilities	(c)	4,342	-	549	-	4,891
Life investment contract liabilities	(a)	1,464,792	-	-	-	1,464,792
Total liabilities		1,480,144	113	5,501	70	1,485,828
Net assets		-	8,252	86,487	3,318	98,057
Equity						
Policyholder equity		-	8,109	-	-	8,109
Retained earnings		-	-	84,274	3,343	87,617
Reserves		-	143	2,213	(25)	2,331
Total equity		-	8,252	86,487	3,318	98,057
(a) Life investment contract liabilities						
Balance at the beginning of the financial year		1,553,304	-	-	-	1,553,304
Liability component of contributions		127,604	-	-	-	127,604
Withdrawals		(265,931)	-	-	-	(265,931)
Transfer to/(from) other funds		-	-	-	-	-
Transfer from policyholder equity		-	-	-	-	-
Policy liability revaluation		(641)	-	-	-	(641)
Proposed allocation of current year's surplus		39,526	-	-	-	39,526
Foreign translation movement		10,930	-	-	-	10,930
Balance at the end of the financial year	(d)	1,464,792	-	-	-	1,464,792
(b) Presented in the Statement of Financial Position as follows:						
Current tax assets		-	-	-	45	45
Current tax (payables)		(3,700)	(102)	3,603	(31)	(230)
(c) Presented in the Statement of Financial Position as follows:						
Deferred tax (liabilities)/assets		(3,861)	-	(549)	48	(4,362)

(d) There is no contractual obligation that determines the maturity of the policyholder liabilities as such, these are repayable on demand and the amounts disclosed are equivalent to the contractual undiscounted cash flows expected to be paid. The total Policyholder liabilities also represent the balance for the Group.

32. Statement of Financial Position by business type

(e) Capital Adequacy Position

	Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
	2017 $'000	2017 $'000	2017 $'000	2017 $'000	2017 $'000
Net Assets (Common Equity Tier 1 Capital)	968	7,837	87,014	3,653	99,472
Less Regulatory adjustments to Tier 1 Capital					
Deferred tax assets	-	-	-	-	-
Fair value adjustments	-	-	22	-	22
Goodwill & intangibles	-	-	2,449	-	2,449
Investment in subsidiaries	-	-	4,500	-	4,500
Others	-	-	4,800	-	4,800
Net Assets after regulatory adjustments	968	7,837	75,243	3,653	87,701
Tier 2 Capital	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital	-	-	-	-	-
Capital Base	968	7,837	75,243	3,653	87,701
Prescribed Capital Amount (net of management actions)	-	1,448	29,836	-	31,284
which comprises:					
Asset risk	-	25	18,463	-	18,488
Insurance risk	-	1,443	-	-	1,443
Aggregation benefit	-	(19)	-	-	(19)
Operational risk	-	-	3,460	-	3,460
Combined stress adjustment	-	-	7,913	-	7,913
Capital adequacy multiple	-	5	3	-	8

ASG is subject to minimum capital requirements in accordance with Australian Prudential Regulation Authority (APRA) Life Insurance Prudential Standards. The Group is required to maintain adequate capital against the risks associated with its business activities. ASG has in place an Internal Capital Adequacy Assessment Process (ICAAP), approved by the Directors, to ensure that it maintains required levels of capital within the Management fund and each of its benefit funds.

The Capital Base of a benefit fund in a friendly society is:
the net assets of the fund as shown on acccounts; less
policy liabilities of the fund; less
all regulatory adjustments to the nets assets of the benefit fund, such as Deferred Tax Assets.
Policy liabilities include unallocated surplus for all fixed and balanced funds. Thus policy liabilities are equal to net assets less any regulatory adjustments in the fund.
As a result, the Capital Base for each fixed and balance fund is normally nil.

32. Statement of Financial Position by business type

(e) Capital Adequacy Position

	Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
	2016 $'000	2016 $'000	2016 $'000	2016 $'000	2016 $'000
Net Assets (Common Equity Tier 1 Capital)	822	8,252	86,487	3,318	98,879
Less Regulatory adjustments to Tier 1 Capital					
Deferred tax assets	-	-	-	-	-
Fair value adjustments	822	-	20	-	842
Goodwill & intangibles	-	-	2,622	-	2,622
Investment in subsidiaries	-	-	4,500	-	4,500
Others	-	-	5,864	-	5,864
Net Assets after regulatory adjustments	-	8,252	73,481	3,318	85,051
Tier 2 Capital	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital	-	-	-	-	-
Capital Base	-	8,252	73,481	3,318	85,051
Prescribed Capital Amount (net of management actions)	-	1,712	29,669	-	31,381
which comprises:					
Asset risk	-	25	18,176	-	18,201
Insurance risk	-	1,706	-	-	1,706
Aggregation benefit	-	(20)	-	-	(20)
Operational risk	-	-	3,704	-	3,704
Combined stress adjustment	-	-	7,789	-	7,789
Capital adequacy multiple	-	4	2	-	7

ASG is subject to minimum capital requirements in accordance with Australian Prudential Regulation Authority (APRA) Life Insurance Prudential Standards. The Group is required to maintain adequate capital against the risks associated with its business activities. ASG has in place an Internal Capital Adequacy Assessment Process (ICAAP), approved by the Directors, to ensure that it maintains required levels of capital within the Management fund and each of its benefit funds.

