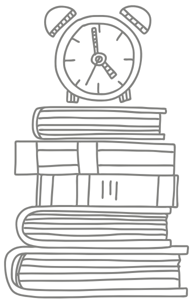
Full Annual Report

2015 – 2016

ASG Supporting Children's Education

increasing member value

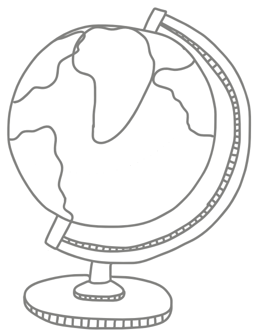


Annual report

for the financial year ended 30 June 2016

Contents

Financial reports



Chairman's report

It gives me great pleasure to present my first annual report as chairman of ASG. While the 2015-2016 financial year was a challenging one, I am working closely with my Board colleagues and management to ensure we continue transforming our business to take advantage of future opportunities.

One of the challenges we faced was the volatile global financial markets, which made generating positive returns difficult. The returns to our members this financial year have been solid despite the unpredictable investment markets. Overall, we returned more than $266 million in education benefits and scholarship payments to members and their children.

At ASG we have been working hard to invest members' funds in a diversified portfolio, which we believe will produce a better result in the long-term. Our aim is to take a modern approach to managing money. This means constantly looking at industry standards and proactively monitoring investment trends to help us make the appropriate decisions that will generate the best return for our risk appetite.

As an education services provider, our challenges go beyond financial issues. We also have to consider what is happening in the education sector and what contributions we can make in terms of highlighting specific issues and advocating on behalf of our members and the public in general.

I note with concern the state of education standards. According to the Programme for International Student Assessment (PISA) Australia is falling behind global standards and has been declining steadily over the past decade. New Zealand's average scores in mathematics, reading and science have also been declining since 2009.

We also know that we are suffering from a 'brain drain' with our brightest and best leaving Australia to seek other opportunities. While I am pleased to see that the Australian federal government is advancing an innovation agenda, we need a consistent and holistic approach that is not confined to short-term goals. For example, we need to ensure greater investment in both basic and applied research if we want to grow the economy and make Australia a truly global player, particularly in science and technology.

I believe that our leaders in Australia and New Zealand—political, economic and academic—must work together to improve our competitiveness internationally. As relatively small economies we must focus on the types of endeavours that will steer our young people into highly skilled jobs.

At ASG we will do everything we can to support our young people and look forward to providing a greater range of products and services to a broader audience that not only includes children but also adults, and reflects our revised mission to support education and lifelong learning.

This financial year has also been one of significant renewal for the ASG Board. I was appointed to the position of chairman by the ASG Board in October 2015. I joined the ASG Board in 2009 as a participating consultant and was later appointed a director in 2011. I have worked in the financial services industry for more than 25 years and was previously general manager Financial Services and chief investment officer of Australian Unity. In addition to holding various non-executive director roles I am currently the managing director of a fund services business Vasco Investment Managers Limited.

On behalf of the ASG Board, I would like to take this opportunity to pay tribute to the outgoing chairman, Terry O'Connell, who has been associated with ASG since 1983, and joined the Board as a director in 1988.

Terry has made significant contributions to ASG over many years in a range of roles such as CEO, managing director, director and chairman. He has also been responsible for many well received initiatives such as the ASG National Excellence in Teaching Awards of which he was chairman for many years. Terry remains a director of the ASG Board.

I would also like to welcome Allen Blewitt who was appointed deputy chairman from 1 January 2016, following the retirement of the previous deputy chairman, Colin Evans.

Allen has more than 25 years' experience in the education sector and has worked as chief executive officer and in other executive roles with various organisations such as the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in Australia.

I would also like to thank our outgoing deputy chairman Colin Evans for his dedicated service to ASG. 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 chairman in 2009. He has now been appointed director emeritus at ASG.

I also welcome Tony Brain as an ASG director. Tony, a chartered accountant with more than 30 years of experience in Australia and the United Kingdom, was previously a participating consultant to the ASG Board. His new appointment commenced on 1 January 2016.

Another new addition to the ASG Board is Jen Storey who 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. She is currently global director, Innovation Garage for Computershare and partner and chief marketing officer at Edgelabs, and an advisory board member for a fundraising not-for-profit organisation. Jen's experience will add much value to ASG's growing digital presence.

I look forward to working with the ASG Board, our members and staff to ensure that ASG continues to grow and deliver value adding products and services to our members.

I also take this opportunity to thank the ASG Board, management and staff for their hard work and diligent commitment to our members.

Craig Dunstan
Chairman

CEO's report

This year has been another year where ASG has made great strides in delivering to our goals and strategic framework to build a stronger future for the organisation and our members.

During the year we continued to implement our long-term strategy of increasing the value we provide to our members. This centred on becoming a more contemporary organisation and one that is relevant to more people, enabling existing and prospective members to engage with ASG in the manner that best suits them.

As I pause to reflect on our achievements it strikes me that we have grown and innovated tremendously in the last year. We launched new initiatives that included a new education fund; new member special offers and discounts on educational products; new distribution channels to allow members to engage with us as they choose; a new performance management system, new employee values and innovation framework for staff, and also gave a stronger voice to parents' perspectives on education.

We saw a growth of member enrolments in our financial products of approximately 62 per cent relative to last year, and the number of children enrolled has risen by 89 per cent on the same period last year.

The overall result was that we performed at a much stronger level than a year ago. In fact we outperformed the last two years strongly and that is testament to all the hard work across ASG in our transformative strategic agenda. We are now consistently demonstrating our ability to deliver against our strategy and to turn our plans into reality to increase member value.

Despite these impressive gains, this year has also been one of ups and downs with investment markets experiencing higher than usual levels of market volatility. The Australian and New Zealand economies have both experienced periods of slow economic growth and volatility in investment markets over recent years. Economic forecasts suggest that this will continue with expectations of sustained low interest rates and continued instability in investment markets. Our focus remains on achieving sound returns for the long-term to support the aspirations of our members for their children's education.

In Australia, the bonus rate for The Education Fund (TEF) was 2.80 per cent, the Supplementary Education Fund (SEP) was 2.55 per cent and our newest fund the Pathway Education Fund (PEF) was 2.55 per cent (launched during the financial year and therefore not representative of a full year return). In New Zealand, the bonus rate for TEF was 1.15 per cent and 0.95 per cent for the SEP.

Looking to the future, we know we still have much to do in order to maintain our strong momentum and create a sustainable growth trajectory. In the coming year we have clear objectives to continue to deliver our members greater value both in Australia and New Zealand with the launch of new products and initiatives to further support their education.

One important area of focus for ASG this year and one that we will continue with into next year is increasing and improving member value. We know that what ASG has done over the years has been important for families but we need to do more to fulfil our members' needs. Consequently, we placed greater emphasis on consulting with our prospective and existing members and asking them what they need. This outside-in thinking helps us become more responsive and more relevant to our members and also the market.

Over the past two years, while we have made considerable investment into core systems, products and channels to facilitate business growth and a more effective member experience, we know that we need to improve the service culture within the business, and do more to meet the expectations of our members. A core element of our 2016-17 business plan will be a strong focus on member centricity and uplifting the service proposition across the business. Key components of this will include a focus on the whole of the member journey and addressing opportunities for improved member engagement and service delivery at each step.

Internally, we looked at how we could embed a culture of member centricity in the organisation to better serve our members. To this end we launched The ASG Way—a set of values to drive a strong culture and staff engagement, but more importantly embed a much greater focus on our members. These values will form an integral part of our performance management framework, which will assist in aligning staff behaviours to these values and our strategies.

Externally, we continued to look for opportunities to advocate on behalf of parents in Australia and New Zealand. We launched the ASG Parents Report Card, a research report conducted with Monash University's Faculty of Education. The report gave voice to parents' beliefs about the capacity of the current educational environment to meet the educational needs of their children.

We also made a submission to the Senate Standing Committee inquiry into cooperatives, mutuals and member owned firms. We collaborated with the peak body associations that we belong to such as the Business Council of Co-operatives and Mutuals (BCCM) and the Friendly Societies of Australia (FSA) to advocate for education to be accorded the same level of support given to other lifetime events such as the birth of children or retirement. Specifically, we called on government to reduce the current maximum 66 per cent tax rate on education benefits paid to minors to 0 per cent, and to introduce a government co-contribution scheme to assist parents to plan and save for their children's education.

We believe these measures if accepted by the federal government and implemented will tangibly assist Australian families to plan for and support their children's education.

Finally, in what has been an extremely busy, but exciting year, I would like to thank our members, staff and the ASG Board for the support and encouragement we received. We look forward to driving greater efficiencies to ensure ASG continues to deliver more value to our members.

John Velegrinis
Chief Executive Officer

Board of directors and participating consultant

Board of directors

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 chair 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 executive director of D H Flinders Pty Limited and Vasco Investment Managers Limited, and non-executive director of Federated Investors Australia Services Limited and LaTrobe Helth Services Limited. Craig is a member of the Investment Committee and the chairman of the Nominations and Remuneration Committee. He was the founder and former managing director of ASX listed MacarthurCook Limited, and former executive director of Australian Unity Funds Management Limited and a 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 an associate director for 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 ASG Education Advisory Committee and was appointed chairman of the ASG National Excellence in Teaching Awards (NEiTA) Foundation in April 2014. He is also a member of the Audit 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 as a non-executive independent director on 1 January 2016. 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 is currently head of Group Risk at AustralianSuper. 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, chair of the Trustee Board of the Deloitte Superannuation Fund and chair of a superannuation fund Acting Trustee through formal appointment by APRA. Tony is a member of the Risk Committee.

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. Jacqueline has extensive executive experience in sales, marketing, business development and strategy, and financial management. She 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. Jacqueline is deputy chair of the Alpine Resorts Management Board Mt Buller and Mt Stirling, where she is chairperson of the Audit and Risk Committee. She is also chairperson of the ASG Investment Committee and a member of the ASG Audit Committee.

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 fastmoving 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 chairman of the Risk Committee.

Terry O'Connell

FAICD

Terry is a non-executive independent director, associated with ASG since 1983. He first joined the Board in 1988, was last re-elected on 26 October 2012 and was chairman of the Board up to October 2015. Terry also has experience as CEO and managing director of ASG, and has extensive experience in business administration and the friendly society movement. He is a member of the Nominations and Remuneration Committee.

Monique Sasson

B Ed, GAICD

Monique is a non-executive independent director who first joined the Board in 2002, and was last re-elected on 25 October 2013. Monique has a diverse background in the performing arts and education, and has extensive experience in 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.

Participating consultant

Jen Storey

M.Arts, PG Dip, B.Ed

Jen Storey was appointed as a participating consultant to the Board in April 2016. Jenis 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 global director of the Innovation Garage for Computershare and partner and chief marketing officer at Edgelabs and an advisory board member for a fundraising not-for-profit organisation. She has also worked with and consulted to numerous organisations such as Australia Post, Suncorp and NAB. Jen also has a Bachelor of Education, post-graduate diploma in Information Services and a Masters in Public Relations.

The Australian Scholarships Group (ASG) is a member owned mutual organisation, which at 30 June 2016 had more than 135,000 children enrolled.

ASG's mission

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

ASG charter

As part of the Board's commitment to the highest standard of conduct, ASG has developed a charter to guide Board members, executives, management and employees in carrying out their duties and responsibilities.

The charter covers matters such as:

- responsibility to members
- relations with suppliers
- employment practices
- responsibility to the community.

Regulators

ASG's business operations are primarily and extensively regulated by the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC).

ASG is required to comply with a wide range of regulations that apply across its business activities, including for example, APRA Prudential Standards such as CPS510 on Governance and LPS220 on Risk Management.

In New Zealand, ASG's business operations are also regulated by the Financial Market Authority and New Zealand Companies Office.

Board of directors

The directors are responsible for overseeing the corporate governance framework and practices of ASG. This statement sets out the main corporate governance practices that were in operation throughout the financial year, except where otherwise indicated.

As at 30 June 2016, 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. The Board regularly reviews the skills represented by the directors and has an active Board renewal program, which ensures 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 primary responsibilities of the ASG Board include:

- the approval of the annual financial statements
- the establishment of the long-term goals of ASG and strategic plans to achieve these goals
- the review and adoption of annual budgets for ASG and monitoring its financial performance against those budgets
- ensuring that ASG has implemented adequate systems of internal control and risk management together with appropriate monitoring of compliance activities.

Role of chairman

The chairman, an independent non-executive director, is responsible for the efficient conduct of ASG's Board meetings, setting the agenda, facilitating the work of the Board at its meetings and ensuring that the procedures and standards of the Board 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 G R Bickerton, MAICD

Founding member Gary, first joined the ASG Board in 1974. He was the founding president of 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 over 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 chairman in 2009. Colin retired from his position of deputy chairman of ASG in December 2015.

Board participating consultant

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

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

- Mr A Blewitt was a consultant for the period 1 July 2015–23 July 2015.
- Mr T Brain was a consultant for the period July 2015–1 January 2016.
- Ms J Storey was a consultant from 1 April 2016 onwards.

Mr T Brain was appointed as a director on the Board on 1 January 2016 to fill the casual vacancy created by Mr C Evans' retirement. Mr A Blewitt was appointed as a director on the Board on 23 July 2015 to fill the casual vacancy created by Mrs S Vallance's resignation and was appointed as a director by the members at the October 2015 AGM for a further term.

Meetings of the Board

The ASG Board meets one day each month during the year (other than in January) with two additional two-day strategic planning meetings normally scheduled in April and 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 re-election at the end of Board has the power to appoint an interim director who must then stand for election at the next AGM.

Conflicts of interest

To avoid any possible conflicts of interest, in addition to any standing notices, directors must declare any specific conflicts of interest arising from the business of any particular meeting at each meeting as well as providing an overall declaration of interest on an annual basis.

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 are currently established by ASG's Board:

Audit committee

The members of the Audit Committee as at 30 June 2016 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

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

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 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.

