ANNUAL REPORT

2017/2018

ASG

CONTENTS

ABOUT ASG

ASG opens doors to inspiring and fulfilling education journeys for families, teachers and learners of all ages.

As a member-owned organisation, we return benefits to our members, and since our foundation in 1974, we're proud to have enrolled more than 551,000 children and provided more than $3.1 billion in member education benefits and returns.

SUPPORTING ACCESS TO EDUCATION IN ALL ITS INSPIRING FORMS

Today, as we head into our 45th year, we're building on our solid foundations to create a strong future for members, learners, educators and schools. In a world where education models are evolving, roles and industries are blending and the jobs of tomorrow are being defined and redefined, we enable greater freedom to foster strengths and interests through access to education in all its inspiring forms.

A LITTLE PLANNING AND A LOT OF INITIATIVES FOR A BIG FUTURE

Through Little Big Funds – our range of financial products – we support access to fulfilling education journeys from early learning through to high school, university, colleges or apprenticeships.

ASG also provides a wide range of bespoke education resources, including a new online store featuring STEM toys and books with over 200 quality products to promote learning. We also provide online calculators to help parents and students plan for the cost of education and release Parent and Teacher Report Cards every year which provide a holistic view of the state of education.

In celebration of education, we believe in taking the time to reward commitment, hard work and achievement. For 25 years, our ASG National Excellence in Teaching Awards (NEiTA) has enabled communities to recognise outstanding teachers. The awards are our way of acknowledging and honouring the vital role teachers play in shaping the future generations.

As a member-owned friendly society, we look forward to continuing to inspire and empower people to reach for their brighter future.

OUR THREE PILLARS

FINANCIAL PRODUCTS

Over the past year, ASG has renamed its education funds under the Little Big umbrella. Little Big Funds help families and adult learners to plan, save and pay for tuition costs, as well as incidentals that pop up along the journey. We continually assess our fund offerings to ensure we meet tomorrow's education needs, no matter what that looks like to our members.

Our Little Big Saver Funds offer a dedicated, tax-effective way to save for future education needs. We have also recently launched Helper Funds products which replace the previous Funding Solutions product. These lending solutions are a contemporary way to support parents with school fees and all the little extras that pop up like uniforms, laptops and camps.

EDUCATION RESOURCES

ASG's education resources are designed to enhance the fun and joy of learning and broaden learner, parent and educator engagement. Our members enjoy access to a fantastic range of bespoke tools and information to inspire parents and children on their education journeys.

We strive to provide the best education resources to our members and the community.

The online store

As well as our renowned learning games and books, ASG's revamped online store now showcases more than 200 educational toys to foster a love of learning science, technology, engineering and maths (STEM). These toys also encourage interaction between parents, teachers and children, helping them to develop an emotional bond.

Permission Click

We have developed a long-term partnership with Permission Click, a Canadian company with groundbreaking software that streamlines and automates the school permission slip process. Use of this software better connects parents to schools, increases parental knowledge of school activities and keeps them in touch with their children's curriculum. It also reiterates our commitment to helping local communities reduce their carbon footprint by disposing of an outdated paper-based system.

Social and emotional development programs

We tested a pilot program with the Principals Australia Institute to develop new social and emotional development programs for schools. The first test was on conflict resolution and how this will help us to develop healthier school communities.

Behind the scenes, ASG is developing new ways to continue to inspire and support parents and their children's education across Australia by expanding our Education Resources offering in 2019.

ADVOCACY

ASG has been a leading advocate of the importance of education and learning for more than four decades. Our goal is to help achieve the best possible outcomes for education in the countries in which we operate.

As a voice to government, ASG ensures valuable information and community feedback can be considered at the policy making as well as innovation levels. We hope that the government, parents, educators and schools can collaborate in connected networks to tackle and seek to solve some of the most challenging issues in education.

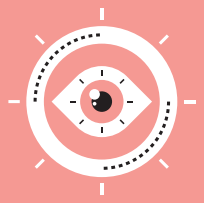
Research, support and development initiatives

We also focus on creating awareness and stimulating national debates on issues such as access to education opportunity, the cost of education and the provision of high-quality education.

To achieve these goals in 2017-18, we published evidence-based research findings and conducted events to recognise teaching excellence. We also supported the professional development of teachers and partnered with credible and influential organisations that support the education needs of disadvantaged Australian children.

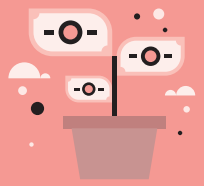
OUR STRATEGIC GOALS

1 Actively encourage members to save in a manner that meets their objectives and aspirations and provide information to help them get the most out of their plans.

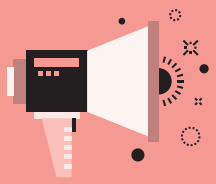


2 Continue to improve ASG's value proposition and member engagement, providing more of what they need and building on our trusted, stable foundations in an ever-changing education landscape.

3 Build ASG's internal culture and staff engagement to drive innovation and growth, empowering our people to serve members and offer the greatest value.



4 Increase focus on growing education resources, offering long-term stability to parents, learners and educators in a highly disrupted education sector.



5 Increase focus on speaking out and advocating education issues on behalf of and with stakeholders, including parents, learners and educators, communities and policymakers.

6 Explore new opportunities for growth and diversification that delivers back to members with a specific focus on new product and service developments.

7 Make it easier for members to engage with ASG through all means possible, especially by accelerating our digital transformation strategy.

THE CHAIRMAN'S REPORT

Over the past year, ASG has continued building the solid foundations for transformation. In this dynamic education landscape, the positive changes we are making ensure we progress in valuable ways to meet the needs of our members, our stakeholders and our partners – today and in the future.

A CHANGING OF THE GUARD

The most notable change this year is the appointment of Tim Mitchell-Adams as the new CEO of ASG after a comprehensive search process.

John Velegrinis resigned from the position of CEO in late 2017 to pursue other interests. Under his leadership, ASG generated greater value for members through the introduction of new systems, processes and education resources. As a result of John's initiatives, we can respond more effectively to member requests while giving people greater visibility into the details of their membership via a new member portal.

John was also instrumental in launching our Lifelong Education Fund, allowing ASG to assist individuals to proactively plan for their future education beyond post-secondary studies and as part of their professional development.

On behalf of ASG, I would like to take this opportunity to thank John. We wish him well in his future endeavours.

A WARM WELCOME TO OUR NEW CEO

Tim Mitchell-Adams is an experienced senior executive whose career spans more than 30 years in the financial services industry. In his previous positions, Tim has been recognised for his ability to clearly translate vision and strategy into actionable plans that deliver strategic and operational objectives. He is well known for his interpersonal skills and his ability to engage, connect, motivate and lead culturally and geographically diverse teams with agility, creativity, trust, humility and respect.

We have felt the changes in both the education and financial sectors, ranging from changes to child care subsidy, federal funding in school and higher education in the form of Gonski 2.0, reforms in the tertiary education system and the call for an increase in student contributions to HELP to mention a few.

Change, therefore, continues to be a necessary and positive step for ASG to open doors to education journeys for as many people as possible. Tim is a committed change leader whose experience has ensured successful delivery on several large and scalable transformation and business re-engineering projects.

A VOICE AMID THE CHANGING EDUCATION LANDSCAPE

There is an increasing pitch in the conversation around how we can prepare our children for the future. Is it by analysing their performance in national and international standardised tests or by providing a holistic education, incorporating social and emotional learning and resilience?

ASG has put itself forward as a thought leader in education through its well-considered research on the cost of education through the ASG Planning for Education Index and the ASG Planning for University Index. ASG has also advocated on behalf of parents and teachers on key areas by providing these stakeholders with a platform to air their views through the ASG Parents Report Card and the ASG-ACE Teachers Report Card.

ASG'S INVESTMENT PERFORMANCE

We are as proud of these community initiatives as we are to share the good news that it has been a satisfying year for ASG's investments, despite the continued volatility in markets. Our primary investment purpose is to provide stable and reliable investment returns without taking excessive risk, to best assist our members in meeting the costs of their children's education.

ASG's investment of member funds performed well, particularly when compared to other balanced funds of a similar investment objective, term deposits and cash investments. Our Investment Performance Report outlines our investment performance over the year against challenging, economic and global factors.

A FITTING TRIBUTE TO TERRY O'CONNELL (1948–2017)

Last year, we deeply mourned the passing of Terry O'Connell. To honour his memory, ASG has established the Terry O'Connell Regional and Remote Teachers' Award within the NEiTA program, which recognises the contribution of teachers in regional and remote areas. Terry contributed widely to ASG and the industry in his roles as CEO, Managing Director, Director and Chairman. The new award is a fitting tribute to Terry's dedicated service to the organisation and many well-received initiatives, including the ASG NEiTA Awards of which he was Chairman for many years.

UNITED NATIONS GLOBAL COMPACT

During the previous financial year, ASG became a signatory of the United Nations Global Compact, the world's largest corporate sustainability initiative. We are committed to making the Global Compact goals our local business and, as an organisation, we are adopting sustainable and socially responsible policies, strategies and operations.

Corporate sustainability begins with a values-based approach to business, and we operate as a responsible business with a culture of integrity. We are committed to the UN Global Compact's Ten Principles, covering the areas of human rights, labour, environment and anti-corruption. We will continue to update our members on what this means to our business as we review policies, strategies and operations to ensure we demonstrate best practice.

I want to take this opportunity to thank my fellow directors for their time and efforts over the last 12 months in attending to the strategic direction and governance of ASG. I would also like to express my sincere appreciation to Monique Sasson who resigned from the Board in July 2018 after 18 years serving as a Director of ASG and a member of various Board Committees over this time. Her insights, thought leadership and strategic contributions over this period were extemely valued by myself and the rest of the Board and we wish her well in the future.