The Capital Base of a benefit fund in a friendly society is:
the net assets of the fund as shown on acccounts; less
policy liabilities of the fund; less
all regulatory adjustments to the nets assets of the benefit fund, such as Deferred Tax Assets.
Policy liabilities include unallocated surplus for all fixed and balanced funds. Thus policy liabilities are equal to net assets less any regulatory adjustments in the fund.
As a result, the Capital Base for each fixed and balance fund is normally nil.

33. Statement of Cash Flows by business type

	Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
	2017 $'000	2017 $'000	2017 $'000	2017 $'000	2017 $'000
Cash flows from operating activities					
Management fees and commissions received	-	-	19,191	-	19,191
Contributions from policyholders	130,674	826	-	-	131,500
Other revenue	-	-	1,120	832	1,952
Investment income	8,745	141	1,012	(352)	9,546
Management fees	(19,161)	(80)	-	-	(19,241)
Payments to suppliers and employees	(15)	(20)	(24,876)	(683)	(25,594)
Payments to benefit funds	-	-	(2,117)	-	(2,117)
Payments to policyholders	(300,175)	(431)	-	-	(300,606)
Intercompany (payments) / receipts	-	-	261	(261)	-
Income tax (paid)/received	(10,700)	(107)	2,248	7	(8,552)
Net cash provided by/(used in) operating activities	(190,632)	329	(3,161)	(457)	(193,921)
Cash flows from investing activities					
Payments for investment securities	(316,989)	(102)	(11,054)	29	(328,116)
Proceeds on sale of investment securities	508,022	1	16,549	-	524,572
Proceeds from disposal of property, plant and equipment	-	-	-	390	390
Proceeds from sale of investment property	-	-	1,947	-	1,947
Payments for property, plant and equipment	-	-	(798)	2	(796)
Net cash provided by/(used in) investing activities	191,033	(101)	6,644	421	197,997
Cash flows from financing activities					
Transfers from benefit funds	-	-	700	-	700
Transfers to management fund	-	(700)	-	-	(700)
Net cash (used in)/provided by financing activities	-	(700)	700	-	-
Net increase/(decrease) in cash held	401	(472)	4,183	(36)	4,076
Cash at the beginning of the financial year	3,223	3,004	800	4,300	11,327
Effects of exchange rate changes on the balance of cash held in foreign currencies	23	-	-	-	23
Cash at the end of the financial year	3,647	2,532	4,983	4,264	15,426

33. Statement of Cash Flows by business type

	Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
	2016 $'000	2016 $'000	2016 $'000	2016 $'000	2016 $'000
Cash flows from operating activities					
Management fees and commissions received	-	-	20,900	-	20,900
Contributions from policyholders	133,172	948	-	-	134,120
Other revenue	-	-	919	1,367	2,286
Investment income	82,237	150	(895)	(384)	81,108
Management fees	(20,095)	(83)	-	-	(20,178)
Payments to suppliers and employees	(37)	-	(26,193)	(705)	(26,935)
Payments to benefit funds	-	-	(2,019)	-	(2,019)
Payments to policyholders	(265,931)	(362)	-	-	(266,293)
Income tax (paid)/received	(22,554)	(266)	3,971	124	(18,725)
Net cash provided by/(used in) operating activities	(93,208)	387	(3,317)	402	(95,736)
Cash flows from investing activities					
Payment for investment securities	(520,943)	(129)	(23,923)	9	(544,986)
Proceeds on sale of investment securities	614,788	703	27,600	-	643,091
Proceeds from sale of plant & equipment	-	-	23	-	23
Payment for property, plant and equipment	-	-	(1,948)	(2)	(1,950)
Net cash provided by investing activities	93,845	574	1,752	7	96,178
Cash flows from financing activities					
Transfers from benefit funds	-	-	700	-	700
Transfers to management fund	-	(700)	-	-	(700)
Net cash (used in)/provided by financing activities	-	(700)	700	-	-
Net increase/(decrease) in cash held	637	261	(865)	409	442
Cash at the beginning of the financial year	2,564	2,743	1,665	3,891	10,863
Effects of exchange rate changes on the balance of cash held in foreign currencies	22	-	-	-	22
Cash at the end of the financial year	3,223	3,004	800	4,300	11,327

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that ASG will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the *Life Insurance Act 1995* and *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial performance and position of the ASG Group; and

(c) in the director's opinion, the attached consolidated financial statements are in compliance with International Financial Reporting Standards as stated in Note 3 to the consolidated financial statements.

Signed in accordance with a resolution of the directors made pursuant to Section 295(5) of the *Corporations Act 2001*.

On behalf of the directors

Craig Dunstan
Chairman

Melbourne, 27 September 2017

Deloitte.

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Independent Auditor's Report to the Members of Australian Scholarships Group Friendly Society Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian Scholarships Group Friendly Society Limited ("the Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants
Sydney, Australia
27 September 2017

Australian Scholarships Group Friendly Society Limited

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