Education advisory committee

ASG's Board has established an Education Advisory Committee. With the exception of the chairman, 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.

Members of the committee are:

Mr A Blewitt	(Chair) Non-Executive Independent Director
Ms S Denholm	Western Australia educational representative
Ms C Driver	Queensland educational representative
Ms S Fenton	Victoria educational representative
Br Sir P Lynch	New Zealand educational representative (up to May 2016)
Mr P Walsh	New Zealand educational representative (from May 2016)
Dr N McCulla	New South Wales educational representative
Dr J Rimes	Tasmania educational representative
Mrs R Shepherd	South Australia educational representative
Kate Smith	ACT educational representative

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

Investment committee

ASG's Board has established an Investment Committee, the members as at 30 June 2016 were:

Dr J A Jennings	(Chair) Non-Executive Independent Director
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

This 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.

Nominations and remuneration committee

ASG's Board has established a Nominations and Remuneration Committee. The members as at 30 June 2016 were:

Mr C M Dunstanl	(Chair) Non-Executive Independent Director
Mr T P M O'Connell	Non-Executive Independent Director
Ms M K Sasson	Non-Executive Independent Director

The committee is responsible to ASG's Board for advising on remuneration matters and for recommending candidates for the roles of Director and Participating Consultant.

Risk committee

The members of the risk committee as at 30 June 2016 were:

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

The risk committee generally invites the head of Risk and Compliance (being ASG's chief risk officer), members of ASG's management, external auditors and actuary to meetings. The committee provides a forum for the effective communication on risk and compliance matters between ASG's Board and ASG's Actuary, external and internal auditors.

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.

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 Annual General Meeting 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

GF Thorburn	Mercer Consulting (Australia) Pty Ltd (up to 22 April 2016)
K Yogaranandan	Mercer Consulting (Australia) Pty Ltd (from 22 April 2016)

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 2016.

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 (Director from 2 July 2015)
Mr T Brain	Director (Director from 1 January 2016)
Mr C M Dunstan	Chairman
Mr C A Evans	Director (up to 31 December 2015)
Dr J A Jennings	Director
Mr L G Nash	Director
Mr T P M O'Connell	Director
Ms M K Sasson	Director
Mrs S I Vallance	Director (up to 23 July 2015)

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, New Zealand and Malaysia. The principal activities of ASG and its subsidiaries in the course of the financial year were the sale and administration of educational and endowment benefits designed to provide for the educational needs of the children and grandchildren of members, the design, publication and promotion of student achievement programs, and the supply of educational materials to schools, TAFE colleges, universities, libraries and members.

Operating results

The profit/(loss) of the ASG Group for the financial year was:	2016 $'000	2015 $'000
Operating profit/(loss) after income tax from continuing operations	452	(2,677)

Review of operations

The report of our 42nd year of operations has been compiled and audited. The directors are pleased to report a sound performance for the year.

All benefit funds achieved a positive return for the year, despite the balanced funds experiencing higher than usual levels of volatility on equity markets and the fixed interest funds being hampered by historically low cash rates. The management fund reports an operating loss, which was largely planned, as ASG continues to invest in core systems, products and channels to facilitate business growth and a more effective member experience. The management fund loss was impacted by lower than expected income from investment performance (refer to Note 31: Statement of comprehensive income by business type).

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

	2016 $'000	2015 $'000	Movement %
Total Assets of the Benefit Funds	1,488,028	1,584,947	(6.11)
Consolidated Management Fund	88,385	88,224	0.18
Controlled Entities	3,340	2,909	14.82
Total Assets	1,579,753	1,676,080	(5.75)

Details of benefit funds open to new members and closed funds with member funds (policy liabilities) over $5 million are:

Benefit Funds open to new members	2016 Member Funds $'000	2015 Member Funds $'000	2016 Declared Bonus %	2015 Declared Bonus %
The Education Fund	317,949	291,203	2.80	4.65
Supplementary Education Program	279,871	250,035	2.55	4.30
The Education Fund (New Zealand)	17,210	13,892	1.15	4.45
Supplementary Education Program (New Zealand)	7,985	6,406	0.95	4.15
Benefit Funds closed to new members				
Scholarship Benefit Fund (Balanced)	156,718	217,076	2.35	7.60
Children's Scholarship Fund	98,841	100,873	2.90	7.20
Children's Bursary Fund	89,329	91,563	2.95	7.15
Children's Bursary Fund No. 2	74,410	72,655	2.80	5.65
Students' Education Fund No. 2	71,939	93,195	3.45	5.40
Students' Education Fund	70,707	101,256	3.10	7.35
Children's Scholarship Fund No. 2	65,739	64,215	2.85	5.60
Higher Education Cost Saver (Balanced)	59,469	74,433	2.50	7.40
Scholarship Benefit Fund (New Zealand)	39,158	49,919	2.50	4.00
Children's Bursary Fund No. 2 (New Zealand)	21,472	19,281	1.10	4.70
Children's Scholarship Fund No. 2 (New Zealand)	17,606	16,032	1.10	4.80
Secondary Scholarship Benefit Fund (Balanced)	12,924	32,304	3.30	7.35
Scholarship Benefit Fund (Fixed)	11,384	12,626	1.50	2.00
Tertiary Education Cost Saver Fund (New Zealand)	9,550	10,390	1.50	4.00
Children's Bursary Fund (New Zealand)	8,478	7,995	0.80	6.35
Children's Scholarship Fund (New Zealand)	8,208	7,722	0.95	6.45
Students' Education Fund No. 2 (New Zealand)	5,727	6,114	1.65	4.60

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

	June 2016	March 2016	December 2015
Pathway Education Fund	1.55%	0.35%	0.65%

This equates to an annual bonus rates of 2.55 per cent for the fund's first eleven months of operation from August 2015 to June 2016.

Significant changes in principal activities

During the financial year, there was no significant change in the principal activities of the ASG 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 Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity 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 ASG Group's financial statements) 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		Strategy Offsite	
Directors:	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr A Blewitt	10	10			3	3			2	2			2	2
Mr C M Dunstan (Chairman)	11	10***	12	11							2	2	2	2
Mr C A Evans*	6	6			3	3	2	2			1	1	1	1
Dr J A Jennings	11	11	12	12	2	2	3	2					2	2
Mr L G Nash	11	9			5	5	5	5					2	2
Mr T P M O'Connell	11	10^									3	3	2	2
Ms M K Sasson	11	11					2	2			2	2	2	2
Mrs S I Vallance**	1	1											–	–
Mr T Brain*	11	10					2	2					2	2
Ms J Storey	3	3											1	1

* Mr Evans retired as a director on 31 December 2015. Mr Brain was appointed as a director from 1 January 2016
** Mrs Vallance resigned as a director on 23 July 2015. Mr Blewitt was appointed as a director from 24 July 2015.
** Dr Jennings attended the Audit Committee meeting as an alternate member for Mrs Vallance.
*** Ms Storey attended as an alternate director.
^ Mr Blewitt attended as an alternate director.

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 Corporations 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 auditor's 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, 28 September 2016

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

28 September 2016

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 lead audit partner for the audit of the financial report of Australian Scholarships Group Friendly Society Limited for the financial year ended 30 June 2016, 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 2016

Contents

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2016

		Consolidated	
Continuing operations	Notes	2016 $'000	2015 $'000
Revenue			
Investment income		79,290	80,635
Net (loss)/gains on financial assets held at fair value through profit and loss		(14,215)	44,273
Premium revenue - life investment contracts		5,568	6,306
Premium revenue - life insurance contracts		948	1,029
Revenue from benefit funds		20,900	21,651
Other revenue		2,332	2,639
Total revenue	5	94,823	156,533
Expenses			
Commission expenses		(713)	(1,449)
Policy acquisition expenses - life investment contracts		(1,512)	(1,946)
Policy maintenance expenses - life investment contracts		(4,056)	(4,360)
Investment management expenses		(14,610)	(15,307)
Claims expense - life insurance contracts		(362)	(533)
Depreciation & amortisation		(1,163)	(877)
Staff expenses		(16,845)	(16,913)
Office expenses		(2,730)	(2,187)
Communication expenses		(704)	(708)
Marketing expenses		(1,881)	(1,555)
General expenses		(3,302)	(3,355)
Member & scholarship grants		(2,019)	(6,374)
Other operating expenses		(1,256)	(1,895)
Total expenses	6	(51,153)	(57,459)
Operating profit		43,670	99,074
Policy liability revaluation	31	641	1,796
Investment income allocated to policyholders	31	(39,526)	(89,904)
Profit before income tax expense		4,785	10,966
Income tax expense	7(a)	(4,333)	(13,643)
Profit/(loss) for the year		452	(2,677)
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Gain on property revaluation		292	96
Remeasurement of defined benefit obligations		(108)	180
Income tax relating to items not reclassified subsequently		(87)	(29)
Total items that will not be reclassified subsequently to profit or loss		97	247
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		180	(187)
Income tax relating to items reclassified subsequently		(54)	56
Total items that will be reclassified subsequently to profit or loss		126	(131)
Other comprehensive income for the year, net of tax		223	116
Total comprehensive (loss)/income for the year		675	(2,561)
Profit/(loss) attributable to:			
Members of ASG		452	(2,677)
		452	(2,677)
Total comprehensive income/(loss)attributable to:			
Members of ASG		675	(2,561)
		675	(2,561)

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 2016

		Consolidated	
	Notes	2016 $'000	2015 $'000
Assets			
Cash and cash equivalents	28 (a)	5,099	5,556
Trade and other receivables	9	13,616	9,262
Life investment contract assets	10	1,479,663	1,576,412
Life insurance contract assets	11	8,365	8,535
Other financial assets - investment assets	12	60,805	65,010
Inventories	13	235	251
Other assets	14	35	232
Current tax assets	7(c)	45	-
Property, plant and equipment	15	6,343	6,237
Investment property	16	2,925	2,870
Other intangible assets	17	2,622	1,715
Total assets		1,579,753	1,676,080
Liabilities			
Trade and other payables	18	9,383	4,074
Current tax payables	7(c)	230	10,669
Deferred tax liabilities	7(d)	4,362	8,161
Provisions	19	2,929	2,490
Life investment contract liabilities	32	1,464,792	1,553,304
Total liabilities		1,481,696	1,578,698
Net assets		98,057	97,382
Equity			
Policyholder equity		8,252	8,325
Retained earnings		87,617	86,948
Reserves		2,188	2,109
Total equity		98,057	97,382

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 2016

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	89,418	(276)	313	2,031	91,486	8,457	99,943
Transfers from benefit funds	700	-	-	-	700	-	700
Transfer to management fund	-	-	-	-	-	(700)	(700)
Loss for the year	(3,170)	-	-	-	(3,170)	493	(2,677)
Other comprehensive income	-	180	(206)	67	41	75	116
Total comprehensive profit for the year	(3,170)	180	(206)	67	(3,129)	568	(2,561)
Balance at 30 June 2015	86,948	(96)	107	2,098	89,057	8,325	97,382
Transfers from benefit funds	700	-	-	-	700	-	700
Transfer to management fund	-	-	-	-	-	(700)	(700)
Profit for the year	(31)	-	-	-	(31)	483	452
Other comprehensive income	-	(108)	(25)	212	79	144	223
Total comprehensive loss for the year	(31)	(108)	(25)	212	48	627	675
Balance at 30 June 2016	87,617	(204)	82	2,310	89,805	8,252	98,057

Consolidated statement of cash flows for the year ended 30 June 2016

	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash flows from operating activities			
Management fees and commissions received		20,900	21,651
Contributions received from policyholders		134,120	137,441
Other revenue received		2,286	1,364
Investment income received		81,108	70,653
Management fees paid		(20,178)	(21,608)
Payments to suppliers and employees		(26,935)	(37,633)
Payments to benefit funds		(2,019)	(6,374)
Payments to policyholders		(266,293)	(254,021)
Income tax (paid)/received		(18,725)	(9,606)
Net cash used in operating activities	28 (c)	(95,736)	(98,133)
Cash flows from investing activities			
Payment for investment securities		(544,986)	(1,010,754)
Proceeds from sale of investment securities		643,091	1,101,000
Proceeds from disposal of property, plant and equipment		23	-
Payments for property, plant and equipment		(1,950)	(1,248)
Net cash generated by investing activities		96,178	88,998
Cash flows from financing activities			
Transfers from benefit funds		700	700
Transfers to management fund		(700)	(700)
Net cash used in financing activities		-	-
(Decrease)/increase in cash and cash equivalents		442	(9,135)
Cash and cash equivalents at the beginning of the financial year		10,863	19,975
Effects of exchange rate changes on the balance of cash held in foreign currencies		22	23
Cash and cash equivalents at the end of the financial year	28(a)	11,327	10,863

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 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.

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

A number of Australian Accounting Standards have been issued by the AASB but are not effective for the year ended 30 June 2016. ASG is still assessing of the expected impact of these Standards on the ASG Group.

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 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 28 September 2016.

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 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 financial 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; and

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

Amounts in the financial report 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; and

» 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 financial statements must include all assets, liabilities, revenues, expenses and equity. Therefore, ASG's 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 approved by ASG's Board of Directors the amounts are credited to members' accounts.

Bonus rates

Life investment contract liabilities as they appear in Note 30 include bonuses for the year ended 30 June 2016, 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

For the purpose of the presentation of consolidated financial statements, the results and financial position of each entity within the group are expressed in Australian dollars, which is the functional currency of ASG.

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 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 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 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 all its wholly owned Australian resident entities would join a tax consolidated group. 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.

Due to the existence of a tax funding agreement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the parent entity and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated group in accordance with the tax sharing agreement.

Further information about the tax sharing agreement is detailed in Note 7 to the financial statements. Where the tax contribution amount recognised by each member of the tax consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in that period, the difference is recognised as a contribution from (or distribution to) equity.