I would also like to thank Tim for immersing himself from day one and leading ASG from the front. I also extend my appreciation to the broader leadership team and all ASG's staff for their hard work and commitment during the year.

We look forward to continuing to open doors by supporting our members' education journeys through financial products, education resources and advocacy.

Craig Dunstan

Chairman

THE CEO'S REPORT

It gives me great pleasure to present my first annual report as CEO of ASG. This year, we're focussed on the continued growth of our organisation and improving our position in both the education funding and resources markets. We've already accomplished a great deal as we roll out initiatives that build on last year's transformation foundations.

Progressive pedagogy and technology continue to increase and influence the opportunities to teach and learn. However, the cost of education has soared 61 per cent in the past decade, dwarfing the 34 per cent rise in wage growth in the same period[1]. ASG is committed to supporting and opening doors to education journeys for as many people as possible by linking our past to the future.

Over the past months, we've made positive changes to different parts of our business. They're changes that make us more relevant to current and prospective members, communities and the wider education industry while ensuring we serve them better. We're extremely proud that some of our key business indicators already reflect the positive signs of change.

A GLIMPSE INTO THE ASG OF THE FUTURE

As part of our vision for ASG, we're undertaking a highly considered journey to refresh our brand, making it contemporary and purposeful. We've started to make significant changes such as renaming our education funds under the Little Big Funds umbrella. We've updated our online store to include new and exciting education resources, and we're in the process of refreshing our website to reflect our progressive outlook. Our team has also implemented new digital marketing strategies to improve member access and engagement, drive leads and enrolments, and form new corporate and education resource partnerships.

HARNESSING TECHNOLOGY, INSIDE AND OUT

ASG Permission Click Partnership Inc.

One of our key strategic goals is to explore new opportunities for growth and diversification that delivers back to members. Therefore, we're extremely proud to have developed a long-term partnership with Permission Click Inc., a Canadian company, dedicated to streamlining the parental consent process.

We believe the use of online permission slips better connects schools and parents and increases engagement by alerting parents to their child's activities. Importantly, Permission Click Inc. reiterates our commitment to helping our local communities reduce their carbon footprint by doing away with the traditional paper-based system.

THE ASG CLOUD PROJECT

The continued future proofing of our technology capabilities has seen us pursue technology infrastructure outsourcing to support the business and its underlying growth strategy. Once completed, the project will also enhance our member experience through advanced call centre and contact management capabilities.

THE EXCITING JOURNEY AHEAD

As a holistic education services provider, our challenges and interests go beyond financial issues. We also have to consider what's happening in the education sector and what contributions we can make by highlighting specific issues and advocating on behalf of our members and the public in general. Our Parent and Teacher Report Cards provide snapshots of the state of education and the challenges faced from these different perspectives. Initiatives like these give us solid grounds to advocate in areas needed the most.

We're also committed to our CSR education and community initiatives that support, inspire and encourage children, parents and educators to reach for a brighter future.

In the coming year, we have clear strategic goals to continue to deliver our members greater value with the launch of new products and initiatives to further support their education journey.

We have several in-flight projects, the positive impact of which we expect will be felt soon. In addition, we have further exciting plans we would like to execute during the coming year. To help achieve this, I'm proud of our newly formed Group Leadership Team that comprise of many talented individuals that have a wealth of experience across a myriad of industries, sectors ensuring we harness a breadth of perspectives.

I'm extremely thankful to these team members for the thoughtfulness and initiative they have shown in developing the strategy and action plan for these projects and for their execution and their attention to detail.

Looking to the future, we still have much to do to maintain our strong momentum and create a sustainable growth trajectory. I am confident that we've never been better placed to do it.

Finally, in what has been an intensely busy, but thrilling year, I would like to thank our members, staff and the ASG Board for the support and encouragement we've received. We now need to extract more value from our investments and drive greater efficiencies to ensure ASG continues to deliver increasing value to our members.

Tim Mitchell-Adams

CEO

[1]ASG Planning for Education Index, 2018

INVESTMENT PERFORMANCE REPORT

Kate Cooling
Group Executive, Financial Products

It was a solid year for ASG's investments, and the returns to our members have been strong despite the volatility in investment markets, often as a result of geopolitical events.

ASSET ALLOCATION STRATEGY POSITIVELY CONTRIBUTES TO RETURNS

Across the various portfolios, we retained our keen focus on strategic asset allocation to best ensure we meet the long-term investment objectives of members.

We proactively constructed and positioned our investment portfolios, transitioned selected assets into new investment managers and continued investing in the unlisted Australian property asset class. We also entered the unlisted infrastructure asset class, were cautious on global fixed income and sought to extract additional returns from Australian cash investments. The combination of these strategic asset allocations positively contributed to the investment returns.

Global and Australian equity market returns were strong and higher than expected and unlisted Australian property and unlisted infrastructure have delivered strong returns with less volatility. Fixed interest markets have seen yields at historic low levels thereby subduing returns. Going forward, this 'lower-for-longer' interest rate environment may impact upon medium-term outcomes.

Put into context, ASG's investment of member funds performed well, particularly when compared to other balanced funds with a similar risk profile, term deposits and cash investments. ASG's net investment returns are allocated to each member's account as a declared rate of return. This return is calculated by taking into account the gross investment returns, expenses of the fund, taxation and any applicable prudential requirements.

TOTAL FUNDS UNDER MANAGEMENT

As at 30 June 2018, the total funds under ASG management amounted to $1.363 billion. During the year, we paid $258 million in education benefits and scholarship payments to our members.

INVESTMENT RETURNS

Our primary investment purpose is to provide stable and reliable investment returns without taking excessive risk, to best assist our members in meeting the costs of their childrens's education.

It should be noted that ASG's products are of a tax paid investment style and our returns are quoted after taxes have been applied to the earnings at the applicable tax rate (generally 30% for our funds). We do however receive a tax benefit when we pay our scholarship benefits to our member's children which we pass on to members via higher payments. The Declared Rate of Return does not include the tax benefit returned to members.

The following table provides a summary of the returns generated on our open benefit funds for the year ended 30 June 2018.

BENEFIT FUND	GROSS INVESTMENT RETURN	DECLARED RATE OF RETURN
The Education Fund	7.87%	4.70%
Supplementary Education Fund	7.87%	4.45%
Pathway Education Fund	7.81%	3.97%
The Education Fund (NZ)	6.86%	3.70%
Supplementary Education Fund (NZ)	6.84%	3.35%
Pathway Education Fund (NZ) (launched July 2017)	7.26%	4.64%

EXPECTATIONS FOR THE YEAR AHEAD

Investment returns for growth assets such as domestic and global equities, unlisted Australian property and unlisted infrastructure assets all positively influenced this year's result.

After such a buoyant few years, we caution that growth asset returns may exhibit softer dynamics as a means of averaging out performance over the medium term. Defensive assets such as fixed interest securities and money market securities performed in line with expectations during the year.

In the medium term, ASG expects most defensive assets will continue to return lower than historical levels. However, we believe Australian defensive assets will assist in generating solid risk-adjusted returns within a balanced investment fund. In addition, the diversification of our asset mix will help to reduce the overall volatility of the funds. This will lead to a more consistent longer-term investment outcome and act to protect members' funds should markets turn downwards.

FUNDS UNDER MANAGEMENT

Australian Equities	$ 157,258,069	11.54 %
Australian Fixed Interest	$ 264,843,303	19.43 %
New Zealand Fixed Interest	$ 33,778,415	2.48 %
Cash	$ 433,963,709	31.84 %
Global Fixed Interest	$ 41,264,304	3.03 %
Global Equities	$ 300,088,276	22.01 %
Property & Infrastructure	$ 131,939,868	9.68 %
	$ 1,363,135,943	100 %

OUR PEOPLE

Vicki Blackman
Group Executive, People and Culture

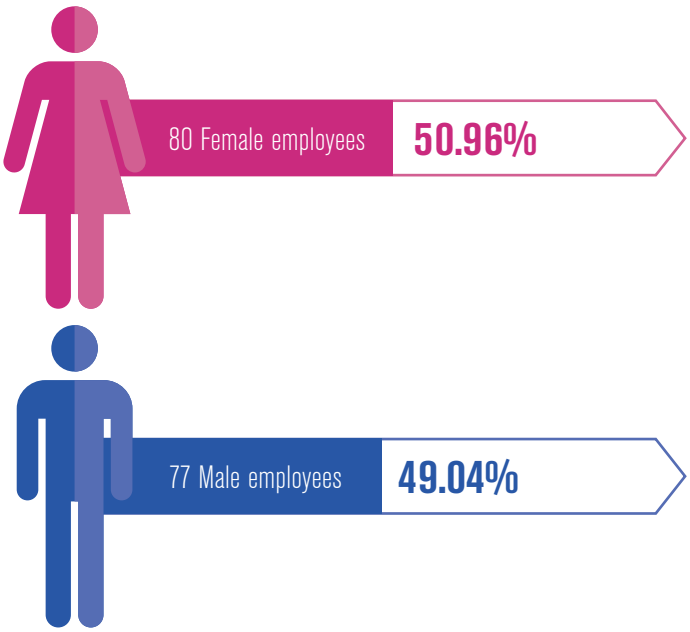
In the past 12 months, ASG has been focussed on defining the organisation's employee value proposition and continuing the transition towards being an employer of choice. We have also continued to build a strong and vibrant internal culture across all levels of the organisation, identifying talent and improving employee engagement.

In pursuit of these goals, ASG has become single touch payroll compliant, developed leadership development programs for existing leaders, introduced a remuneration strategy that is aligned with market standards, introduced a capability framework for the organisation and designed a new performance management framework.

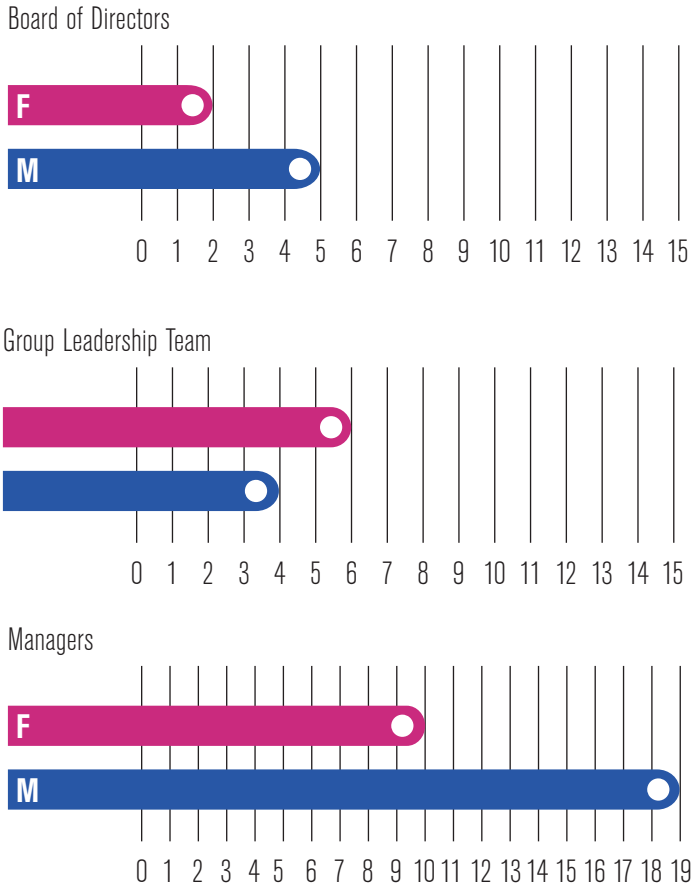
DIVERSITY

ASG believes that a healthy workplace diversity is crucial for success. A mix of genders, cultural backgrounds, experience, leadership and personality styles help to encourage mutual respect, debate, innovation and diversity of opinion. We are proud to acknowledge that we continue to demonstrate an above-average representation of females in leadership and management positions.

ASG is currently WGEA compliant (Workplace gender equality Agency).



GENDER DIVERSITY AND RATIO IN TOP MANAGEMENT



PEOPLE DEVELOPMENT

In 2017-18, the People and Culture team continued to work with senior management to identify talent from within the organisation, staff with leadership potential, and to identify ways to help them shape the future of their careers.

Our staff work hard to support our members, and ASG understands the importance of supporting a healthy and happy lifestyle. The skills, passion, diversity, innovation and desire of our staff to make a difference has helped make ASG a workplace that is friendly and supportive.

STAFF TESTIMONIALS

"I've thoroughly enjoyed the exciting challenges and variety of projects during my 12 years at ASG. I always feel supported and encouraged by my colleagues, and I've been given many career development and succession planning opportunities. Thanks to ASG's flexibility, it's a terrific family-friendly workplace."

- Samantha Piper, Online Store Specialist

"Education is so important to me. Being able to make a positive impact on people's lives to achieve their educational goals is what inspires me most about coming to work each day. Over the past ten years here, ASG has given me multiple opportunities to progress in my career–it's good to work in an environment where your performance is recognised."

- Shiya Sathiyasuthan, Sales Channel Coordinator

"My position within the Financial Products team provides me with an opportunity to make an impact on the future success of ASG, and therefore I find it an exhilarating place to work. It's great to be surrounded by a supportive and friendly team and to know you're part of a company with great purpose."

- Michael Gill, Product Analyst

"Working at ASG is so rewarding as we're opening doors to make real improvements in assisting people to achieve their educational aspirations. My role includes improving the customer experience and developing a stronger community focus, too. Being able to get involved in all areas of the business has allowed me to develop new skills across various disciplines."

-Matthew Wyatt, Product Manager

"Joining a company that invests in the community, is Australian owned, and supports children's education is important to me as I have a young family of my own. ASG is currently going through some exciting changes that will provide greater opportunities for our people and ensure the company continues on the path to success. I've been given many opportunities for personal and leadership growth at ASG and take pleasure in supporting my colleagues with their own professional and personal development."

- Stacey Glen, People & Culture Business Partner

OUR COMMUNITY

Wahdiah Hopper
Director, Policy and Advocacy

ASG is committed to supporting a range of education and community initiatives for children, parents, teachers and educators. From teacher and student awards to mentoring programs and sponsorships – we focus on celebrating excellence and encouraging people to reach for more than they believed possible.

ASG NATIONAL EXCELLENCE IN TEACHING AWARDS – ASG NEiTA

For 24 years, ASG and the NEiTA Foundation (National Excellence in Teaching Awards) have been acknowledging exceptional teachers in early learning centres, primary and secondary schools, and special schools across Australia and New Zealand.

The awards provide parents and children with the opportunity to highlight and celebrate the talented, committed, caring, innovative and passionate teachers who are dedicated to their students, schools and the community, and they recognise the teaching profession and its importance.

THOUSANDS OF EXCEPTIONAL TEACHERS AND COUNTING

To date, NEiTA has received more than 35,500 nominations for excellent and inspirational teachers from early childhood and school communities throughout Australia. More than 1,050 teachers have received awards, and NEiTA has awarded more than $1,000,000 in professional development grants, prizes and endowments.

ASG would like to congratulate all our 2017 NEiTA Australian and New Zealand Award Winners.

THE TERRY O'CONNELL REGIONAL AND REMOTE TEACHERS' AWARD

We were thrilled to present Gina Evans-Colagiovanni with the inaugural Terry O'Connell Regional and Remote Teachers' Award, which recognises the contribution of teachers in regional and remote areas and the work of the late Terry O'Connell.

Gina is an early childhood teacher at Indulkana Anangu School in South Australia. English is the second or third language for many of the families there, so Gina taught students and connected with Aboriginal education workers and families in their primary language Pitjantjatjara/Yankunytjatjara and English.

A passionate educator, Gina created an environment where students walked proudly in both worlds. Among her many initiatives, she built an open-air sensory space and used animal-assisted therapy to improve social, emotional and cognitive functioning. She also installed mirrors across the classroom to encourage self-esteem and support each child's construction of a positive self-image. Gina's attendance rates were consistently high, and she made sure that education made a tangible difference in her students' lives.

We congratulate Gina on her deserved award, and for the positive impact she has had on many people's lives. Terry would be proud.

THE SMITH FAMILY

The Smith Family has a long history of helping disadvantaged young Australians to succeed in school, so they create a better future for themselves.

Since 2004, ASG has been supporting The Smith Family's Learning for Life program, which aims to improve access to education retention and academic achievement for disadvantaged Australian students.

PROVIDING ONGOING SUPPORT TO SCHOOL-AGED STUDENTS

Every year, ASG sponsors 64 school-aged students and six tertiary students nationally. We do this through the charity's Learning for Life program which provides financial support for essential education items like school uniforms, excursions and stationery. The program also provides personalised support from a Smith Family coordinator and access to a range of out-of-school learning and mentoring programs.

ASG INITIATIVES FOR THE SMITH FAMILY

For every person referred to ASG, we donate $1 to the Learning for Life program. We also support The Smith Family through our ASG Annual Book and Toy Appeal when our generous team donates educational books and toys for children to receive at Christmas. Every year, ASG volunteers join The Smith Family to help sort, pack and deliver these gifts into the hands of the families that need them.

SPACE CAMP SPONSORSHIP

ASG has been encouraging children to reach for the stars since 2009 by sponsoring two Australian students (children of ASG members) to attend the International Space Camp each year.

Students apply for ASG Space Camp Sponsorship by sending in a written application and attending a Skype interview with the judges. The two winners travel to the U.S. Space and Rocket Center in Alabama for an educational experience that illuminates real-world applications of science, technology, engineering and mathematics.

LAUNCHING DREAMS FOR TWO AUSTRALIAN CHILDREN

This year, Ella-Brock Fabel and Jack Woodman were our two winners, and Ella is now one step closer to achieving her dream of becoming the first Australian female in space. After arriving in Alabama, the pair spent a week suiting up and training like astronauts, including simulated space experiences in a 1/6th Gravity Chair and a Multi-Axis Trainer.

Thank you to all the students who took the time to apply. Never give up on your dreams, and if you're eligible, we warmly encourage you to try again for our 2019 Space Camp.

LIFE EDUCATION TRUST – NEW ZEALAND

ASG has taken an active stand against cyberbullying by partnering with Harold the Giraffe and Life Education Trust (LET) in New Zealand. Our task is to help roll out a cyberbullying program to all New Zealand schools over the next 18 months.

Almost 40 per cent of young people are experiencing cyber-bullying 'highly frequently', and 20 per cent experience extreme cyber-bullying 'daily', These figures refer to relentless and vicious victimisation intended to cause harm. The program is expected to empower all school-aged children in New Zealand to reject and stamp out cyberbullying.

UNDERSTANDING THE EDUCATIONAL LANDSCAPE

Only through research can we truly begin to understand the financial and emotional challenges facing parents and teachers in education today. Such valuable and relevant statistics fuel advocacy and enable us to better serve our members and the education community through meaningful financial products and education resources.

THE ASG PLANNING FOR EDUCATION INDEX

The annual ASG Planning for Education Index guides parents on what they can expect to pay to educate a child in Australia. This year's Index, released in January 2018, revealed the cost of education has soared 61

per cent in the past decade, dwarfing the 34 per cent rise in wage growth in the same period.