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 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.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if all of the following have been demonstrated:

» the technical feasibility of completing the intangible asset so that it will be available for use or sale;

» the intention to complete the intangible asset and use it;

» the ability to use the intangible asset;

» how the intangible asset will generate probable future economic benefits;

» the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and

» the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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.

Financial liabilities at fair value through profit or loss

A financial liability is designated as 'at fair value through profit or loss' upon initial recognition if it is held for trading or if it forms part of a contract containing one or more embedded derivatives.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables are initially measured at fair value, net of transaction costs.

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.

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 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, Mr Kumaran Yogaranandan. This report covers benefit fund liabilities and prudential reserves. The effective date of the report is 30 June 2016. 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 AEAF, 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 acquisition 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 2016.

	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000
5. Revenue			
Premium revenue - life investment contracts		5,568	6,306
Premium revenue - life insurance contracts		948	1,029
Revenue from benefit funds		20,900	21,651
Revenue from the sale of goods		331	716
Revenue from the rendering of services - service fee income		1,475	1,662
Net gains of financial assets held at fair value through profit and loss		(14,001)	44,273
Revenue from investment income - interest		12,953	17,504
Revenue from investment income - distributions		66,337	62,919
Decline in fair value of mortgage loans		(214)	(244)
Rental revenue from investment properties		193	165
Other revenue		333	552
		94,823	156,533
6. Expenses			
Commission expenses		713	1,449
Policy acquisition expenses - life investment contracts		1,512	1,946
Policy maintenance expenses - life investment contracts		4,056	4,360
Investment management expenses		14,610	15,307
Claims expenses - life insurance contracts		362	533
Cost of goods sold (including royalties and services paid)		367	917
Direct investment expense (outgoings)		17	13
Loss on disposal of plant & equipment		71	59
Depreciation of non-current assets		424	387
Amortisation of non-current assets		739	490
Auditors' remuneration		447	448
Bad debts written off - other entities		31	68
Provision for doubtful debts - other entities		16	(21)
Key management personnel remuneration		2,490	2,421
Operating lease rental expenses		-	84
Foreign exchange gain		-	11
Defined benefit superannuation plans		328	295
Other staff expenses		14,027	14,197
Office expenses		2,730	2,187
Marketing expenses		1,881	1,555
General expenses		3,302	3,355
Communication expenses		704	708
Member and scholarship grants		2,019	6,374
Bank charges		307	316
		51,153	57,459

	Consolidated	
	2016 $'000	2015 $'000
7. Income tax		
(a) Income tax recognised in profit or loss		
Current tax		
In respect of the current year	8,219	25,870
Deferred tax		
In respect of the current year	(3,886)	(12,227)
Total income tax expense recognised in the current year	4,333	13,643
The income tax expenses for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	4,785	10,966
Income tax expense calculated	1,435	3,290
Effect of income that is exempt from taxation	(6,923)	(17,953)
Effect of expenses that are not deductible in determining taxable profit	13,556	30,064
Other - apportionment deduction adjustment	(3,632)	(1,603)
	4,436	13,798
Adjustments recognised in the current year in relation to the current tax of prior years	(103)	(155)
	4,333	13,643

The tax rate used in the 2016 and 2015 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.

	2016 $'000	2015 $'000
(b) Income tax recognised in other comprehensive income		
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Property revaluations	87	30
Total income tax recognised in other comprehensive income	87	30
(c) Current tax assets and liabilities		
Current tax assets/(liabilities):		
Income tax payable attributable to:		
Parent entity	(8,268)	(26,200)
Entities in the tax-consolidated group	(41)	153
Tax credits & instalments	8,122	15,377
Exchange difference of foreign subsidiary	2	1
	(185)	(10,669)
Current tax balances are presented in the consolidated statement of financial positions as follows:		
Current tax assets	45	-
Current tax payables	(230)	(10,669)
	(185)	(10,669)
(d) Deferred tax balances		
Deferred tax balances are presented in the consolidated statement of financial positions as follows:		
Deferred tax liabilities	4,362	8,161
	4,362	8,161

7. Income tax (continued)

Taxable and deductible temporary difference arise from the following:

	Consolidated			
2016	Opening balance $'000	Recognised in profit or loss and other comprehensive income $'000	Recognised directly in equity $'000	Closing balance $'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)
Other assets	-	-	-	-
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
Other assets	-	-	-	-
Provisions	497	122	-	619
	867	380	-	1,247
	(8,161)	3,886	(87)	(4,362)

	Consolidated			
2015	Opening balance $'000	Recognised in profit or loss and other comprehensive income $'000	Recognised directly in equity $'000	Closing balance $'000
Gross deferred tax liabilities:				
Financial assets at fair value through profit or loss	(20,504)	12,496	-	(8,008)
Property, plant and equipment	(868)	-	(30)	(898)
Other assets	(111)	111	-	-
Investment property	(118)	(9)	-	(127)
Exchange difference of foreign subsidiary	24	(19)	-	5
	(21,577)	12,579	(30)	(9,028)
Gross deferred tax assets:				
Trade and other receivables	46	(8)	-	38
Financial assets at fair value through profit or loss	554	(222)	-	332
Other assets	119	(119)	-	-
Provisions	500	(3)	-	497
	1,219	(352)	-	867
	(20,358)	12,227	(30)	(8,161)

7. Income tax (continued)

Tax consolidation

Relevance of tax consolidation to the ASG Group

ASG and its wholly-owned Australian resident entites formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entites 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 amount have been recognized in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

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 restructured its Audit and Risk Management Committee in June 2014 into a distinct Audit Committee and a distinct Risk Committee (in compliance with APRA's Prudential Standard CPS220 Risk Management, which came into effect from 1 January 2015).

The principal responsibility of the Audit Committee is:

» overseeing statutory and financial reporting requirement,

» reviewing the annual financial statements prior to their approval by ASG's Board,

» ensuring the adequacy and independence of the internal and external functions,

» reviewing 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,

» reviewing audit findings to ensure issues are appropriately managed and rectified.

The principal responsibility of the Risk Committee is:

» providing an institution-wide view of ASG's risk position relative to its risk appetite and capital strength,

» overseeing the implementation of the risk management strategy,

» challenging proposals and activities on risk management aspects,

» reviewing and advising the Board on the Risk Management Framework and its elements, including the risk appetite, risk management strategy, risk register and ICAAP,

» attending to various internal control responsibilities,

» establishing, maintaining, and overseeing procedures for employees to submit, confidentially, information about accounting, internal control, compliance, audit and other matters about which the employee has concerns.

The purposes of the Audit Committee and Risk Committee are to assist ASG's Board of Directors 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 Department. The Internal Audit Department and Risk and Compliance departments 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.

The Board has established the Investment Committee which meets at least monthly to assist 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, and

» 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 (continued)

(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 $115.505 million change (2015: $139.775 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 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	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Pricing risk	+/(-) 10%	+/-5,296	+/-6,325	+/-5,296	+/-6,325

The ASG Group's sensitivity to price risk has decreased by 1 per cent. This was mainly due the level of investments in unlisted trusts were relatively similar compared to last financial year 2015.

(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	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Foreign currency risk	+/(-) 10%	+/-204	+/-185	-	-

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 58 per cent of unhedged investments are exposed to the US dollar, 18 per cent are exposed to the Euro, 11 per cent are exposed to the Japanese Yen and 13 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 $13.838 million change (2015: $15.651 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	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Foreign currency risk	+/(-) 10%	+/-574	+/-618	+/-574	+/-618

(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 $2.656 million increase (2015: $1.093 million increase) or a $2.656 million decrease (2015: $1.093 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	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Interest rate risk	+/(-) 1%	+/-114	+/-58	+/-114	+/-58

The ASG Group's sensitivity to interest rates has increased during the current period mainly due to reallocation of asset from Cash Management Trust Account to Bank accounts.

(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 instruments

	Consolidated	
	2016 $'000	2015 $'000
Financial assets		
Fair value through profit or loss (FVTPL)	1,495,293	1,596,590
Loans and receivables (amortised cost)	60,928	57,322
Cash and cash receivables	11,327	10,863
Financial liabilities		
Fair value through profit or loss (FVTPL)	1,464,792	1,553,304
amortised cost	12,312	6,564

(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 cash and short-term securities are confined to issuers with a Moody's short-term credit rating of Prime 1 or the equivalent Standard and Poors rating. Investments in long-term securities are confined to issuers with a Moody's credit rating equal to or greater than A3 or the equivalent Standard and Poors rating.

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 statement of financial position and disclosed as $1.554 billion (2015:$ 1.665 billion) plus undrawn mortgage facilities of $2.192 million (2015: $3.736 million), thus totalling $1.556 billion (2015: $1.669 billion).

(e) Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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 Investment Committee 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 Investment Committee 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 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 2016.

8. Financial instruments (continued)

Life investment contracts - 2016

	Fixed maturity dates							
	Weighted average effective interest ate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial 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
Total financial assets		1,471,634	114	169	46	121	7,579	1,479,663
Financial liabilities:								
Trade payables		7,310	-	-	-	-	-	7,310
Life investment contract liabilities		1,464,792	-	-	-	-	-	1,464,792
Total financial liabilities		1,472,102	-	-	-	-	-	1,472,102

Life investment contracts - 2015

	Fixed maturity dates							
	Weighted average effective interest ate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Cash and cash equivalents	2.42	2,564	-	-	-	-	-	2,564
Receivables		48,060	-	-	-	-	-	48,060
Fair value through profit or loss:								
Unlisted trusts		1,403,840	-	-	-	-	-	1,403,840
Other securities	3.11	99,769	-	9,504	-	-	-	109,273
Mortgage loans	3.98	334	91	78	169	146	11,857	12,675
Total financial assets		1,554,567	91	9,582	169	146	11,857	1,576,412
Financial liabilities:								
Trade payables		1,840	-	-	-	-	-	1,840
Life investment contract liabilities		1,553,304	-	-	-	-	-	1,553,304
Total financial liabilities		1,555,144	-	-	-	-	-	1,555,144

8. Financial instruments (continued)

Life insurance contracts - 2016

	Fixed maturity dates							
	Weighted average effective interest ate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial 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
Total financial assets		8,365	-	-	-	-	-	8,365
Financial liabilities:								
Trade payables		12	-	-	-	-	-	12
Total financial liabilities		12	-	-	-	-	-	12

Life insurance contracts - 2015

	Fixed maturity dates							
	Weighted average effective interest ate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Cash and cash equivalents	2.42	2,743	-	-	-	-	-	2,743
Fair value through profit or loss:								
Other securities	2.47	5,792	-	-	-	-	-	5,792
Total financial assets		8,535	-	-	-	-	-	8,535
Financial liabilities:								
Trade payables		48	-	-	-	-	-	48
Total financial liabilities		48	-	-	-	-	-	48

8. Financial instruments (continued)

Consolidated - 2016

		Fixed maturity dates						
	Weighted average effective interest ate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Cash and cash equivalents	1.75	5,099	-	-	-	-	-	5,099
Receivables		13,616	-	-	-	-	-	13,616
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
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 trust		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
Other financial investment assets:								
Fair value through profit or loss:								
Unlisted trust		52,958	-	-	-	-	-	52,958
Other securities		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)

Consolidated - 2015

	Fixed maturity dates							
	Weighted average effective interest ate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Cash and cash equivalents	2.42	5,556	-	-	-	-	-	5,556
Receivables		9,262	-	-	-	-	-	9,262
Life insurance contract assets:								
Cash and cash equivalents	2.42	2,743	-	-	-	-	-	2,743
Fair value through profit or loss:								
Other securities	2.47	5,792	-	-	-	-	-	5,792
Life investment contract assets:								
Cash and cash equivalents	2.42	2,564	-	-	-	-	-	2,564
Receivables		48,060	-	-	-	-	-	48,060
Fair value through profit or loss:								
Unlisted trust		1,403,840	-	-	-	-	-	1,403,840
Other securities	3.11	99,769	-	9,504	-	-	-	109,273
Mortgage loans	3.98	334	91	78	169	146	11,857	12,675
Other financial investment assets:								
Fair value through profit or loss:								
Unlisted trust		63,246	-	-	-	-	-	63,246
Mortgage loans	3.98	-	-	-	-	-	1,764	1,764
Total financial assets		1,641,166	91	9,582	169	146	13,621	1,664,775
Financial liabilities:								
Trade payables		4,074	-	-	-	-	-	4,074
Life investment contract liabilities		1,553,304	-	-	-	-	-	1,553,304
Total financial liabilities		1,557,378	-	-	-	-	-	1,557,378

8. Financial instruments (continued)

Management Fund - 2016

		Fixed maturity dates						
	Weighted average effective interest ate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
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		6,083	-	-	-	-	-	6,083
Mortgage loans	4.45	-	-	-	-	-	1,764	1,764
Total financial assets		77,756	-	-	-	-	1,764	79,520
Financial liabilities:								
Trade payables		2,037	-	-	-	-	-	2,037
Life investment contract liabilities		-	-	-	-	-	-	-
Total financial liabilities		2,037	-	-	-	-	-	2,037

Management Fund - 2015

		Fixed maturity dates						
	Weighted average effective interest ate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Cash and cash equivalents	2.42	1,665	-	-	-	-	-	1,665
Receivables		10,281	-	-	-	-	-	10,281
Fair value through profit or loss:								-
Unlisted trust		63,246	-	-	-	-	-	63,246
Mortgage loans	3.98	-	-	-	-	-	1,764	1,764
Total financial assets		75,192	-	-	-	-	1,764	76,956
Financial liabilities:								
Trade payables		2,283	-	-	-	-	-	2,283
Life investment contract liabilities		-	-	-	-	-	-	-
Total financial liabilities		2,283	-	-	-	-	-	2,283

(f) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the 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; and

» 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 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- 2016				
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'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	1,107,215	-	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	52,958	-	-	52,958
Other securities	6,083	-	-	6,083
Mortgage loans	-	-	1,764	1,764
Total	1,437,236	-	58,057	1,495,293

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

Consolidated- 2015				
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Life insurance contract assets:				
Fair value through profit or loss:				
Other securities	5,792	-	-	5,792
Life investment contract assets:				
Fair value through profit or loss:				
Unlisted trusts	1,403,840	-	-	1,403,840
Other securities	109,273	-	-	109,273
Mortgage loans	-	-	12,675	12,675
Other financial investment assets:				
Fair value through profit or loss:				
Unlisted trusts	63,246	-	-	63,246
Mortgage loans	-	-	1,764	1,764
Total	1,582,151	-	14,439	1,596,590

There are 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 - 2016	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

Consolidated - 2015	Fair value through profit or loss		
	Unlisted property trust $'000	Mortgage Loans $'000	Total $'000
Life investment contract assets:			
Opening balance	-	34,670	34,670
Total gains or losses:			
in profit or loss	-	1,176	1,176
change in fair value of financial assets designated at fair value	-	(264)	(264)
Purchases/drawdowns	-	11,838	11,838
Mortgage repayments/settlements	-	(34,745)	(34,745)
Closing balance	-	12,675	12,675
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	-	-	-
Closing balance	-	1,764	1,764

The total gains or losses for the year included an unrealised gain of $88 relating to financial assets that are measured at fair value at the end of each reporting period (2015: a gain of $103).