For a child born in 2018, the estimated cost of a private education across metropolitan Australia has increased by $180,128 over the past ten years to $475,342 per child. The forecasted cost of a faith-based education has jumped 54 per cent or $84,575, amounting to $240,679 per child. For a government education, families can expect to pay $66,320 per child, an increase of 23 per cent or $12,564 since 2008 according to ASG's data.

THE ASG PLANNING FOR UNIVERSITY INDEX

The annual ASG Planning for University Index serves to inform the public of the true cost of university education and to encourage parents to save for their children's tertiary education.

Released in April, the 2018 Index revealed that by 2028, students studying popular courses such as arts, commerce, health, architecture, engineering and information technology could expect total costs to increase by 23 per cent.

This means that by 2028, a student living at home and studying computer science will be paying an extra $16,241, including course fees, transport, computers, additional study costs, extra-curricular activities and other living expenses.

ASG PARENTS REPORT CARD

The ASG Parents Report Card is the only report of its kind to provide a holistic snapshot of the state of education in Australia from parents' perspectives. Developed in partnership with the Faculty of Education at Monash University, it explores themes such as NAPLAN testing, school curriculum, parent/teacher relationships and parents' aspirations for their children's education. It also taps into topical and sometimes controversial issues such as bullying, screen time, sexual education and social support.

The latest ASG Parents Report Card, released in October 2017, revealed the importance parents place on delivering a holistic education for their children. It also revealed many parents are concerned about the financial resources available to support their children's success.

ASG-ACE TEACHERS REPORT CARD

The ASG-ACE Teachers Report Card is a joint initiative between ASG and the Australian College of Educators (ACE). It surveys teachers, school principals and leaders about their perceptions of education, their profession and issues such as testing, curriculum, stress, wellbeing, support, engagement, satisfaction, technology and opportunity at schools.

The results of the inaugural report, published in July 2017, led to our increased focus on working with ACE to advocate the many education issues raised in this research. These issues include areas such as testing and stress as almost half of the educators surveyed believe there is too much standardised testing and 48 per cent of educators feel stressed either 'most of the time' or 'fairly often' in a typical week.

SUSTAINABILITY

ASG has become a signatory to the United Nations Global Compact (UNGC). As a signatory, we have committed to the ten sustainability principles below:

Principle 1 - report and respect the protection of internationally proclaimed human rights

Principle 2 - make sure they are not complicit in human rights abuses

Principle 3 - uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4 - uphold the elimination of all forms of forced and compulsory labour

Principle 5 - uphold the effective abolition of child labour

Principle 6 - uphold the elimination of discrimination in respect of employment and occupation

Principle 7 - support a precautionary approach to environmental challenges

Principle 8 - undertake initiatives to promote greater environmental responsibility

Principle 9 - encourage the development and diffusion of environmentally friendly technologies

Principle 10 - work against corruption in all its forms, including extortion and bribery

ASG joins over 8,000 business and 4,000 non-business signatories to the UNGC globally, including over 100 actively participating organisations in Australia.

Our support of these principles builds on much of the important work that ASG is already doing to ensure the long-term sustainability of our business, such as our focus on driving a safe, diverse and inclusive workplace culture, and our stated objective of using external fund managers who have a stated sustainability focus.

Our support of the UNGC principles will also drive further improvements in the way we work, the way we procure goods and services, and the way we support our customers.

BOARD OF DIRECTORS AND PARTICIPATING CONSULTANTS

The members of the Board from the start of the financial year to the date of this report were:

Craig Dunstan

B Com, LLB, MBA, F Finsia, MAICD

Craig commenced with ASG in 2010 as a participating consultant, was then appointed Non-Executive Director in 2011 and then appointed Chairman of the Board in October 2015.

Craig has extensive experience in the financial services industry in Australia, Asia and the United States. He is currently Executive Director of DH Flinders Pty Ltd and Vasco Investment Managers Limited, and Non-Executive Director of Federated Investors Australia Services Limited and LaTrobe Health Services Limited and Chair of its Nominations & Remuneration Committee. Previous roles include Managing Director of ASX listed Macarthur Cook Limited, General Manager Financial Services of Australian Unity Limited, and Deputy Chair of Seaforth TAFE college in NSW. Craig is the current Chairman of the Nominations & Remuneration Committee, Chairman of the Innovation Committee and a member of the Investment Committee.

Allen Blewitt

BA (Hons), MEd, FAICD, FAIM

Allen commenced with ASG in 2012 as a participating consultant, was then appointed Non-Executive Director in 2015 and then appointed Deputy Chairman in 2016.

Allen is currently a director of Cambridge Box Hill Language Assessment and Cambridge English (Australia). As an independent consultant he advises companies, NFPs and professional associations on governance and business strategy. He was global CEO of the Association of Chartered Certified Accountants (ACCA) and prior to that served in various senior positions, including deputy CEO and Director of Education with the Institute of Chartered Accountants (ICAA). He has been a secondary teacher and university lecturer. Allen is the current Chairman of the Educational Advisory Panel, International Markets Committee, the ASG National Excellence in Teaching Awards (NEiTA) Foundation and a member of the Nominations & Remuneration Committee.

Tony Brain

B Com, CAANZ, ASFA Certificate IV Superannuation, GAICD, FAIST

Tony commenced with ASG as a participating consultant in 2014 and was then appointed Non-Executive Director in 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 and subsequently nearly 3 years as Head of Risk Management at AustralianSuper. 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 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 was appointed as a member of the Company Auditors Disciplinary Board in August 2017 and serves as a member of Victoria University's Finance & Investment Committee and Observer of its Compliance, Audit & Risk Committee. Tony is currently Chairman of the Risk Committee and a member of the Audit Committee and Investment Committee.

Dr. Jacqueline Jennings

B Met, M Mgt, PhD Mgt, GAICD

Jacqueline commenced with ASG as a participating consultant in 2011 and was then appointed Non-Executive Director in 2012.

Jacqueline has extensive executive senior experience in sales, marketing, business development and strategy, and financial management. She is the Chair of the Mt Buller & Mt Stirling Alpine Resort Management Board, a member of the Alpine Resorts Co-operation Council and is a Director of the Darwin Waterfront Corporation Board. She also has experience as a Director of Peoplecare Health Insurance, and was a member of the Finance and Risk Committee within that Board, and a Director of the Non-Health Fund Subsidiary of that company. Jacqueline is the Chairman of the Investment Committee and a member of the Risk Committee and the Education Advisory Panel.

Neelesh Mehta

B Com, FCA India, FCAANZ, FAICD

Neelesh is a Non-Executive Director who was appointed to the Board in 2017.

Neelesh has over 25 years' experience across both the financial services and retail industries in Australia and India. He has extensive experience working in international markets and a passion for the benefits of education. Neelesh is a Fellow of the Institute of Company Directors and a Fellow of CPA Australia. He is Chairman of We Ride (Australian Cycling Promotion Fund) and Bravo Group Holdings Pte Ltd (Singapore), a board member of Texas Peak Group, Samarinda Ashburton Aged Care Services Inc., the Gawler Cancer Foundation, and Managing Director of Jaipur Asset Management Pty Ltd. Neelesh is a member of the Audit Committee and International Markets Committee.

Leon Nash

B Bus, MBA, FCPA, FAICD

Leon is a Non-Executive Independent Director who was appointed to the Board in 2006.

Leon has extensive experience in general management, accounting, business, economics, human resources and corporate finance. He has acted as the Financial Controller (Australia and New Zealand) of a multinational fast-moving consumer goods company (FMCG). His executive experience has been across many sectors including manufacturing, construction, FMCG and land development at a local and multinational level. Leon also has experience as a Director and Company Secretary for Australian Timken Pty Ltd and Australian Timken Superannuation Pty Ltd. Leon is currently Chairman of the Audit Committee and a member of the Innovation Committee.

Monique Sasson

B Ed, GAICD, Certificate in Governance and Risk Management

Monique is a Non-Executive Director who first joined the Board in 2002. Monique has a diverse background in the performing arts and education and has extensive experience in reputation managent, 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 resigned as a director with effect from 27 July 2018.

Jennifer Storey

Dip. Ed. (Secondary), Grad. Dip. Information Science, Master of Arts (Public Relations)

Jennifer commenced with ASG as a participating consultant in 2016 and was appointed Non-Executive Director in August 2018.

Jennifer is a highly successful leader with more than 20 years digital, marketing, product and commercialisation experience across a variety of industries including extensive involvement in financial services. She is the Diretor of Outside Insights Consulting Pty Ltd and the ASG appointed Director of Permission Click Inc.

Participating consultants from the start of the financial year to the date of this report were:

André Carstens

B Com (Hons), FCA, MAICD

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

André is a Chartered Accountant (Fellow) and a member of the Australian Institute of Company Directors. André is currently Chief Executive Officer of Colonial Foundation and a Non-Executive Director of Orygen - Youth Mental Health. He is also a member of the International Markets Committee.

Kieren Dell

B.A (Sydney). LLB (UTS)

Kieren was appointed as a participating consultant to the Board in 2017.

Kieren is a partner in Praxis Partners, a small consulting firm in financial services, and has over 32 years of experience in superannuation and financial services, having worked in a variety of corporate roles from 1986 to 2000, then as an independent consultant to the industry from 2000 to the present day. Kieren is also the CEO and founder in 2002 of Majestic Cinemas, which currently operates 7 Cinema sites in Northern NSW and SE Queensland. Kieren has a particular interest in industry bodies, having been CEO of two small associations in financial services between 2000 and 2010, and President and Vice-President of the independent Cinemas Association for more than a decade. His area of expertise covers product development, product management, marketing, strategy and general management. Kieren is a member of the Innovation Committee.

Jennifer Storey

Jennifer Storey also acted as a participating consultant during the year prior to the appointment to the Board as a Director on 28 August 2018.

GOVERNANCE STATEMENT

The Australian Scholarships Group Friendly Society Limited (ASG) is a member owned mutual organisation, which at 30 June 2018 had close to 125,000 children enrolled.