The financial asset above classified as Level 3 includes Variable Rate Mortgages only. For Variable Rate Mortgages, the market value has been taken as being equal to the account value.

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 mortgages would decrease/increase by $102,210 (2015: decrease/increase by $144,290).

	Consolidated 2016 $'000	Consolidated 2015 $'000
9. Trade and other receivables at amortised cost		
Trade receivables	9,828	5,613
Policy acquisition receivable from policyholders	375	647
Allowance for doubtful debts	(140)	(125)
Receivables from investment assets	2,107	1,910
GST receivable	88	4
Sundry debtors	1,358	1,213
	13,616	9,262
Ageing of past due but not impaired		
30 - 60 days	4	15
60 - 90 days	3	5
Total	7	20
Movement in the allowance for doubtful debts		
Balance at the beginning of the year	(125)	(145)
Impairment losses charge	(15)	20
Balance at the end of the year	(140)	(125)
10. Life investment contract assets at fair value		
Cash and cash equivalents	3,224	2,564
Distributions from investment assets	45,020	45,755
Receivables from management fund	1,251	1,278
Receivables from mortgage settlement	1,041	1,027
Unlisted trusts	1,155,051	1,403,840
Fixed income securities	3,232	9,503
Certificates of deposit	262,387	99,770
Mortgage loans	8,457	12,675
	1,479,663	1,576,412
11. Life insurance contract assets at fair value		
Cash and cash equivalents	3,004	2,743
Certificates of deposit	5,361	5,792
	8,365	8,535
12. Other financial assets - investment assets at fair value		
Unlisted trusts	52,958	63,246
Certificate of deposit	6,083	-
Mortgage loans	1,764	1,764
	60,805	65,010
13. Inventories		
Finished goods of YCDI! And Education Resources	235	251
14. Other assets		
Prepayments	35	232

15. Property, plant and equipment

	Consolidated 2016 $'000	Consolidated 2015 $'000
Carrying amounts of:		
Freehold land	3,974	3,733
Buildings	1,532	1,556
Leasehold improvements	9	21
Plant and equipment	828	927
	6,343	6,237

	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 2014	3,671	2,683	350	3,414	10,118
Additions	-	185	2	424	611
Disposals	-	-	-	(893)	(893)
Net revaluation increments	62	38	-	-	100
Net foreign currency exchange differences	-	(21)	(1)	(6)	(28)
Other - reallocations	-	(39)	39	-	-
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 30 June 2016	3,974	2,930	337	2,723	9,964
Accumulated depreciation/amortisation and impairment					
Balance at 1 July 2014	-	(1,213)	(327)	(2,610)	(4,150)
Additions	-	-	-	-	-
Disposals	-	-	-	857	857
Depreciation expense	-	(116)	(7)	(264)	(387)
Net foreign currency exchange differences	-	3	1	5	9
Other - reallocations	-	36	(36)	-	-
Balance at 1 July 2015	-	(1,290)	(369)	(2,012)	(3,671)
Additions	-	-	-	-	-
Disposals	-	11	50	427	488
Depreciation expense for continuing operations	-	(112)	(8)	(304)	(424)
Net foreign currency exchange differences	-	(7)	(1)	(6)	(14)
Other - reallocations	-	-	-	-	-
Balance at 30 June 2016	-	(1,398)	(328)	(1,895)	(3,621)
Net book value					
As at 30 June 2015	3,733	1,556	21	927	6,237
As at 30 June 2016	3,974	1,532	9	828	6,343

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 2016 and 30 June 2015 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 2016 are as follows:

Consolidated	Level 1	Level 2	Level 3	Fair value as at 30/06/16
	$'000	$'000	$'000	$'000
Freehold land	-	-	3,974	3,974
Buildings	-	-	1,532	1,532

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	
	2016	2015
	$'000	$'000
Freehold land	875	875
Buildings	1,322	1,426
	2,197	2,301

16. Investment property

Fair value		
Completed investment property	2,925	2,870
Balance at beginning of financial year	2,870	2,840
Disposals	-	-
Gain/(loss) on property revaluations	55	30
Balance at end of financial year	2,925	2,870

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

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

The fair value of the Group's investment properties as at 30 June 2016 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 Glenn Dickinson from Herron Todd White. These valuers are Certified Practising Valuers with experience in valuing commercial property in the greater Melbourne area. 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.

Consolidated	Level 1	Level 2	Level 3	Fair value as at 30/06/16
	$'000	$'000	$'000	$'000
Commercial property units located in Australia	-	-	2,925	2,925
There were no transfers between Level 1 and 2 during the year.				

17. Other intangible assets	Consolidated		
	Computer Software	Software Licences	Total
	$'000	$'000	$'000
Gross carrying amount			
Balance at 1 July 2014	2,106	294	2,400
Additions	718	43	761
Disposals	(284)	(4)	(288)
Others - reallocations	-	-	-
Balance at 1 July 2015	2,540	333	2,873
Additions	1,654	10	1,664
Disposals	(136)	(4)	(140)
Others - reallocations	-	-	-
Balance at 30 June 2016	4,058	339	4,397
Accumulated amortisation and impairment			
Balance at 1 July 2014	(932)	-	(932)
Amortisation expense (i)	(490)	-	(490)
Disposals	264	-	264
Net foreign currency exchange differences	-	-	-
Others - reallocations	-	-	-
Balance at 1 July 2015	(1,158)	-	(1,158)
Amortisation expense (i)	(739)	-	(739)
Disposals	122	-	122
Net foreign currency exchange differences	-	-	-
Others - reallocations	-	-	-
Balance at 30 June 2016	(1,775)	-	(1,775)
Net book value			
As at 30 June 2015	1,382	333	1,715
As at 30 June 2016	2,283	339	2,622

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

	Consolidated	
	2016	2015
	$'000	$'000
18. Trade and other payables at amortised cost		
Trade payables	1,240	642
Accruals	695	930
Amounts due to benefit funds	7,448	2,502
	9,383	4,074

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	2,929	2,490
	2,929	2,490

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	2016 $'000	2015 $'000
Net defined benefit liability/(asset) at start of the year	765	756
(+) Current service cost	303	315
(+) Net interest	25	20
(-) Actual return on plan assets less interest income	16	122
(+) Actuarial (gains)/losses arising from changes in financial assumptions	95	(62)
(+) Actuarial (gains)/losses arising from liability experience	29	4
(-) Employer contributions	217	146
Net defined benefit liability/(assets) at the end of year	984	765

Reconciliation of Fair Value of Plan Assets

Financial year ending	2016 $'000	2015 $'000
Fair value of plan assets at the beginning of the year	2,362	2,367
(+) Interest income	67	61
(+) Actual return on plan assets less interest income	16	122
(+) Employer contributions	217	146
(-) Benefits paid	419	283
(-) Taxes, premiums & expenses paid	62	51
Fair value of plan assets at end of the year	2,181	2,362

Reconciliation of Defined Benefit Obligation

Financial year ending	2016 $'000	2015 $'000
Present value of defined benefit obligations at beginning of the year	3,127	3,123
(+) Current service cost	303	315
(+) Interest expense	92	81
(+) Actuarial (gains)/losses arising from changes in financial assumptions	95	(62)
(+) Actuarial (gains)/losses arising from liability experience	29	3
(-) Benefits paid	419	283
(-) Taxes, premiums &expenses paid	62	51
Net defined benefit liability/(assets) at the end of year	3,165	3,127

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 2016

Asset category	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Investment funds*	2,181	-	2,181	-
Total	2,181	-	2,181	-

*The funds invested in the IOOF MultiMix Moderate Trust.

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

As at	2016	2015
Australian Equity	23%	25%
International Equity	16%	17%
Fixed Income	32%	36%
Property	9%	9%
Alternatives/Other	12%	7%
Cash	8%	6%

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	2016	20015
Assumptions to determine defined benefit cost		
Discount rate	4.2% pa	3.6% pa
Expected salary increase rate	2.5% pa	2.5% pa
As at	2016	20015
Assumptions to determine defined benefit obligations		
Discount rate	3.2% pa	4.2% pa
Expected salary increase rate	2.5% pa	2.5% pa

Sensitivity Analysis

The defined benefit obligation as at 30 June 2016 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	3.2% pa	2.7% pa	3.7% pa	3.2% pa	3.2% pa
Salary increase rate	2.5% pa	2.5% pa	2.5% pa	2.0% pa	3.0% pa
Defined benefit obligation^ ($'000)	3,165	3,252	3,105	3,109	3,240

^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 March 2016, 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 2017 have been estimated using a methodology consistent with the letter dated 30 March 2016, assuming:

» Current membership at 30 June 2016
» Expected return on Supplementary Benefit accounts of 4.3% pa
» Actual salary at 1 July 2016
» A 90% funding target.

In addition, expected employer contributions for the year 30 June 2017 also includes expected insurance premium and administration expenses of $22,000.

ASG expects to make a contribution of $150,000 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 2016 is 8 years.

Expected benefit payments for the financial year ending on	$'000
2017	1,422
2018	119
2019	120
2020	130
2021	146
Following 5 years	1,528

21. Commitments for expenditure

	Consolidated	
	2016	2015
(a) Capital expenditure commitments	$'000	$'000
Plant and equipment		
Not longer than 1 year	1,114	2,992
	1,114	2,992

(b) Lease commitments

Non-cancellable operating lease commitments are disclosed in Note 26 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	
	2016	2015
	$'000	$'000
Non-cancellable operating lease payments		
Not longer than 1 year	437	445
Longer than 1 year and not longer than 5 years	739	557
	1,176	1,002

23. Remuneration of auditors

	Consolidated	
	2016	2015
	$	$
Auditor of the parent entity		
Audit or review of the Financial Report	347,842	317,947
Audit of regulatory reports	99,116	130,548
	446,958	448,495
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(k).

24. Details of controlled entities

		Ownership interest	
		2016	2015
		%	%
Parent Entity			
Australian Scholarships Group Friendly Society Limited			
Controlled Entities:			
ASG School Fees Pty Ltd	(i)	100	100
School Plan Management Pty Ltd	(i)	100	100
Walbury Pty Ltd	(i)	100	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	(i)	100	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, School Plan Management 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 $89 ($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) 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.

(iv) ASG gives financial support to ASG Education Programmes (NZ) Limited amounting $1.0 million (2015: $1.4 million), which is a management subsidy on its operating expenses.

25. Events since the end of the financial year

Deregister of controlled entities

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.

ASG Management will discontinue the operation of the Marcom Projects Pty Ltd on 31 October 2016.
Other than the matters noted above 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.

	2016 $'000	2015 $'000
Financial position		
Assets		
Current assets	72,602	68,749
Non-current assets	1,507,895	1,608,344
Total assets	1,580,497	1,677,093
Liabilities		
Current liabilities	16,075	20,692
Non-current liabilities	1,469,683	1,562,223
Total liabilities	1,485,758	1,582,915
Equity		
Policyholder equity	8,109	8,416
Retained earnings	84,274	83,739
Reserves	2,356	2,023
Total equity	94,739	94,178
Financial performance		
Profit/(loss) for the year	347	(2,883)
Other comprehensive income	214	139
Total comprehensive income for the year	561	(2,744)

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 2016 and 2015.

Commitments entered into by the Parent entity

The Parent entity did not have any commitments as at 30 June 2016 and 2015.

27. Related party disclosures

(a) Ownership interests in related parties

Information in relation to ownership interests in controlled entities is provided in Note 27 to the financial statements.

(b) Key management personnel compensation

The key management personnel of the Group consisted of the following 18 (2015: 18) positions: the Chief Executive Officer, Direct Reports (6), Non-Executive Directors (7), and in addition, the Company Secretary, Head of Investments, Internal Audit Manager, and New Zealand National Development Manager.

27. Related party disclosures (continued)

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

	Consolidated	
	2016	2015
	$	$
Short-term employee benefits	2,256,646	2,186,267
Post-employment benefits	233,604	235,040
	2,490,250	2,421,307

ASG director fees are set by Members at the Annual General Meeting. At the meeting held in October 2015 members approved an aggregate pool of $350,000.

Superannuation contributions are included in post-employment benefits and, where relevant, are paid by ASG for directors and employees. Any such contributions made on behalf of directors are in addition to director fees paid. Contributions to defined benefit superannuation plans are expensed when directors or employees have rendered ten years service entitling them to contributions.

(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	
	2016	2015
	$	$
Payments made by ASG	56,452	61,327

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

K Brown, L Staropoli, C Dunstan, J Jennings and L Nash

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 2016, there was a loan balance owing to ASG from School Plan Management Pty Ltd of $4.5 million (2015: $5 million).

Transactions with Related Entities

» Service fees of $262,438 (2015: $287,087) were paid by School Plan Management Pty Ltd to School Plan Pty Ltd. T P M O'Connell is a director and shareholder of School Plan Pty Ltd.

(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 statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the 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	2016 $'000	2015 $'000
Management fund and controlled entities:			
Cash on hand		3	3
Cash at bank		5,057	5,491
Term deposit		39	62
		5,099	5,556
Life investment contracts			
Deposits at call		3,224	2,564
	10	3,224	2,564
Life insurance contracts			
Deposits at call		3,004	2,743
	11	3,004	2,743
Total		11,327	10,863
(b) Financing facilities			
Unsecured bank overdraft facility, reviewed annually and payable at call:			
Amount used		-	-
Amount unused		-	-
		-	-
(c) Reconciliation of (loss)/profit from ordinary activities after related income tax to net cash flows from operating activities			
Profit from ordinary activities after related income tax		452	(2,677)
Non-cash flows in profit from ordinary activities:			
Gain on revaluation of investments		13,944	(44,486)
Investment income allocated to policyholders		39,526	89,904
Other movements in policyholder liabilities		(138,968)	(125,178)
Depreciation and amortisation of non-current assets		1,163	877
Amounts written off - fixed assets		(4)	42
Increase in current tax liability		(10,496)	16,391
(Decrease)/increase in deferred tax balances		(3,783)	(12,197)
Movement in general reserve		77	228
(Increase)/decrease in assets:			
Receivables		(3,608)	(11,123)
Inventories		16	53
Other current assets		197	245
Increase/(decrease) in liabilities:			
Payables		5,309	(10,088)
Provisions		439	(124)
Net cash from operating activities		(95,736)	(98,133)

29. Life investment contracts business by benefit fund - Statement of comprehensive income		Assurance Benefit Fund		Children's Bursary Fund		Children's Bursary Fund (New Zealand)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income							
Investment income		4	19	4,687	4,309	301	334
Gain on disposal of investments		-	-	958	7,561	2	171
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	-	-	-	107
Revenue - life investment contracts	(a)	-	-	198	214	19	21
Total income		4	19	5,843	12,084	322	633
Operating expenses							
Loss on disposal of investments		-	-	206	11	91	63
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	1,912	4,774	69	-
Policy acquisition expenses		-	-	98	49	3	2
Policy maintenance expenses		-	-	100	165	16	19
Investment management expenses		-	6	910	913	82	82
Other operating expenses		-	-	-	-	-	-
Total expenses		-	6	3,226	5,912	261	166
Operating profit/(loss)		4	13	2,617	6,172	61	467
Policy liability revaluation		7	(5)	60	57	15	23
Investment income paid or allocated to policyholders (Bonus Distribution)		(10)	(2)	(2,677)	(6,229)	(76)	(490)
Profit/(loss) before income tax		1	6	-	-	-	-
Income tax expense (Note 7)		(1)	(6)	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-	-
Notes:							
(a) Member contributions							
Contributions credited to Members' accounts (liability component of contributions)		-	-	3,929	5,034	434	475
Fees paid directly from Member contributions		-	-	198	214	19	21
Total Member contributions		-	-	4,127	5,248	453	496

29. Life investment contracts business by benefit fund - Statement of comprehensive income (continued)		Children's Bursary Fund No. 2		Children's Bursary Fund No. 2 (New Zealand)		Children's Scholarship Fund	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income							
Investment income		3,942	3,497	763	790	5,153	4,711
Gain on disposal of investments		917	5,816	7	412	1,017	8,366
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	-	287	-	-
Revenue - life investment contracts	(a)	247	260	76	76	309	345
Total income		5,106	9,573	846	1,565	6,479	13,422
Operating expenses							
Loss on disposal of investments		177	13	202	177	214	11
Change in fair value of financial assets designated as at fair value through profit or loss		1,745	3,521	195	-	2,091	5,286
Policy acquisition expenses		6	4	1	1	178	82
Policy maintenance expenses		241	256	75	75	131	263
Investment management expenses		517	497	142	137	1,002	1,001
Other operating expenses		-	-		-	-	-
Total expenses		2,686	4,291	615	390	3,616	6,643
Operating profit/(loss)		2,420	5,282	231	1,175	2,863	6,779
Policy liability revaluation		34	23	24	38	32	90
Investment income paid or allocated to policyholders (Bonus Distribution)		(2,038)	(3,862)	(240)	(883)	(2,895)	(6,869)
Profit/(loss) before income tax		416	1,443	15	330	-	-
Income tax expense (Note 7)		(416)	(1,443)	(15)	(330)	-	-
Total comprehensive income for the year		-	-	-	-	-	-
Notes:							
(a) Member contributions							
Contributions credited to Members' accounts (liability component of contributions)		5,575	6,041	1,720	1,717	4,325	5,634
Fees paid directly from Member contributions		247	260	76	76	309	345
Total Member contributions		5,822	6,301	1,796	1,793	4,634	5,979

29. Life investment contracts business by benefit fund - Statement of comprehensive income		Children's Scholarship Fund (New Zealand)		Children's Scholarship Fund No. 2		Children's Scholarship Fund No. 2 (New Zealand)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income							
Investment income		296	314	3,521	3,098	620	652
Gain on disposal of investments		4	183	690	5,108	4	359
Change in fair value of financial assets designated as at fair value through profit or loss		-	105	-	-	-	263
Revenue - life investment contracts	(a)	27	27	317	342	95	92
Total income		327	629	4,528	8,548	719	1,366
Operating expenses							
Loss on disposal of investments		95	68	139	8	188	167
Change in fair value of financial assets designated as at fair value through profit or loss		59	-	1,412	3,116	147	-
Policy acquisition expenses		5	2	6	5	2	2
Policy maintenance expenses		22	25	311	337	93	90
Investment management expenses		78	78	455	438	117	114
Other operating expenses		-	-	-	-	-	-
Total expenses		259	173	2,323	3,904	547	373
Operating profit/(loss)		68	456	2,205	4,644	172	993
Policy liability revaluation		17	24	26	22	18	35
Investment income paid or allocated to policyholders (Bonus Distribution)		(85)	(480)	(1,826)	(3,365)	(206)	(756)
Profit/(loss) before income tax		-	-	405	1,301	(16)	272
Income tax expense (Note 7)		-	-	(405)	(1,301)	16	(272)
Total comprehensive income for the year		-	-	-	-	-	-
Notes:							
(a) Member contributions							
Contributions credited to Members' accounts (liability component of contributions)		420	456	4,864	5,343	1,368	1,385
Fees paid directly from Member contributions		27	27	317	342	95	92
Total Member contributions		447	483	5,181	5,685	1,463	1,477

29. Life investment contracts business by benefit fund - Statement of comprehensive income (continued)		Flexible Insurance Fund		HECS Equity Enhanced Fund		Higher Education Cost Saver Fund (Balanced)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income							
Investment income		-	1	163	143	3,325	3,569
Gain on disposal of investments		-	-	38	277	1,590	7,898
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	-	-	-	-
Revenue - life investment contracts	(a)	-	-	-	2	1	11
Total income		-	1	201	422	4,916	11,478
Operating expenses							
Loss on disposal of investments		-	-	13	1	255	6
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	106	156	2,282	5,032
Policy acquisition expenses		-	-	-	-	-	-
Policy maintenance expenses		-	-	-	2	1	11
Investment management expenses		-	-	24	25	688	799
Other operating expenses		-	-	-	-	-	-
Total expenses		-	-	143	184	3,226	5,848
Operating profit/(loss)		-	1	58	238	1,690	5,630
Policy liability revaluation		-	-	5	3	103	58
Investment income paid or allocated to policyholders (Bonus Distribution)		-	(1)	(63)	(241)	(1,793)	(5,688)
Profit/(loss) before income tax		-	-	-	-	-	-
Income tax expense (Note 7)		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-	-
Notes:							
(a) Member contributions							
Contributions credited to Members' accounts (liability component of contributions)		-	-	51	122	136	1,129
Fees paid directly from Member contributions		-	-	-	2	1	11
Total Member contributions		-	-	51	124	137	1,140

29. Life investment contracts business by benefit fund - Statement of comprehensive income		Higher Education Cost Saver Fund (Fixed)		Malaysian Flexible Insurance Fund		Part B Flexible Insurance Fund	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income							
Investment income		39	52	-	-	47	53
Gain on disposal of investments		-	-	-	-	-	-
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	-	-	-	-
Revenue - life investment contracts	(a)	-	-	-	-	-	-
Total income		39	52	-	-	47	53
Operating expenses							
Loss on disposal of investments		-	-	-	-	-	-
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	-	-	-	-
Policy acquisition expenses		-	-	-	-	-	-
Policy maintenance expenses		-	-	-	-	-	-
Investment management expenses		14	18	-	-	20	16
Other operating expenses		-	-	-	-	-	-
Total expenses		14	18	-	-	20	16
Operating profit/(loss)		25	34	-	-	27	37
Policy liability revaluation		-	1	-	-	(3)	-
Investment income paid or allocated to policyholders (Bonus Distribution)		(25)	(35)	-	-	(10)	(21)
Profit/(loss) before income tax		-	-	-	-	14	16
Income tax expense (Note 7)		-	-	-	-	(14)	(16)
Total comprehensive income for the year		-	-	-	-	-	-
Notes:							
(a) Member contributions							
Contributions credited to Members' accounts (liability component of contributions)		(2)	16	-	-	-	-
Fees paid directly from Member contributions		-	-	-	-	-	-
Total Member contributions		(2)	16	-	-	-	-

29. Life investment contracts business by benefit fund - Statement of comprehensive income (continued)		Pathway Education Fund		Scholarship Benefit Fund (Balanced)		Scholarship Benefit Fund (Fixed)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income							
Investment income		380	-	9,088	11,014	271	364
Gain on disposal of investments		-	-	4,660	29,664	-	-
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	-	-	3	1
Revenue - life investment contracts	(a)	348	-	2	41	-	-
Total income		728	-	13,750	40,719	274	365
Operating expenses							
Loss on disposal of investments		-	-	691	10	-	-
Change in fair value of financial assets designated as at fair value through profit or loss		115	-	6,660	19,663	-	-
Policy acquisition expenses		345	-	-	-	-	-
Policy maintenance expenses		3	-	2	41	-	-
Investment management expenses		39	-	1,939	2,521	105	126
Other operating expenses		12	-	-	-	-	-
Total expenses		514	-	9,292	22,235	105	126
Operating profit/(loss)		214	-	4,458	18,484	169	239
Policy liability revaluation		(31)	-	322	168	3	21
Investment income paid or allocated to policyholders (Bonus Distribution)		(120)	-	(4,780)	(18,652)	(172)	(260)
Profit/(loss) before income tax		63	-	-	-	-	-
Income tax expense (Note 7)		(63)	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-	-
Notes:							
(a) Member contributions							
Contributions credited to Members' accounts (liability component of contributions)		9,852	-	202	2,910	4	30
Fees paid directly from Member contributions		348	-	2	41	-	-
Total Member contributions		10,200	-	204	2,951	4	30

29. Life investment contracts business by benefit fund - Statement of comprehensive income		Scholarship Benefit Fund (Malaysia)		Scholarship Benefit Fund (New Zealand)		Secondary Scholarship Benefit Fund (Balanced)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income							
Investment income		3	4	1,426	2,196	807	1,659
Gain on disposal of investments		-	-	106	12	1,058	5,664
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	-	168	-	-
Revenue - life investment contracts	(a)	-	-	5	30	-	-
Total income		3	4	1,537	2,406	1,865	7,323
Operating expenses							
Loss on disposal of investments		-	-	-	8	140	31
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	46	-	861	3,862
Policy acquisition expenses		-	-	-	-	-	-
Policy maintenance expenses		-	-	5	30	-	-
Investment management expenses		2	1	468	554	200	415
Other operating expenses		-	-	23	47	-	-
Total expenses		2	1	542	639	1,201	4,308
Operating profit/(loss)		1	3	995	1,767	664	3,015
Policy liability revaluation		-	1	67	638	16	59
Investment income paid or allocated to policyholders (Bonus Distribution)		(1)	(4)	(1,062)	(2,405)	(680)	(3,074)
Profit/(loss) before income tax		-	-	-	-	-	-
Income tax expense (Note 7)		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-	-
Notes:							
(a) Member contributions							
Contributions credited to Members' accounts (liability component of contributions)		-	3	356	1,267	14	59
Fees paid directly from Member contributions		-	-	5	30	-	-
Total Member contributions		-	3	361	1,297	14	59

29. Life investment contracts business by benefit fund - Statement of comprehensive income (continued)		Secondary Scholarship Benefit Fund (Fixed)		Secondary Scholarship Benefit Fund (New Zealand)		Students' Education Fund	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income							
Investment income		49	76	50	101	3,951	4,874
Gain on disposal of investments		-	-	7	2	2,656	12,292
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	-	4	-	-
Revenue - life investment contracts	(a)	-	-	-	-	-	-
Total income		49	76	57	107	6,607	17,166
Operating expenses							
Loss on disposal of investments		-	-	-	-	176	43
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	4	-	3,105	8,247
Policy acquisition expenses		-	-	-	-	-	-
Policy maintenance expenses		-	-	-	-	-	-
Investment management expenses		18	26	14	26	812	1,101
Other operating expenses		-	-	2	4	-	-
Total expenses		18	26	20	30	4,093	9,391
Operating profit/(loss)		31	50	37	77	2,514	7,775
Policy liability revaluation		6	12	18	38	45	136
Investment income paid or allocated to policyholders (Bonus Distribution)		(37)	(62)	(55)	(115)	(2,559)	(7,911)
Profit/(loss) before income tax		-	-	-	-	-	-
Income tax expense (Note 7)		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-	-
Notes:							
(a) Member contributions							
Contributions credited to Members' accounts (liability component of contributions)		(18)	97	-	5	-	38
Fees paid directly from Member contributions		-	-	-	-	-	-
Total Member contributions		(18)	97	-	5	-	38