ASG'S MISSION

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

BOARD OF DIRECTORS

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

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

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

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

BOARD ROLE AND RESPONSIBILITIES

The key responsibilities of ASG's Board include:

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

ROLE OF CHAIRMAN

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

DIRECTOR EMERITUS

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

The current directors emeritus are:

Mr Gary R Bickerton, MAICD

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

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

Colin has been associated with ASG for 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 and was appointed Director Emeritus in the same month.

BOARD PARTICIPATING CONSULTANTS

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

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

Ms J Storey was a consultant for the full reporting period.

Mr A Carstens was a consultant from 1 July to 31 July 2017 and from 27 October 2017 onwards.

Mr K Dell was appointed as a consultant from 27 October 2017 onwards.

MEETINGS OF THE BOARD

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

ELECTION OF DIRECTORS

Directors are elected by the members at the Annual General Meeting (AGM) for a term of not more than three years.

Directors can offer themselves for election at the end of each term subject to them satisfying APRA's fit and proper requirements and ASG's Constitution's eligibility requirements. If a casual vacancy occurs during the year, ASG's Board has the power to elect and appoint an interim director who satisfies these requirements who must then retire and stand for election at the next AGM. ASG's Board has elected and appointed Ms Jennifer Storey to act as interim director to fill a casual vacancy with effect from 28 August 2018.

CONFLICTS OF INTEREST

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

REGULATORS

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

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

REMUNERATION

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

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

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

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

COMMITTEES

ASG's Board establishes committees to assist it in its role of overseeing the corporate governance practices of ASG. ASG's Board appoints the chairs and members of these committees and determines each committee's 'Terms of Reference'.

The following committees are currently established by ASG's Board:

Audit Committee

The members of the Audit Committee as at 30 June 2018 were:

Mr L G Nash	Non-Executive Independent Director (Chair)
Mr T Brain	Non-Executive Independent Director
Mr N Mehta	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, internal and external 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 audit functions
- reviews the internal and external audit plans to ensure they address all material risks, internal controls and reporting requirements prior to submission to ASG's Board for approval
- reviews audit findings to ensure issues are appropriately managed and rectified.

Investment Committee

The members of the Investment Committee as at 30 June 2018 were:

Dr J A Jennings	Non-Executive Independent Director (Chair)
Mr C M Dunstan	Non-Executive Independent Director
Mr T Brain	Non-Executive Independent Director

The committee generally invites the Chief Executive Officer, Chief Financial Officer and the Head of Investments to meetings.

The Investment Committee:

- formulates 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
- monitors and reports to the Board according to the framework specified in the Investment Policy, Risk Policies and in accordance with current legislation.

Nominations and Remuneration Committee

The members of the Nominations and Remuneration Committee as at 30 June 2018 were:

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

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 2018 were:

Mr T Brain	Non-Executive Independent Director (Chair)
Dr J A Jennings	Non-Executive Independent Director
Ms M K Sasson	Non-Executive Independent Director

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

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.

Innovation Committee

The members of the Innovation Committee as at 30 June 2018 were:

Mr C M Dunstan	Non-Executive Independent Director (Chair)
Mr L G Nash	Non-Executive Independent Director
Mr K Dell	Board Participating Consultant
Ms J Storey	Board Participating Consultant

The Innovation Committee generally invites the Chief Executive Officer, Group Executive of Financial Products and the Group Executive of Education Resources to meetings.

The Innovation Committee is currently not active.

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

The Innovation Committee:

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

International Markets Committee

The members of the International Markets Committee as at 30 June 2018 were:

Mr A Blewitt	Non-Executive Independent Director (Chair)
Mr N Mehta	Non-Executive Independent Director
Mr A Carstens	Board Participating Consultant

The International Markets Committee was established in 2017, and held its first meeting on 19 December 2017, to review opportunities for ASG to expand into new markets. The committee generally invites the Chief Executive Officer and the Chief Financial Officer to meetings.

EDUCATION ADVISORY PANEL

In addition to the Committees, the ASG Board has an Education Advisory Panel which informs the Board on education sector developments and areas of opportunity.

Other than the Chair who must be a Non-Executive Director or participating consultant, members of the committee are generally external to ASG and drawn from all states of Australia and New Zealand. All members are chosen on the basis of recognised educational expertise and experience.

The members of the Education Advisory Panel as at 30 June 2018 were:

Mr A Blewitt	Non-Executive Independent Director (Chair)
Dr J A Jennings	Non-Executive Independent Director
Ms S Fenton	Victorian Representative
Dr J Rimes	Tasmanian Representative
Mr P Walsh	New Zealand Representative
Dr N McCulla	New South Wales Representative
Ms R Shepherd	South Australian Representative
Dr P Roberts	West Australian Representative
Ms C Driver	Queensland Representative

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

B Cummings from KPMG was appointed as the Appointed Actuary in 2017.

ASSET CONSULTANT

In Australia ASG has engaged Willis Towers Watson to provide investment management asset consulting services. In New Zealand, ASG engages Melville Jessup Weaver to provide investment management asset consulting services.

DIRECTORS' REPORT

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 2018.

DIRECTORS

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

Mr C M Dunstan	Chairman
Mr A Blewitt	Deputy Chairman
Mr T Brain	Director
Mr A Carstens[1]	Director
Dr J A Jennings	Director
Mr N Mehta[2]	Director
Mr L G Nash	Director
Mr T O'Connell[1]	Director
Ms M K Sasson[3]	Director
Ms J Storey[3]	Director

[1] Mr A Carstens was appointed as a Director to fill a casual vacancy on the resignation of Mr T O'Connell on 31 July 2017 until the AGM on 27 October 2017.

[2] Mr N Mehta was appointed as a Director at the AGM on 27 October 2017.

[3] Ms M K Sasson resigned as a director with effect from 27 July 2018. Ms Jennifer Storey was appointed to fill the vacancy with effect from 28 August 2018.

COMPANY SECRETARY

Ms S Yeo

Joined ASG in July 2018 in the role of general counsel and company secretary.

Ms F Ferro

Joined ASG in June 2013 in the role of general counsel and company secretary and resigned in May 2018.

PRINCIPAL ACTIVITIES

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

Operating results

The (loss)/profit of the Group for the financial year was:

	2018 $'000	2017 $'000
Operating (loss)/profit after income tax from continuing operations as per Annual Report	(6,492)	328
Adjustments of non-recurring items	(4,275)	-
Normalised operating (loss)/profit after income tax	(2,217)	328

Review of operations

The report of our 44th year of operations has been compiled and audited. The directors hereby present the financial report for the year which highlights a challenging result amid declining revenues and a number of non-recurring items of expenditure which have adversely impacted on the result. Focus over recent years on driving an uplift on enrolments and funds under management continue and should assist in offsetting the benefits paid out to members in the normal course of business.

The financial year 2018 has produced solid investment returns, notwithstanding continued volatility in markets, often as a result of geopolitical events. Our diversified set of growth assets performed well, driven by strong global economic growth in an environment with inflation being contained. The investment returns for our open funds have translated into declared rate of returns above projected amounts this year. Pleasingly, over the course of the year we have returned in excess of $258m of member benefits and scholarship payments to our members and their beneficiaries which will assist them through their educational journey and help to offset the rising cost of education.

The following are some of the key figures from years 2018 and 2017:

	2018 $'000	2017 $'000	Movement %
Total Assets of the Benefit Funds	1,306,769	1,391,822	(6.11)
Consolidated Management Fund	85,097	88,086	(3.39)
Controlled Entities	3,851	3,721	3.49
Total Assets	1,395,717	1,483,629	(5.93)

Details of benefit funds open to new members are:

	2018 Member Funds $'000	2017 Member Funds $'000	2018 Declared Rate of Return %	2017 Declared Rate of Return %
The Education Fund	355,175	341,217	4.70	5.70
Supplementary Education Program	328,731	309,641	4.45	5.40
Pathway Education Fund	56,188	31,520	-	-
The Education Fund (New Zealand)	21,056	19,971	3.70	5.55
Supplementary Education Program (New Zealand)	10,193	9,397	3.35	5.35
Pathway Education Fund (New Zealand)	1,260	-	-	-

The following quarterly declared rate of return for the Pathway Education Fund were approved by the Board.

	June 2018	March 2018	December 2017	September 2017
Pathway Education Fund [1]	1.60%	-0.40%	1.85%	0.85%
Pathway Education Fund (New Zealand) [2]	2.85%	-1.40%	1.90%	-

[1] This equates to an annual bonus rate of 3.97 per cent.

[2] This equates to an annual bonus rate of 4.64 per cent.

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

Significant changes in principal activities

During the financial year, there was no significant change in the principal activities of the Group.