29. Life investment contracts business by benefit fund - Statement of comprehensive income		Students' Education Fund (New Zealand)		Students' Education Fund No 2		Students' Education Fund No 2 (New Zealand)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income							
Investment income		44	66	4,116	4,634	206	244
Gain on disposal of investments		20	40	2,231	9,428	51	139
Change in fair value of financial assets designated as at fair value through profit or loss		-	21	-	-	-	83
Revenue - life investment contracts	(a)	-	-	1	41	5	10
Total income		64	127	6,348	14,103	262	476
Operating expenses							
Loss on disposal of investments		34	12	193	28	91	36
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	2,825	6,049	38	-
Policy acquisition expenses		-	-	-	-	-	-
Policy maintenance expenses		-	-	1	41	5	10
Investment management expenses		12	17	554	675	39	44
Other operating expenses		-	-	-	-	-	-
Total expenses		46	29	3,573	6,793	173	90
Operating profit/(loss)		18	98	2,775	7,310	89	386
Policy liability revaluation		1	5	62	19	-	13
Investment income paid or allocated to policyholders (Bonus Distribution)		(19)	(103)	(2,790)	(5,101)	(96)	(286)
Profit/(loss) before income tax		-	-	47	2,228	(7)	113
Income tax expense (Note 7)		-	-	(47)	(2,228)	7	(113)
Total comprehensive income for the year		-	-	-	-	-	-
Notes:							
(a) Member contributions							
Contributions credited to Members' accounts (liability component of contributions)		-	-	321	2,774	197	350
Fees paid directly from Member contributions		-	-	1	41	5	10
Total Member contributions		-	-	322	2,815	202	360

29. Life investment contracts business by benefit fund - Statement of comprehensive income (continued)		Supplementary Education Program		Supplementary Education Program (New Zealand)		Tertiary Education Cost Saver (New Zealand)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income							
Investment income		14,748	13,530	293	279	270	375
Gain on disposal of investments		996	15,509	-	115	1	-
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	-	30	-	36
Revenue - life investment contracts	(a)	1,419	1,764	57	59	2	7
Total income		17,163	30,803	350	483	273	418
Operating expenses							
Loss on disposal of investments		70	32	21	19	-	1
Change in fair value of financial assets designated as at fair value through profit or loss		2,216	11,600	108	-	2	-
Policy acquisition expenses		660	1,000	28	32	1	-
Policy maintenance expenses		759	764	29	27	1	7
Investment management expenses		3,143	2,749	66	58	103	113
Other operating expenses		-	-	-	-	-	2
Total expenses		6,848	16,145	252	136	107	123
Operating profit/(loss)		10,315	14,658	98	347	166	295
Policy liability revaluation		(102)	32	(2)	10	(26)	142
Investment income paid or allocated to policyholders (Bonus Distribution)		(6,551)	(9,562)	(63)	(242)	(140)	(437)
Profit/(loss) before income tax		3,662	5,128	33	115	-	-
Income tax expense (Note 7)		(3,662)	(5,128)	(33)	(115)	-	-
Total comprehensive income for the year		-	-	-	-	-	-
Notes:							
(a) Member contributions							
Contributions credited to Members' accounts (liability component of contributions)		42,807	43,289	1,347	1,223	196	426
Fees paid directly from Member contributions		1,419	1,764	57	59	2	7
Total Member contributions		44,226	45,053	1,404	1,282	198	433

29. Life investment contracts business by benefit fund - Statement of comprehensive income		Tertiary Support Fund		The Education Fund		The Education Fund (New Zealand)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income							
Total income		49	48	16,774	15,706	634	615
Gain on disposal of investments		21	91	1,308	19,427	4	234
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	-	-	-	77
Revenue - life investment contracts	(a)	-	1	2,290	2,805	150	158
Total income		70	140	20,372	37,938	788	1,084
Operating expenses							
Loss on disposal of investments		2	-	178	44	54	42
Change in fair value of financial assets designated as at fair value through profit or loss		30	55	2,572	14,415	243	-
Policy acquisition expenses		-	-	160	729	19	38
Policy maintenance expenses		-	1	2,130	2,076	131	120
Investment management expenses		6	7	2,852	2,567	106	92
Other operating expenses		-	-	-	-	-	-
Total expenses		38	63	7,892	19,831	553	292
Operating profit/(loss)		32	77	12,480	18,107	235	792
Policy liability revaluation		-	1	(75)	110	(1)	22
Investment income paid or allocated to policyholders (Bonus Distribution)		(36)	(59)	(8,252)	(12,146)	(169)	(563)
Profit/(loss) before income tax		(4)	19	4,153	6,071	65	251
Income tax expense (Note 7)		4	(19)	(4,153)	(6,071)	(65)	(251)
Total comprehensive income for the year		-	-	-	-	-	-
Notes:							
(a) Member contributions							
Contributions credited to Members' accounts (liability component of contributions)		50	61	46,407	47,555	3,049	2,667
Fees paid directly from Member contributions		-	1	2,290	2,805	150	158
Total Member contributions		50	62	48,697	50,360	3,199	2,825

29. Life investment contracts business by benefit fund - Statement of comprehensive income (continued)	Total Life Investment Contracts Business	
	2016 $'000	2015 $'000
Income		
Investment income	76,020	77,327
Gain on disposal of investments	18,346	128,768
Change in fair value of financial assets designated as at fair value through profit or loss	3	1,182
Revenue - life investment contracts	5,568	6,306
Total income	99,937	213,583
Operating expenses		
Loss on disposal of investments	3,230	831
Change in fair value of financial assets designated as at fair value through profit or loss	28,843	85,776
Policy acquisition expenses	1,512	1,946
Policy maintenance expenses	4,056	4,360
Investment management expenses	14,527	15,216
Other operating expenses	37	53
Total expenses	52,205	108,182
Operating profit/(loss)	47,732	105,401
Policy liability revaluation	641	1,796
Investment income paid or allocated to policyholders (Bonus Distribution)	(39,526)	(89,904)
Profit/(loss) before income tax	8,847	17,293
Income tax expense (Note 7)	(8,847)	(17,293)
Total comprehensive income for the year	-	-
Notes:		
(a) **Member contributions**		
Contributions credited to Members' accounts (liability component of contributions)	127,604	130,106
Fees paid directly from Member contributions	5,568	6,306
Total Member contributions	133,172	136,412

29. Life investment contracts business by benefit fund - Statement of financial position		Assurance Benefit Fund		Children's Bursary Fund		Children's Bursary Fund (New Zealand)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets							
Cash and cash equivalents		26	142	2	-	2	5
Investment assets		20	501	86,169	88,629	8,435	7,997
Other assets		-	-	3,158	2,934	41	-
Total assets		46	643	89,329	91,563	8,478	8,002
Liabilities							
Life investment contract liabilities	(b)	46	82	89,329	91,563	8,478	7,995
Other liabilities		-	561	-	-	-	7
Total liabilities		46	643	89,329	91,563	8,478	8,002
Net assets		-	-	-	-	-	-
Equity							
Policyholder equity		-	-	-	-	-	-
Total equity		-	-	-	-	-	-
(b) Life investment contract liabilities							
Balance at the beginning of the financial year		82	760	91,563	87,723	7,995	7,840
Liability component of contributions		-	-	3,929	5,034	434	475
Withdrawals		(39)	(685)	(8,780)	(7,366)	(629)	(407)
Transfer to/(from) other funds		-	-	-	-	-	-
Transfer to/(from) policyholder equity		-	-	-	-	-	-
Policy liability revaluation		(7)	5	(60)	(57)	(15)	(23)
Proposed allocation of current year's surplus		10	2	2,677	6,229	76	490
Foreign translation movement		-	-	-	-	617	(380)
Balance at the end of the financial year		46	82	89,329	91,563	8,478	7,995
(c) Capital Adequacy Position							
Net Assets (Common Equity Tier 1 Capital)		-	-	38	52	6	9
Less Regulatory adjustments to Tier 1 Capital							
Deferred tax assets		-	-	-	-	-	-
Fair value adjustments		-	-	38	52	6	9
Net Assets after regulatory adjustments		-	-	-	-	-	-
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		-	-	-	-	-	-
Prescribed Capital Amount (net of management actions)		-	-	-	-	-	-
Capital adequacy multiple		-	-	-	-	-	-

29. Life investment contracts business by benefit fund - Statement of financial position (continued)		Children's Bursary Fund No 2		Children's Bursary Fund No 2 (New Zealand)		Children's Scholarship Fund	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets							
Cash and cash equivalents		2	18	2	3	1	1
Investment assets		72,907	72,421	21,308	19,524	95,367	97,649
Other assets		2,590	2,280	234	67	3,473	3,223
Total assets		75,499	74,719	21,544	19,594	98,841	100,873
Liabilities							
Life investment contract liabilities	(b)	74,410	72,655	21,472	19,281	98,841	100,873
Other liabilities		1,089	2,064	72	313	-	-
Total liabilities		75,499	74,719	21,544	19,594	98,841	100,873
Net assets		-	-	-	-	-	-
Equity							
Policyholder equity		-	-	-	-	-	-
Total equity		-	-	-	-	-	-
(b) Life investment contract liabilities							
Balance at the beginning of the financial year		72,655	67,867	19,281	18,624	100,873	96,148
Liability component of contributions		5,575	6,041	1,720	1,717	4,325	5,634
Withdrawals		(5,824)	(5,092)	(1,234)	(997)	(9,220)	(7,688)
Transfer to/(from) other funds		-	-	-	-	-	-
Transfer to/(from) policyholder equity		-	-	-	-	-	-
Policy liability revaluation		(34)	(23)	(24)	(38)	(32)	(90)
Proposed allocation of current year's surplus		2,038	3,862	240	883	2,895	6,869
Foreign translation movement		-	-	1,489	(908)	-	-
Balance at the end of the financial year		74,410	72,655	21,472	19,281	98,841	100,873
(c) Capital Adequacy Position							
Net Assets (Common Equity Tier 1 Capital)		22	29	11	15	42	57
Less Regulatory adjustments to Tier 1 Capital							
Deferred tax assets		-	-	-	-	-	-
Fair value adjustments		22	29	11	15	42	57
Net Assets after regulatory adjustments		-	-	-	-	-	-
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		-	-	-	-	-	-
Prescribed Capital Amount (net of management actions)		-	-	-	-	-	-
Capital adequacy multiple		-	-	-	-	-	-

29. Life investment contracts business by benefit fund - Statement of financial position		Children's Scholarship Fund (New Zealand)		Children's Scholarship Fund No 2		Children's Scholarship Fund No 2 (New Zealand)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets							
Cash and cash equivalents		1	10	1	52	2	2
Investment assets		8,165	7,718	64,390	63,987	17,444	16,099
Other assets		42	-	2,330	2,021	184	119
Total assets		8,208	7,728	66,721	66,060	17,630	16,220
Liabilities							
Life investment contract liabilities	(b)	8,208	7,722	65,739	64,215	17,606	16,032
Other liabilities		-	6	982	1,845	24	188
Total liabilities		8,208	7,728	66,721	66,060	17,630	16,220
Net assets		-	-	-	-	-	-
Equity							
Policyholder equity		-	-	-	-	-	-
Total equity		-	-	-	-	-	-
(b) Life investment contract liabilities							
Balance at the beginning of the financial year		7,722	7,609	64,215	59,576	16,032	15,809
Liability component of contributions		420	456	4,864	5,343	1,368	1,385
Withdrawals		(598)	(429)	(5,140)	(4,047)	(1,217)	(1,114)
Transfer to/(from) other funds		-	-	-	-	-	-
Transfer to/(from) policyholder equity		-	-	-	-	-	-
Policy liability revaluation		(17)	(24)	(26)	(22)	(18)	(35)
Proposed allocation of current year's surplus		85	480	1,826	3,365	206	756
Foreign translation movement		596	(370)	-	-	1,235	(769)
Balance at the end of the financial year		8,208	7,722	65,739	64,215	17,606	16,032
(c) Capital Adequacy Position							
Net Assets (Common Equity Tier 1 Capital)		6	8	19	26	9	12
Less Regulatory adjustments to Tier 1 Capital							
Deferred tax assets		-	-	-	-	-	-
Fair value adjustments		6	8	19	26	9	12
Net Assets after regulatory adjustments		-	-	-	-	-	-
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		-	-	-	-	-	-
Prescribed Capital Amount (net of management actions)		-	-	-	-	-	-
Capital adequacy multiple							

29. Life investment contracts business by benefit fund - Statement of financial position (continued)		Flexible Insurance Fund		Hecs Equity Enhanced Fund		Higher Education Cost Saver Fund (Balanced)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets							
Cash and cash equivalents		9	14	1	-	2	1
Investment assets		-	-	2,314	2,571	58,346	72,060
Other assets		-	-	112	114	2,096	2,372
Total assets		9	14	2,427	2,685	60,444	74,433
Liabilities							
Life investment contract liabilities	(b)	9	14	2,427	2,685	59,469	74,433
Other liabilities		-	-	-	-	975	-
Total liabilities		9	14	2,427	2,685	60,444	74,433
Net assets		-	-	-	-	-	-
Equity							
Policyholder equity		-	-	-	-	-	-
Total equity		-	-	-	-	-	-
(b) Life investment contract liabilities							
Balance at the beginning of the financial year		14	53	2,685	2,445	74,433	80,763
Liability component of contributions		-	-	51	122	136	1,129
Withdrawals		(5)	(40)	(367)	(120)	(16,790)	(13,089)
Transfer to/(from) other funds		-	-	-	-	-	-
Transfer to/(from) policyholder equity		-	-	-	-	-	-
Policy liability revaluation		-	-	(5)	(3)	(103)	(58)
Proposed allocation of current year's surplus		-	1	63	241	1,793	5,688
Foreign translation movement		-	-	-	-	-	-
Balance at the end of the financial year		9	14	2,427	2,685	59,469	74,433
(c) Capital Adequacy Position							
Net Assets (Common Equity Tier 1 Capital)		-	-	2	2	24	42
Less Regulatory adjustments to Tier 1 Capital							
Deferred tax assets		-	-	-	-	-	-
Fair value adjustments		-	-	2	2	24	42
Net Assets after regulatory adjustments		-	-	-	-	-	-
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		-	-	-	-	-	-
Prescribed Capital Amount (net of management actions)		-	-	-	-	-	-
Capital adequacy multiple		-	-	-	-	-	-