Matters subsequent to the end of the financial year

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

DIRECTORS' INTERESTS AND BENEFITS

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

DIRECTORS' AND PARTICIPATING CONSULTANTS' MEETINGS

	Board of Directors		Strategy offsite		Investment Committee		Audit Committee		Risk Committee		Advisory Panel		Remuneration Committee		Innovations Committee		International Markets Committee	
Directors:	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended			Held	Attended
Mr A Blewitt	12	11	2	2			2	2			1	1	5	5			3	3
Mr T Brain	12	12	2	2	5	5	3	3	6	6								
Mr A Carstens	12	11	2	2													3	3
Mr K Dell	9	9	2	2											2	2		
Mr C M Dunstan (Chairman)	12	12	2	2	8	7							5	5	3	3		
Dr J A Jennings	12	12	2	2	8	8	2	2	4	4	1	1						
Mr N Mehta	9	9	2	2			3	3									3	3
Mr L G Nash	12	11	2	2			5	5	2	2					3	3		
Mr TPM O'Connell	1	0																
Ms M K Sasson	12	8	2	1					6	5			5	5				
Ms J Storey	12	10	2	2											3	3		

- Tony Brain was appointed to the Investment Committee at October 2017 meeting.
- Tony Brain replaced Jacqueline Jennings on the Audit Committee in October 2017.
- André Carstens was appointed as a Director on 31 July to 27 October 2017. He was a participating consultant for the rest of the period.
- Kieren Dell was appointed as a participating consultant at the October 2017 meeting.
- Kieren Dell was appointed to the Innovation Committee in October 2017.
- Jacqueline Jennings replaced Leon Nash on the Risk Committee in October 2017.
- Neelesh Mehta was appointed director at October 2017 meeting.
- Neelesh Mehta replaced Allen Blewitt on the Audit Committee in October 2017.
- Terry O'Connell was granted leave of absence by the Board from February 2017 and subsequently retired on 31 July 2017.
- Jennifer Storey was appointed alternate for Terry O'Connell at the July 2017 Board meeting as a participating consultant and alternate for Monique Sasson at October 2017 board meeting as a participating consultant.

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.

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

A Blewitt

Deputy Chairman

REMUNERATION REPORT

OUR ORGANISATION AND KEY MANAGEMENT PERSONNEL

The purpose of the Remuneration Report is to set out the principles and the remuneration strategy ASG applies to remunerate key management personnel (KMP). The report also demonstrates how the remuneration strategy is aligned to our goals and strategic imperatives, enabling performance-based reward and supporting the retention of high calibre executives.

This information provided in the ASG 2018 Remuneration Report has been prepared in accordance with disclosure requirements outlined in the *Corporations Act*, Section 300A and the statutory tables are compliant with accounting standards AASB 124 Related Party Disclosures and aim to maintain a high standard of clarity and transparency for all stakeholders.

The report details financial year (FY) 2018 remuneration information for the year ended 30 June 2018 as it applies to KMP, including Board Directors, the Chief Executive Officer and senior executives. For the purpose of this report, senior executives are defined as the employees reporting to the CEO who have authority and responsibility for planning, directing and controlling the activities of ASG.

The KMP covered in this year's Remuneration Report are listed below:

Name	Position	Term as KMP
Craig Dunstan	Chairman	Full year
Allen Blewitt	Deputy Chair	Full year
Tony Brain	Director	Full year
Dr Jacqueline Jennings	Director	Full year
Leon Nash	Director	Full year
Monique Sasson	Director	Full year
André Carstens	Director	Part year
Neelesh Mehta	Director	Part year
Terry O'Connell	Director	Part year
Tim Mitchell-Adams	Chief Executive Officer	Part year
John Velegrinis	Chief Executive Officer	Part year
Bruce Hawkins	Chief Operating Officer	Full year
Kevin Brown	Chief Financial Officer	Part year

REMUNERATION GOVERNANCE

NOMINATION AND REMUNERATION COMMITTEE ROLE

The Nomination and Remuneration Committee (the Committee) is responsible to ASG's Board for advising on remuneration matters and for recommending candidates for the roles of Chief Executive Officer, Directors, Participating Consultants, Company Secretary and Internal Audit Manager.

The principal functions delegated by the Board to the Committee are:

a. Review Remuneration Policy

The Committee shall review the Remuneration Policy ("Policy") at least annually and make recommendations to the Board on any changes. In reviewing the Policy, the Committee shall:

- Ensure that the Policy covers all employees and agents, whether or not they are employees of the regulated institution, who singly or collectively could put the institution's financial soundness at risk.
- Ensure that the Policy remains current, effective and appropriate for its intended purpose.
- Ensure that the Policy continues to comply with APRA's prudential standards and guidance.
- Identify material deviations of remuneration outcomes from the intent of the Policy.
- Identify unreasonable or undesirable outcomes that flow from Policy limitations, such as imprecise risk or profit measure.

b. Review Responsible Person Remuneration

The Responsible Persons of ASG for the purposes of the Nomination and Remuneration charter are as follows:

- Chief Executive Officer (CEO)
- Company Secretary
- General Counsel
- CEO's Group Leadership Team
- Manager Internal Audit

The Committee shall review the remuneration structure of all Responsible Persons of ASG at least annually and make recommendations to the Board in line with the requirements of APRA's prudential standards. The Committee will take into account the CEO's recommendations in this regard. The Committee must have access to proper records of remuneration arrangements, including deferred components.

c. Review Performance-related Remuneration Policy

- Ensure periodic reviews are undertaken annually by management of the performance-related remuneration policy for all groups of personnel at all levels.
- Review recommendations of the CEO and/or Group Leadership Team on any changes of performance-related remuneration and provide recommendations to the Board.

d. Nominate and Endorse Director and Participating Consultant Candidates.

- Undertake an objective review of current directors seeking endorsement for re-election in line with the requirements of ASG's Constitution and relevant Board policies.
- Seek and/or receive nominations for Director and Participating Consultant roles.
- Conduct interviews of shortlisted candidates for Director and Participating Consultant roles.
- Make recommendations to the Board, along with supportive data, to fill a Permanent Director vacancy.
- Make recommendations to the Board, along with supportive data, for a person to be nominated as a Participating Consultant and review the performance and tenure of Participating Consultants.

e. Review candidates for key senior management roles.

- Undertake a review of candidates for the roles of CEO, company secretary and Internal Audit Manager.
- Make recommendations to the Board, along with supportive data, to fill vacancies for these roles.

f. Approve appointment of Responsible Managers

Approve nominations by the CEO for the appointment of Responsible Managers.

g. Review the Board Skills Matrix annually and make recommendations to the Board as and when required.

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

NON-EXECUTIVE DIRECTORS' REMUNERATION

The Directors remuneration is calculated in accordance with relevant market salary data together with considering the skills matrix required to ensure the success of an organisation with the complexity of ASG. Their remuneration is reviewed on an annual basis taking into account ASG's performance.

The ASG Constitution provides that Non-Executive Directors shall be paid remuneration for their services as directors subject to the fees not exceeding the annual sum last approved at a general meeting. At the October 2014 AGM, members approved a pool of $350,000 (excluding superannuation) and maximum fees per Director for attendance at committee meetings. The amount of the pool and the committee fees have not changed since that time (other than the fees payable in respect of the International Markets Committee which is a new committee formed after the 2017 AGM).

Superannuation guarantee contributions which are paid to Directors are included in the 'post-employment benefits' column in the following table.

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

- Craig Dunstan
- Leon Nash
- Jacqueline Jennings

Directors receive a fee for participating as a member or Chair of the Board Committees in place from time to time. The fees payable per meeting were, for the relevant period, as follows:

$555 per member per meeting

$930 per Chair per meeting.

For the Education Advisory Panel, the fees payable per meeting were, for the relevant period as follows:

$780 per member per meeting

$1,300 per Chair per meeting.

The compensation of each Non-Executive Director is set below:

	Short term employee benefits		Post employment benefit		
	Salary	Committee Fees	Superannuation Guarantee	Supplementary Superannuation	Total
	$	$	$	$	$
Non-Executive Directors					
2018					
C M Dunstan	76,692	10,395	8,319	-	95,406
A Blewitt	53,646	7,975	5,900	-	67,521
T Brain	42,096	10,020	5,182	-	57,298
N Mehta[1]	28,337	3,330	3,008	-	34,675
J A Jennings	42,096	11,550	5,296	-	58,942
L G Nash	42,096	7,425	4,920	7,000	61,441
M K Sasson	42,096	5,550	4,665	-	52,311
Former Non-Executive Directors					
A Carstens[2]	10,363	-	985	-	11,348
T P M O'Connell[3]	3,720	-	344	-	4,064
Total[4]	341,142	56,245	38,619	7,000	443,006
2017					
C M Dunstan	74,700	11,685	7,914	-	94,299
A Blewitt	52,300	5,565	5,405	-	63,270
T Brain	41,000	4,535	4,095	-	49,630
J A Jennings	41,000	11,660	4,649	-	57,309
L G Nash	41,000	8,740	4,464	7,000	61,204
M K Sasson	41,000	5,923	4,273	-	51,196
T P M O'Connell	41,000	485	3,941	-	45,426
Total	332,000	48,593	34,741	7,000	422,334

[1] N Mehta was appointed as a Director with effect from 27 October 2017.

[2] A Carsten was appointed as a Director with effect from 1 August 2017 and resigned with effect from 27 October 2017.

[3] T P M O'Connell retired as a Director with effect from 31 July 2017.

[4] The gross salary of directors is paid from the members approved pool of $350,000. The committee fees and superannuation contributions are not paid from this pool.

Chief Executive Officer and group leadership team

The Chief Executive Officer and group leadership team who are employed by ASG are remunerated in accordance with ASG's remuneration policy and practices. Their remuneration arrangements are reflective of the executive role they performed for ASG and are reviewed annually. In setting an individual's remuneration ASG considers:

- Role complexity and responsibilities
- Individual capabilities, experience and knowledge
- Business and individual performance
- Internal and external market role relativities
- Input from ASG's Nomination and Remuneration Committee and management on the target remuneration for individuals
- General remuneration market environment and trends.

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

Linking strategy, performance and remuneration

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

The pool for the proposed bonus/incentive plan is formulated as part of the business plan as below:

- Potential pool amount budgeted using a percentage of the salary budget as a guide.
- A business performance multiplier is applied to determine the outcome.
- The CEO and senior executive team determines the allocation of individual amounts based on calibration of performance within the pool and using the structure/process agreed with the Committee.
- The CEO presents the overall outcome/result of the total payment against budget to the Board for transparency following final approval for payment.

Individual performance is measured against pre-determined Key Result Areas which align with the key goals of the business as captured in the annual Business Plan.

The compensation of group leadership team is set below:

	Position	Effective Date	Short term employee benefits			Post employment benefit		
			Salary & fees $	Cash bonus $	Non-monetary $	Superannuation $	Termination payment $	Total $
FY2018 current group leadership team								
T Mitchell-Adams	CEO	Start date 8 Jan 2018	169,284	-	-	10,024	-	179,308
J Velegrinis [1]	CEO	End date 31 Dec 2017	181,360	54,275	-	379,885	*835	616,355
B Hawkins [2]	COO/CFO	Full Year	259,895	13,579	-	20,049	-	293,523
K Brown [3]	CFO	End date 13 Feb 2018	110,410	6,877	11,123	284,701	154,039	567,150
Other group leadership team		End date 13 Feb 2018	840,205	28,347	-	84,234	*22,459	975,245
			1,561,154	103,078	11,123	778,893	177,333	2,631,581

FY2017 group leadership team								
J Velegrinis	CEO	Full year	360,926	-	-	31,774	-	392,700
B Hawkins	COO	Full year	247,644	9,079	-	25,486	-	282,209
K Brown	CFO	Full year	163,803	4,475	22,928	32,392	-	223,598
Other group leadership team			715,842	44,415	-	84,799	-	845,056
			1,488,215	57,969	22,928	174,451	-	1,743,563

[1] J Velegrinis resigned from his position of Chief Executive Officer effective 31 December 2017. J Velegrinis was eligible for the supplementary superannuation scheme. As part of his final payment, supplementary superannuation contributions were paid to the fund including excess tax payable on the contributions.

[2] B Hawkins assumed the role of Chief Financial Officer and Chief Operating Officer effective 13 February 2018. Prior to this he was the Chief Operating Officer.

[3] K Brown was made redundant from his position of Chief Financial Officer effective 13 February 2018. K Brown was eligible for the supplementary superannuation scheme. As part of his termination, supplementary superannuation contributions were paid to the fund including excess tax payable on the contributions.

* These payments related to accrued annual leave paid on voluntary termination.

Key terms of employment contracts

The following contractual and other arrangements are in place in respect of the KMP as at the date of this report.

KMP	Term	Notice period by either the employee or the Company
T Mitchell-Adams	3 years	4 months notice
B Hawkins	Ongoing	8 weeks notice

Employee share option plan

ASG does not have an employee share option plan.

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	
	2018 $	2017 $
Payments made by ASG out of the benefit funds to KMP	31,186	50,224

The names of key management personnel of ASG with payments arising from their memberships are:
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.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Tel: +61 2 9322 7000
www.deloitte.com.au

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

26 September 2018

Dear Board Members

Australian Scholarships Group Friendly Society Limited

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

As audit partner for the audit of the financial statements of Australian Scholarships Group Friendly Society Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- 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 2018

Financial Report

Consolidated Statement of Income and Other Comprehensive Income

For the year ended 30 June 2018

Continuing operations	Notes	2018 $'000	2017 $'000
Revenue			
Investment income		96,083	113,195
Funds management and insurance income		23,594	25,419
Other operating revenue		1,551	2,346
Total revenue	5	121,228	140,960
Expenses			
Operating expenses		(54,100)	(50,070)
Total expenses	6	(54,100)	(50,070)
Operating profit		67,128	90,890
Policy liability revaluation	31	345	(752)
Investment income allocated to policyholders	31	(57,877)	(73,309)
Profit before income tax expense		9,596	16,829
Income tax expense	7(a)	(16,088)	(16,501)
(Loss)/profit for the year		(6,492)	328
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on property revaluation		1,783	389
Remeasurement of defined benefit obligations		286	(166)
Income tax relating to items not reclassified subsequently		(537)	(117)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(282)	19
Income tax relating to items reclassified subsequently		85	(6)
Other comprehensive income for the year, net of tax		1,335	119
Total comprehensive income for the year		(5,157)	447
Profit attributable to:			
Members of ASG		(6,492)	328
Total comprehensive income attributable to:			
Members of ASG		(5,157)	447

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

Consolidated Balance Sheet

As at 30 June 2018

	Notes	2018 $'000	2017 $'000
Assets			
Cash and cash equivalents	28 (a)	10,901	9,247
Trade and other receivables	9	6,344	14,070
Life investment contract assets	10	1,299,302	1,383,830
Life insurance contract assets	11	7,467	7,992
Other financial assets - investment assets	12	61,145	58,744
Inventories	13	4	196
Other assets	14	96	12
Current tax assets	7(c)	-	-
Property, plant and equipment	15	7,748	6,189
Investment property	16	1,150	900
Other intangible assets	17	1,560	2,449
Total assets		1,395,717	1,483,629
Liabilities			
Trade and other payables	18	10,473	5,375
Borrowings	19	955	-
Current tax liabilities	7(c)	1,782	5,951
Deferred tax liabilities	7(d)	11,639	6,545
Employee entitlement	20	2,267	3,400
Life investment contract liabilities	32	1,275,254	1,363,854
Total liabilities		1,302,370	1,385,125
Net assets		93,347	98,504
Equity			
Policyholder equity		7,317	7,837
Reserves		3,722	2,309
Retained earnings		82,308	88,358
Total equity		93,347	98,504

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 2018

	Policyholder Equity $'000	General reserve $'000	Foreign currency translation reserve	Revaluation reserve $'000	Total reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2016	8,252	(204)	82	2,310	2,188	87,617	98,057
Transfers from benefit funds	-	-	-	-	-	700	700
Transfer to management fund	(700)	-	-	-	-	-	(700)
Profit for the year	287	-	-	-	-	41	328
Other comprehensive income/(expense)	(2)	(166)	15	272	121	-	119
Total comprehensive profit for the year	285	(166)	15	272	121	41	447
Balance at 30 June 2017	7,837	(370)	97	2,582	2,309	88,358	98,504
Transfers from benefit funds	-	-	-	-	-	700	700
Transfer to management fund	(700)	-	-	-	-	-	(700)
Profit for the year	258	-			-	(6,750)	(6,492)
Other comprehensive income/(expense)	(78)	286	(120)	1,247	1,413	-	1,335
Total comprehensive profit/(loss) for the year	180	286	(120)	1,247	1,413	(6,750)	(5,157)
Balance at 30 June 2018	7,317	(84)	(23)	3,829	3,722	82,308	93,347

Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Life investment contracts - contributions received		121,813	131,500
Life investment contracts - withdrawals		(257,432)	(300,175)
Life investment contracts - fees received		17,769	19,191
Life insurance contracts - premium received		2,395	1,952
Life insurance contracts - policy claims paid		(286)	(431)
Investment income received		28,832	9,546
Management fees paid		(18,189)	(19,241)
Payments to suppliers and employees		(22,931)	(25,594)
Payments to members and scholarship grants		(4,966)	(2,117)
Income tax payments		(15,702)	(8,552)
Net cash used in operating activities	28 (b)	(148,697)	(193,921)
Cash flows from investing activities			
Payment for investment securities		(427,217)	(342,857)
Proceeds from sale of investment securities		576,801	539,313
Payments for property, plant and equipment		(119)	(85)
Proceeds from disposal of property, plant and equipment		13	390
Payments for intangible assets		(215)	(711)
Proceeds from sale of investment property		-	1,947
Net cash generated by investing activities		149,263	197,997
Cash flows from financing activities			
Transfers from benefit funds		700	700
Transfers to management fund		(700)	(700)
Net cash used in financing activities		-	-
Increase in cash and cash equivalents		566	4,076
Cash and cash equivalents at the beginning of the financial year		15,426	11,327
Effects of exchange rate changes on the balance of cash held in foreign currencies		(10)	23
Cash and cash equivalents at the end of the financial year	28(a)	15,982	15,426

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

1. GENERAL INFORMATION

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

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

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

23-35 Hanover Street

Oakleigh VIC 3166

Tel: (03) 9276 7777

A description of the nature of the ASG Group's principal activities is included in the Directors' Report on page 25 which is not part of these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

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

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

- Amendments to IAS 1 - Disclosure Initiative
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

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

Standards and Interpretations in issue not yet adopted

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

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

- AASB 9 – Financial Instruments
- AASB 15 – Revenue from Contracts with Customers (and the related Clarifications)

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

- AASB 16 – Leases

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

- AASB 17 – Insurance Contracts

AASB 9 – Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139. The standard will become mandatory for reporting periods beginning on or after 1 January 2018.

The adoption of AASB 9 changes ASG's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. AASB 9 requires an allowance to be recognised for ECLs on all loans and other debt financial assets not held at fair value through profit or loss ("FVTPL"). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that are expected to be received. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

ASG has undertaken an assessment of the impact to classification and measurement and the accounting for impairment losses under the new standard below:

- ASG's investments are designated at fair value through profit or loss on initial recognition and are subsequently remeasured to fair value at each reporting date. ASG's other financial instruments (i.e., loans, receivables and payables) are held at amortised cost. Under the current business model, the adoption of AASB 9 does not materially change the accounting for investments and other financial instruments.
- For Trade and Other Receivables, ASG will adopt the simplified approach to calculate ECLs based on lifetime expected credit losses. A provision model has been established based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. There is currently no indication that a material lifetime expected credit loss would be recognised upon initial adoption of the standard.
- Upon initial adoption of the standard it is ASG's policy to recognise any initial increase in allowance through opening retained earnings with any future impairment allowances recognised through profit or loss, however the adoption of AASB 9 is not expected to result in any material adjustment on initial adoption.

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

ASG has performed a detailed assessment of its contracts with members.

ASG's main sources of income are interest, dividends and gains on financial instruments held at fair value. All of these outside the scope of the new revenue standard. As a consequence, the Directors do not expect the adoption of the new revenue recognition rules to have a significant impact on ASG's accounting policies or the amounts recognised in the consolidated financial statements.