29. Life investment contracts business by benefit fund - Statement of financial position		Higher Education Cost Saver Fund (Fixed)		Malaysian Flexible Insurance Fund		Part B Flexible Insurance Fund	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets							
Cash and cash equivalents		360	317	15	15	111	397
Investment assets		1,204	1,599	-	-	1,999	1,697
Other assets		-	-	-	-	-	3
Total assets		1,564	1,916	15	15	2,110	2,097
Liabilities							
Life investment contract liabilities	(b)	1,561	1,915	15	15	2,102	2,089
Other liabilities		3	1	-	-	8	8
Total liabilities		1,564	1,916	15	15	2,110	2,097
Net assets		-	-	-	-	-	-
Equity							
Policyholder equity		-	-	-	-	-	-
Total equity		-	-	-	-	-	-
(b) Life investment contract liabilities							
Balance at the beginning of the financial year		1,915	2,143	15	16	2,089	2,074
Liability component of contributions		(2)	16	-	-	-	-
Withdrawals		(377)	(278)	-	(1)	-	(6)
Transfer to/(from) other funds		-	-	-	-	-	-
Transfer to/(from) policyholder equity		-	-	-	-	-	-
Policy liability revaluation		-	(1)	-	-	3	-
Proposed allocation of current year's surplus		25	35	-	-	10	21
Foreign translation movement		-	-	-	-	-	-
Balance at the end of the financial year		1,561	1,915	15	15	2,102	2,089
(c) Capital Adequacy Position							
Net Assets (Common Equity Tier 1 Capital)		-	-	-	-	-	-
Less Regulatory adjustments to Tier 1 Capital							
Deferred tax assets		-	-	-	-	-	-
Fair value adjustments		-	-	-	-	-	-
Net Assets after regulatory adjustments		-	-	-	-	-	-
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		-	-	-	-	-	-
Prescribed Capital Amount (net of management actions)		-	-	-	-	-	-
Capital adequacy multiple		-	-	-	-	-	-

29. Life investment contracts business by benefit fund - Statement of financial position (continued)		Pathway Education Fund		Scholarship Benefit Fund (Balanced)		Scholarship Benefit Fund (Fixed)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets							
Cash and cash equivalents		2	-	740	188	278	78
Investment assets		9,328	-	150,195	208,842	11,099	12,985
Other assets		336	-	6,484	8,046	7	-
Total assets		9,666	-	157,419	217,076	11,384	13,063
Liabilities							
Life investment contract liabilities	(b)	9,600	-	156,718	217,076	11,384	12,626
Other liabilities		66	-	701	-	-	437
Total liabilities		9,666	-	157,419	217,076	11,384	13,063
Net assets		-	-	-	-	-	-
Equity							
Policyholder equity		-	-	-	-	-	-
Total equity		-	-	-	-	-	-
(b) Life investment contract liabilities							
Balance at the beginning of the financial year		-	-	217,076	268,249	12,626	14,737
Liability component of contributions		9,852	-	202	2,910	4	30
Withdrawals		(403)	-	(65,018)	(72,567)	(1,415)	(2,380)
Transfer to/(from) other funds		-	-	-	-	-	-
Transfer to/(from) policyholder equity		-	-	-	-	-	-
Policy liability revaluation		31	-	(322)	(168)	(3)	(21)
Proposed allocation of current year's surplus		120	-	4,780	18,652	172	260
Foreign translation movement		-	-	-	-	-	-
Balance at the end of the financial year		9,600	-	156,718	217,076	11,384	12,626
(c) Capital Adequacy Position							
Net Assets (Common Equity Tier 1 Capital)		10	-	63	121	-	-
Less Regulatory adjustments to Tier 1 Capital							
Deferred tax assets		-	-	-	-	-	-
Fair value adjustments		10	-	63	121	-	-
Net Assets after regulatory adjustments		-	-	-	-	-	-
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		-	-	-	-	-	-
Prescribed Capital Amount (net of management actions)		-	-	-	-	-	-
Capital adequacy multiple		-	-	-	-	-	-

29. Life investment contracts business by benefit fund - Statement of financial position		Scholarship Benefit Fund (Malaysia)		Scholarship Benefit Fund (New Zealand)		Secondary Scholarship Benefit Fund (Balanced)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets							
Cash and cash equivalents		100	108	187	82	282	594
Investment assets		70	70	39,091	49,797	11,211	30,527
Other assets		-	2	-	40	1,431	1,183
Total assets		170	180	39,278	49,919	12,924	32,304
Liabilities							
Life investment contract liabilities	(b)	170	180	39,158	49,919	12,924	32,304
Other liabilities		-	-	120	-	-	-
Total liabilities		170	180	39,278	49,919	12,924	32,304
Net assets		-	-	-	-	-	-
Equity							
Policyholder equity		-	-	-	-		-
Total equity		-	-	-	-	-	-
(b) Life investment contract liabilities							
Balance at the beginning of the financial year		180	236	49,919	68,564	32,304	58,505
Liability component of contributions		-	3	356	1,267	14	59
Withdrawals		(11)	(62)	(15,982)	(18,377)	(20,058)	(29,275)
Transfer to/(from) other funds		-	-	-	-	-	-
Transfer to/(from) policyholder equity		-	-	-	-	-	-
Policy liability revaluation		-	(1)	(67)	(638)	(16)	(59)
Proposed allocation of current year's surplus		1	4	1,062	2,405	680	3,074
Foreign translation movement		-	-	3,870	(3,302)	-	-
Balance at the end of the financial year		170	180	39,158	49,919	12,924	32,304
(c) Capital Adequacy Position							
Net Assets (Common Equity Tier 1 Capital)		-	-	-	-	5	18
Less Regulatory adjustments to Tier 1 Capital							
Deferred tax assets		-	-	-	-	-	-
Fair value adjustments		-	-	-	-	5	18
Net Assets after regulatory adjustments		-	-	-	-	-	-
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		-	-	-	-	-	-
Prescribed Capital Amount (net of management actions)		-	-	-	-	-	-
Capital adequacy multiple		-	-	-	-	-	-

29. Life investment contracts business by benefit fund - Statement of financial position (continued)		Secondary Scholarship Benefit Fund (Fixed)		Secondary Scholarship Benefit Fund (New Zealand)		Students' Education Fund	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets							
Cash and cash equivalents		330	336	306	139	2	13
Investment assets		701	2,199	877	1,889	68,157	97,976
Other assets		-	96	-	3	2,548	3,267
Total assets		1,031	2,631	1,183	2,031	70,707	101,256
Liabilities							
Life investment contract liabilities	(b)	936	2,631	1,182	2,031	70,707	101,256
Other liabilities		95	-	1	-	-	-
Total liabilities		1,031	2,631	1,183	2,031	70,707	101,256
Net assets		-	-	-	-	-	-
Equity							
Policyholder equity		-	-	-	-	-	-
Total equity		-	-	-	-	-	-
(b) Life investment contract liabilities							
Balance at the beginning of the financial year		2,631	3,367	2,031	3,562	101,256	127,162
Liability component of contributions		(18)	97	-	5	-	38
Withdrawals		(1,708)	(883)	(1,043)	(1,442)	(33,063)	(33,719)
Transfer to/(from) other funds		-	-	-	-	-	-
Transfer to/(from) policyholder equity		-	-	-	-	-	-
Policy liability revaluation		(6)	(12)	(18)	(38)	(45)	(136)
Proposed allocation of current year's surplus		37	62	55	115	2,559	7,911
Foreign translation movement		-	-	157	(171)	-	-
Balance at the end of the financial year		936	2,631	1,182	2,031	70,707	101,256
(c) Capital Adequacy Position							
Net Assets (Common Equity Tier 1 Capital)		-	-	-	-	29	57
Less Regulatory adjustments to Tier 1 Capital							
Deferred tax assets		-	-	-	-	-	-
Fair value adjustments		-	-	-	-	29	57
Net Assets after regulatory adjustments		-	-	-	-	-	-
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		-	-	-	-	-	-
Prescribed Capital Amount (net of management actions)		-	-	-	-	-	-
Capital adequacy multiple		-	-	-	-	-	-

29. Life investment contracts business by benefit fund - Statement of financial position		Students' Education Fund (New Zealand)		Students' Education Fund No 2		Students' Education Fund No 2 (New Zealand)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets							
Cash and cash equivalents		2	4	1	21	11	2
Investment assets		1,175	1,491	70,548	93,223	5,658	6,183
Other assets		6	-	2,566	2,935	62	16
Total assets		1,183	1,495	73,115	96,179	5,731	6,201
Liabilities							
Life investment contract liabilities	(b)	1,182	1,492	71,939	93,195	5,727	6,114
Other liabilities		1	3	1,176	2,984	4	87
Total liabilities		1,183	1,495	73,115	96,179	5,731	6,201
Net assets		-	-	-	-	-	-
Equity							
Policyholder equity		-	-	-	-	-	-
Total equity		-	-	-	-	-	-
(b) Life investment contract liabilities							
Balance at the beginning of the financial year		1,492	1,886	93,195	103,287	6,114	6,511
Liability component of contributions		-	-	321	2,774	197	350
Withdrawals		(443)	(401)	(24,305)	(17,948)	(1,152)	(703)
Transfer to/(from) other funds		-	-	-	-	-	-
Transfer to/(from) policyholder equity		-	-	-	-	-	-
Policy liability revaluation		(1)	(5)	(62)	(19)	-	(13)
Proposed allocation of current year's surplus		19	103	2,790	5,101	96	286
Foreign translation movement		115	(91)	-	-	472	(317)
Balance at the end of the financial year		1,182	1,492	71,939	93,195	5,727	6,114
(c) Capital Adequacy Position							
Net Assets (Common Equity Tier 1 Capital)		1	2	21	38	3	5
Less Regulatory adjustments to Tier 1 Capital							
Deferred tax assets		-	-	-	-	-	-
Fair value adjustments		1	2	21	38	3	5
Net Assets after regulatory adjustments		-	-	-	-	-	-
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		-	-	-	-	-	-
Prescribed Capital Amount (net of management actions)		-	-	-	-	-	-
Capital adequacy multiple		-	-	-	-	-	-

29. Life investment contracts business by benefit fund - Statement of financial position (continued)		Supplementary Education Program		Supplementary Education Program (New Zealand)		Tertiary Education Cost Saver Fund (New Zealand)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets							
Cash and cash equivalents		2	-	1	-	156	10
Investment assets		274,973	247,508	8,006	6,492	9,402	10,390
Other assets		9,240	9,017	102	28	-	-
Total assets		284,215	256,525	8,109	6,520	9,558	10,400
Liabilities							
Life investment contract liabilities	(b)	279,871	250,035	7,985	6,406	9,550	10,390
Other liabilities		4,344	6,490	124	114	8	10
Total liabilities		284,215	256,525	8,109	6,520	9,558	10,400
Net assets		-	-	-	-	-	-
Equity							
Policyholder equity		-	-	-	-	-	-
Total equity		-	-	-	-	-	-
(b) Life investment contract liabilities							
Balance at the beginning of the financial year		250,035	209,497	6,406	5,427	10,390	11,465
Liability component of contributions		42,807	43,289	1,347	1,223	196	426
Withdrawals		(19,624)	(12,281)	(330)	(212)	(2,006)	(1,242)
Transfer to/(from) other funds		-	-	-	-	-	-
Transfer to/(from) policyholder equity		-	-	-	-	-	-
Policy liability revaluation		102	(32)	2	(10)	26	(142)
Proposed allocation of current year's surplus		6,551	9,562	63	242	140	437
Foreign translation movement		-	-	497	(264)	804	(554)
Balance at the end of the financial year		279,871	250,035	7,985	6,406	9,550	10,390
(c) Capital Adequacy Position							
Net Assets (Common Equity Tier 1 Capital)		234	155	4	5	-	-
Less Regulatory adjustments to Tier 1 Capital							
Deferred tax assets		-	-	-	-	-	-
Fair value adjustments		234	155	4	5	-	-
Net Assets after regulatory adjustments		-	-	-	-	-	-
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		-	-	-	-	-	-
Prescribed Capital Amount (net of management actions)		-	-	-	-	-	-
Capital adequacy multiple		-	-	-	-		

29. Life investment contracts business by benefit fund - Statement of financial position		Tertiary Support Fund		The Education Fund		The Education Fund (New Zealand)	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets							
Cash and cash equivalents		2	3	263	-	22	9
Investment assets		858	978	312,609	288,721	17,100	14,065
Other assets		31	31	10,498	10,419	223	55
Total assets		891	1,012	323,370	299,140	17,345	14,129
Liabilities							
Life investment contract liabilities	(b)	888	985	317,949	291,203	17,210	13,892
Other liabilities		3	27	5,421	7,937	135	237
Total liabilities		891	1,012	323,370	299,140	17,345	14,129
Net assets		-	-	-	-	-	-
Equity							
Policyholder equity		-	-	-	-	-	-
Total equity		-	-	-	-	-	-
(b) Life investment contract liabilities							
Balance at the beginning of the financial year		985	995	291,203	251,464	13,892	11,921
Liability component of contributions		50	61	46,407	47,555	3,049	2,667
Withdrawals		(183)	(129)	(27,988)	(19,852)	(979)	(656)
Transfer to/(from) other funds		-	-	-	-	-	-
Transfer to/(from) policyholder equity		-	-	-	-	-	-
Policy liability revaluation		-	(1)	75	(110)	1	(22)
Proposed allocation of current year's surplus		36	59	8,252	12,146	169	563
Foreign translation movement		-	-	-	-	1,078	(581)
Balance at the end of the financial year		888	985	317,949	291,203	17,210	13,892
(c) Capital Adequacy Position							
Net Assets (Common Equity Tier 1 Capital)		-	-	264	179	9	11
Less Regulatory adjustments to Tier 1 Capital							
Deferred tax assets		-	-	-	-	-	-
Fair value adjustments		-	-	264	179	9	11
Net Assets after regulatory adjustments		-	-	-	-	-	-
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		-	-	-	-	-	-
Prescribed Capital Amount (net of management actions)		-	-	-	-	-	-
Capital adequacy multiple		-	-	-	-	-	-

29. Life investment contracts business by benefit fund - Statement of financial position (continued)		Total Life Investment Contracts Business	
	Note	2016 $'000	2015 $'000
Assets			
Cash and cash equivalents		3,224	2,564
Investment assets		1,429,126	1,525,788
Other assets		47,794	48,271
Total assets		1,480,144	1,576,623
Liabilities			
Life investment contract liabilities	(b)	1,464,792	1,553,304
Other liabilities		15,352	23,319
Total liabilities		1,480,144	1,576,623
Net assets		-	-
Equity			
Policyholder equity		-	-
Total equity		-	-
(b) Life investment contract liabilities			
Balance at the beginning of the financial year		1,553,304	1,596,285
Liability component of contributions		127,604	130,106
Withdrawals		(265,931)	(253,488)
Transfer to/(from) other funds		-	-
Transfer to/(from) policyholder equity		-	-
Policy liability revaluation		(641)	(1,796)
Proposed allocation of current year's surplus		39,526	89,904
Foreign translation movement		10,930	(7,707)
Balance at the end of the financial year		1,464,792	1,553,304
(c) Capital Adequacy Position		822	843
Net Assets (Common Equity Tier 1 Capital)			
Less Regulatory adjustments to Tier 1 Capital			
Deferred tax assets		-	-
Fair value adjustments		822	843
Net Assets after regulatory adjustments		-	-
Tier 2 Capital		-	-
Less Regulatory adjustments to Tier 2 Capital		-	-
Capital Base		-	-
Prescribed Capital Amount (net of management actions)		-	-
Capital adequacy multiple		-	-

30. Life insurance contracts business by benefit fund - Statement of comprehensive income		Family Protection Fund		Contingency Fund		Total Life Insurance Contracts Business	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income							
Investment income		89	117	98	123	187	240
Gain on disposal of investments		-	-	-	-	-	-
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	-	-	-	-
Revenue - life insurance contracts		709	771	239	258	948	1,029
Total income		798	888	337	381	1,135	1,269
Operating Expenses							
Loss on disposal of investments		-	-	-	-	-	-
Change in fair value of financial assets designated as at fair value through profit or loss		-	-	-	-	-	-
Claims expense - life insurance contracts		132	286	230	247	362	533
Investment management expenses		40	43	43	43	83	86
Other operating expenses		-	-	1	-	1	-
Total expenses		172	329	274	290	446	619
Operating profit/(loss)		626	559	63	91	689	650
Policy liability revaluation		-	-	-	-	-	-
Profit/(loss) before income tax		626	559	63	91	689	650
Income tax expense (Note 7)		(195)	(148)	(11)	(9)	(206)	(157)
Total comprehensive income for the year		431	411	52	82	483	493
Unallocated surplus at the beginning of the financial year		4,037	4,175	4,288	4,448	8,325	8,623
Transfers (to)/from Management Fund		(500)	(500)	(200)	(200)	(700)	(700)
Retained profit/(loss)		3,968	4,086	4,140	4,330	8,108	8,416

30. Life insurance contracts business by benefit fund - Statement of financial position		Family Protection Fund		Contingency Fund		Total Life Insurance Contracts Business	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets							
Cash and cash equivalents		2,447	2,240	557	503	3,004	2,743
Investment assets		1,704	1,995	3,657	3,797	5,361	5,792
Other assets		-	-	-	-	-	-
Total assets		4,151	4,235	4,214	4,300	8,365	8,535
Liabilities							
Life insurance contract liabilities	(i)	-	-	-	-	-	-
Other liabilities		106	197	7	13	113	210
Total liabilities		106	197	7	13	113	210
Net assets		4,045	4,038	4,207	4,287	8,252	8,325
Equity							
Policyholder equity		3,968	4,086	4,141	4,330	8,109	8,416
Foreign currency translation reserve		77	(48)	66	(43)	143	(91)
Total equity		4,045	4,038	4,207	4,287	8,252	8,325
Capital Adequacy Position							
Net Assets (Common Equity Tier 1 Capital)		4,045	4,038	4,207	4,287	8,252	8,325
Less Regulatory adjustments to Tier 1 Capital		-	-	-	-	-	-
Net Assets after regulatory adjustments		4,045	4,038	4,207	4,287	8,252	8,325
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		4,045	4,038	4,207	4,287	8,252	8,325
Prescribed Capital Amount (net of management actions)		1,476	1,625	236	253	1,712	1,878
which comprises:							
Asset risk		11	11	14	13	25	24
Insurance risk		1,473	1,623	233	250	1,706	1,873
Aggregation benefit		(9)	(9)	(11)	(10)	(20)	(19)
Capital adequacy multiple		3	2	18	17	5	4

30. Life insurance contracts business by benefit fund - Statement of financial position (continued)

(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 2016 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 $0.316 million for the Family Protection Fund and $0.241 million for the Contingency Fund as at 30 June 2016.

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

31. Statement of comprehensive income by business type		Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
	Note	2015 $'000	2015 $'000	2015 $'000	2015 $'000	2015 $'000
Revenue						
Investment income		77,327	240	3,479	(411)	80,635
Gain on disposal of investments		128,768	-	3,897	-	132,665
Change in fair value of financial assets designated as at fair value through profit or loss		1,182	-	-	-	1,182
Revenue from life investment contracts		6,306	-	-	-	6,306
Revenue from benefit funds		-	-	21,651	-	21,651
Premium revenue – life insurance contracts		-	1,029	-	-	1,029
Other revenue		-	-	650	1,989	2,639
Total revenue		213,583	1,269	29,677	1,578	246,107
Operating expenses						
Loss on disposal of investments		831	-	14	-	845
Change in fair value of financial assets designated as at fair value through profit or loss		85,776	-	2,953	-	88,729
Commission		-	-	1,334	115	1,449
Policy acquisition expenses		1,946	-	-	-	1,946
Policy maintenance expenses		4,360	-	-	-	4,360
Investment management expenses		15,216	86	5	-	15,307
Claims expense – life insurance contracts		-	533	-	-	533
Depreciation & amortisation		-	-	839	38	877
Staff expenses		-	-	15,257	1,656	16,913
Office expenses		-	-	1,929	258	2,187
Communication expenses		-	-	594	114	708
Marketing expenses		-	-	1,337	218	1,555
General expenses		-	-	4,849	(1,494)	3,355
Member & scholarships grants		-	-	6,374	-	6,374
Other operating expenses		53	-	1,235	607	1,895
Total expenses		108,182	619	36,720	1,512	147,033
Operating profit/(loss)		105,401	650	(7,043)	66	99,074
Policy liability revaluation		1,796	-	-		1,796
Investment income paid or allocated to policyholders (bonus distribution)		(89,904)	-	-		(89,904)
Finance costs		-	-	-		-
Profit/(loss) before income tax		17,293	650	(7,043)	66	10,966
Income tax (expense)/benefit	7	(17,293)	(157)	3,667	140	(13,643)
Total comprehensive income for the year		-	493	(3,376)	206	(2,677)

32. Statement of financial position by business type		Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
	Note	2016 $'000	2016 $'000	2016 $'000	2016 $'000	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		-	0	-	-	-
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		Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
	Note	2015 $'000	2015 $'000	2015 $'000	2015 $'000	2015 $'000
Assets						
Cash and cash equivalents		2,564	2,743	1,665	3,891	10,863
Trade and other receivables		48,060	-	10,281	(1,019)	57,322
Other financial assets (investment assets)		-	-	65,010	-	65,010
Life investment contract assets		1,525,788	-	-	-	1,525,788
Life insurance contract assets		-	5,792	-	-	5,792
Inventories		-	-	251	-	251
Current tax assets	(b)	-	-	3,212	-	3,212
Other assets		-	-	224	8	232
Property, plant and equipment		-	-	6,208	29	6,237
Investment property		-	-	2,870	-	2,870
Deferred tax assets	(c)	-	-	710	-	710
Other intangible assets		-	-	1,715	-	1,715
Total assets		1,576,412	8,535	92,146	2,909	1,680,002
Liabilities						
Payables and other liabilities		1,840	48	2,283	(97)	4,074
Current tax payables	(b)	13,896	162	-	(177)	13,881
Provisions		-	-	2,463	27	2,490
Other liabilities		-	-	-		-
Deferred tax liabilities	(c)	7,372	-	1,547	(48)	8,871
Life investment contract liabilities	(a)	1,553,304	-	-	-	1,553,304
Total liabilities		1,576,412	210	6,293	(295)	1,582,620
Net assets		-	8,325	85,853	3,204	97,382
Equity						
Policyholder equity		-	8,416	-	-	8,416
Retained earnings		-	-	83,739	3,209	86,948
Reserves		-	(91)	2,114	(5)	2,018
Total equity		-	8,325	85,853	3,204	97,382
(a) Life investment contract liabilities						
Balance at the beginning of the financial year		1,596,285	-	-		1,596,285
Liability component of contributions		130,106	-	-		130,106
Withdrawals		(253,488)	-	-		(253,488)
Transfer to/(from) other funds		-	-	-		-
Transfer from policyholder equity		-	-	-		-
Policy liability revaluation		(1,796)	-	-		(1,796)
Proposed allocation of current year's surplus		89,904	-	-		89,904
Foreign translation movement		(7,707)	-	-		(7,707)
Balance at the end of the financial year	(d)	1,553,304	-	-	-	1,553,304
(b) Presented in the statement of financial position as follows:						
Current tax (payables)		(13,896)	(162)	3,212	177	(10,669)
(c) Presented in the statement of financial position as follows:						
Deferred tax (liabilities)/assets		(7,372)	-	(837)	48	(8,161)

(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

Capital Adequacy Position	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
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	-	5	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.

32. Statement of financial position by business type	Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
Capital Adequacy Position	2015 $'000	2015 $'000	2015 $'000	2015 $'000	2015 $'000
Net Assets (Common Equity Tier 1 Capital)	843	8,325	85,853	3,204	98,225
Less Regulatory adjustments to Tier 1 Capital					
Deferred tax assets	-	-	-		-
Fair value adjustments	843	-	24		867
Goodwill & intangibles	-	-	1,715		1,715
Investment in subsidiaries	-	-	5,267		5,267
Others	-	-	16,036		16,036
Net Assets after regulatory adjustments	-	8,325	62,811	3,204	74,340
Tier 2 Capital	-	-	-		-
Less Regulatory adjustments to Tier 2 Capital	-	-	-		-
Capital Base	-	8,325	62,811	3,204	74,340
"Prescribed Capital Amount (net of management actions)"	-	1,878	34,327	-	36,205
which comprises:					-
Asset risk	-	24	21,283	-	21,307
Insurance risk	-	1,873	-	-	1,873
Aggregation benefit	-	(19)	-	-	(19)
Operational risk	-	-	3,922	-	3,922
Combined stress adjustment	-	-	9,121	-	9,121
Capital adequacy multiple	-	4	2	-	6

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
	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 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

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
	2015 $'000	2015 $'000	2015 $'000	2015 $'000	2015 $'000
Cash flows from operating activities					
Management fees and commissions received	-	-	21,651	-	21,651
Contributions from policyholders	136,412	1,029	-	-	137,441
Other revenue	-	-	620	744	1,364
Investment income	68,689	281	2,093	(410)	70,653
Management fees	(21,522)	(86)	-	-	(21,608)
Payments to suppliers and employees	(53)	-	(36,004)	(1,576)	(37,633)
Payments to benefit funds	-	-	(6,374)	-	(6,374)
Payments to policyholders	(253,488)	(533)	-	-	(254,021)
Interest and other costs of finance paid	-	-	-	-	-
Income tax (paid)/received	(21,020)	(207)	11,408	213	(9,606)
Net cash provided by operating activities	(90,982)	484	(6,606)	(1,029)	(98,133)
Cash flows from investing activities					
Payment for investment securities	(958,625)	(286)	(51,836)	(7)	(1,010,754)
Proceeds on sale of investment securities	1,047,061	502	53,437	-	1,101,000
Proceeds from sale of plant & equipment	-	-	-	-	-
Payment for property, plant and equipment	-	-	(1,235)	(13)	(1,248)
Proceeds from sale of investment property	-	-	-	-	-
Net cash provided by/(used in) investing activities	88,436	216	366	(20)	88,998
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	(2,546)	-	(5,540)	(1,049)	(9,135)
Cash at the beginning of the financial year	5,087	2,743	7,205	4,940	19,975
Effects of exchange rate changes on the balance of cash held in foreign currencies	23	-	-	-	23
Cash at the end of the financial year	2,564	2,743	1,665	3,891	10,863

Directors' declaration

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 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 financial statements are in compliance with International Financial Reporting Standards as stated in Note 3 to the 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, 28 September 2016

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

We have audited the accompanying financial report of Australian Scholarships Group Friendly Society Limited ("ASG"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising ASG and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 16 to 88.

Directors' Responsibility for the Financial Report

The directors of ASG 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 is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Scholarships Group Friendly Society Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Australian Scholarships Group Friendly Society Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of ASG's and the consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

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

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants
Sydney, 28 September 2016

This page is intentionally left blank

This page is intentionally left blank

This page is intentionally left blank

Supporting
Children's
Education

Australian Scholarships Group
Friendly Society Limited

ABN 21 087 648 879
AFSL No. 236665
Australian Credit Licence No. 236665

Registered Office:
23-35 Hanover Street Oakleigh Vic 3166
+61 3 9276 7777

asg.com.au