In accordance with the revenue recognition policies described in these consolidated financial statements, revenue is typically recognised as these services are delivered. Accordingly, the Directors' preliminary view is that the application of AASB 15 will have limited impact on the timing of revenue recognition and therefore the amounts recognised in the financial statements.

ASG incurs implementation costs necessary to facilitate the delivery of the contracted services. ASG has concluded that no implementation costs currently expensed will be deferred.

ASG intends to adopt the modified approach under which ASG can apply the standard from the date of initial application. Under this approach opening balance of equity is adjusted at the date of initial application but prior year comparatives are not. The adoption of AASB 15 is not expected to result in a material adjustment to opening retained earnings.

AASB 17 – Insurance Contracts

AASB 17 Insurance Contracts will introduce significant changes to the accounting for life insurance contracts and the reporting and disclosures in relation to these contracts.

The standard is mandatory from 1 January 2021 and the impact is still being assessed. It has not yet been determined if ASG will early adopt these new requirements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Statement of compliance

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

The consolidated financial statements were authorised for issue by the directors on 26 September 2018.

3.2 Basis of preparation

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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

3.3 Basis of consolidation

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

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

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

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

3.4 Accounting for benefit funds

Classification and presentation

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

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

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

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

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

Assets backing policy liabilities

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

Claims expense - life insurance contracts

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

Contributions and withdrawals

Withdrawals relating to life investment contracts, in the form of surrenders and maturity payments, are determined to be withdrawal 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 policy acquisition and maintenance fees, investment management fees, bank charges, duties, taxes and benefits payable to members and nominated children may be paid out of the life investment benefit funds.

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

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

Allocation of benefit fund surplus

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

Declared rate of return

Life investment contract liabilities as they appear in Note 29 include rate of return for the year ended 30 June 2018, which have been approved by ASG's Actuary and declared by the Board of Directors.

Seed capital

APRA (Australian Prudential Regulation Authority), under paragraph 14 of Prudential Standards LPS 700 Friendly Society Benefit Funds (LPS 700) approved the transfer by ASG of NZD 1 million as seed capital from the management fund of ASG to Pathway Education Fund (New Zealand) on 24 January 2017. The seed capital formed part of the assets of the Fund, invested with other assets of the Fund and earn the same average rate of return that is applied to all members of the Fund.

The purpose of the injection of seed capital into the Fund is that it allows monies to be invested in accordance with the strategic asset allocation, rather than having to wait until member contributions reach a sufficient size.

Once the Fund reaches NZD 1 million member capital or more, ASG, with the assistance of the Actuary, will determine when the seed capital (together with the average rate of return applied) will be repaid to the management fund. When the timing is agreed with the Actuary, ASG will seek formal written advice from the Actuary to ensure that upon the repayment of the seed capital, the Fund will continue to meet the requirements of LPS 110 and LPS 112.

Upon repayment of the seed capital to the management fund, ASG will confirm to APRA in writing that this has occurred.

3.5 Revenue recognition

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

Investment income

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

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

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

Premium revenue - life investment contracts

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

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

Premium revenue - life insurance contracts

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

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

Revenue from benefit funds

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

Other revenue

Rental income

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

Sale of goods

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

- has transferred to the buyer the significant risks and rewards of ownership of the goods
- retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- can reliably measure the amount of revenue and the costs involved
- determines that it is probable that the economic benefits associated with the transaction will flow to the ASG Group.

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

Fair value increments

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

3.6 Foreign currency transactions

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

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

3.7 Employee benefits

Short-term and long-term employee benefits

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

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

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

Retirement benefit costs

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

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

The annual valuation includes actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), which are reflected appropriately in the consolidated balance sheet 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 balance sheet represents the actual deficit or surplus in the ASG's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any amounts available in the form of refunds from the plan or reductions in future contributions to the plan.

3.8 Taxation

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

Tax consolidation

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

Nature of tax funding arrangements and tax sharing agreements

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

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

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

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

3.9 Property, plant and equipment

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

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

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

Depreciation on revalued buildings is recognised in profit or loss.

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

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

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

3.10 Investment property

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

3.11 Intangible assets

Intangible assets acquired separately

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

3.12 Impairment of tangible and intangible assets

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

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

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

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

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

3.13 Inventories

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

3.14 Financial instruments

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

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

Financial assets

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

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

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

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

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

Effective interest method

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

Financial assets at fair value through profit or loss

The ASG Group, including its benefit funds, has classified unlisted trusts, other securities and mortgage loans as financial assets 'at fair value through profit or loss'. Fair value is determined in the manner described in Note 8. Financial assets held for trading purposes are also stated at fair value, with any resultant gain or loss recognised in profit or loss.

This movement is realised in the subsequent period or when the financial asset is sold. On disposal of financial assets, the gain or loss is calculated as the difference between the sale price of the financial asset and the original purchase price of the financial asset.

Loans and receivables

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

Impairment of financial assets

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

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

Derecognition of financial assets

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

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

Financial liabilities

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

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) 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 consolidated financial statements are outlined below:

Summary of significant actuarial methods and assumptions

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

Valuation of benefit fund members' policy liabilities

A Financial Condition Report has been prepared by ASG's appointed Actuary, Ms Briallen Cummings (Bachelor of Economics (Hons), FIAA, FFin) of KPMG Actuarial Pty Ltd. This report covers benefit fund liabilities and prudential reserves. The effective date of the report is 30 June 2018. The amount of the benefit fund liabilities has been determined in accordance with the methods and assumptions disclosed in these consolidated financial statements.

Policy liability valuation

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

Scholarship benefit funds

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

The main variables that determine the declared rate of return 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 37.5 per cent of contributions. For the Contingency Fund this is 115.9 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 2018.

	Notes	2018 $'000	2017 $'000
5. REVENUE			
Revenue from investment income - distributions		57,788	76,030
Revenue from investment income - interest		10,174	10,447
Net gains/(losses) of financial assets held at fair value through profit and loss		28,121	26,718
Premium revenue - life investment contracts		5,190	5,402
Premium revenue - life insurance contracts		635	826
Revenue from benefit funds		17,769	19,191
Revenue from the rendering of services - service fee income		1,211	1,412
Revenue from the sale of goods		107	250
Rental revenue from investment properties		30	127
Other revenue		203	557
		121,228	140,960
6. EXPENSES			
i) Personnel			
Salaries and related costs		16,228	16,273
Superannuation costs		1,835	1,696
Other		885	903
Total personnel expenses		18,948	18,872
ii) Premises			
Rent		395	422
Depreciation		354	373
Other		620	377
Total premises expenses		1,369	1,172
iii) Technology			
Depreciation and amortisation		1,010	881
Licences and outsources services		801	886
Other		162	145
Total technology expenses		1,973	1,912
iv) Life investment and insurance contracts			
Policy expenses		5,190	5,401
Claims expenses		285	430
Investment management expenses		12,999	13,839
Total life investment and insurance contracts expenses		18,474	19,670
iv) Communication, marketing and other expenses			
Advertising and marketing		1,569	1,411
Communication expenses		572	771
Legal and professional fees		2,442	2,298
Freight, stationery, postage and telephone		474	856
Auditors' remuneration		399	468
Member and scholarship grants		4,966	2,117
Other		2,914	523
Total communication, marketing and other expenses		13,336	8,444
Total operating expenses		54,100	50,070

7. INCOME TAX

	2018 $'000	2017 $'000
(a) Income tax recognised in profit or loss		
Current tax	11,529	14,440
Deferred tax	4,559	2,061
Total income tax expense recognised in the current year	16,088	16,501
The income tax expenses for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	9,596	16,829
Income tax expense calculated	2,879	5,049
Effect of income that is exempt from taxation	(6,369)	(9,379)
Effect of expenses that are not deductible in determining taxable profit	20,004	23,840
Other - apportionment deduction adjustment	(418)	(3,029)
	16,096	16,481
Adjustments recognised in the current year in relation to the current tax of prior years	(8)	20
	16,088	16,501

The tax rate used in the 2018 and 2017 reconciliation is the corporate tax rate of 30 per cent, under Australian tax law, payable by tax-consolidated group, ASG, as specified in Note 3.8. ASG Education Programmes (NZ) Limited, which is the only entity not part of the tax-consolidated group, has a tax rate of 28 per cent (2017: 28 per cent) under New Zealand tax law.

(b) Income tax recognised in other comprehensive income		
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Property revaluations	(535)	122
Total income tax recognised in other comprehensive income	(535)	122
(c) Current tax assets and liabilities		
Current tax assets/(liabilities):		
Income tax payable attributable to:		
Parent entity	(7,302)	(14,272)
Entities in the tax-consolidated group	(81)	(136)
Tax credits & instalments	5,597	8,464
Exchange difference of foreign subsidiary	4	(7)
	(1,782)	(5,951)
Current tax balances are presented in the consolidated statement of financial positions as follows:		
Current tax assets	-	-
Current tax payables	(1,782)	(5,951)
	(1,782)	(5,951)
(d) Deferred tax balances		
Deferred tax balances are presented in the consolidated statement of financial positions as follows:		
Deferred tax liabilities	11,639	6,545
	11,639	6,545

7. INCOME TAX (CONTINUED)

Taxable and deductible temporary difference arise from the following:

2018	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	(7,394)	(3,105)	-	(10,499)
Property, plant and equipment	(1,107)	-	(535)	(1,642)
Investment property	(103)	(75)	-	(178)
Exchange difference of foreign subsidiary	23	(33)	-	(10)
	(8,581)	(3,213)	(535)	(12,329)
Gross deferred tax assets:				
Trade and other receivables	37		-	37
Financial assets at fair value through profit or loss	1,211	(1,083)	-	128
Provisions	788	(263)	-	525
	2,036	(1,346)	-	690
	(6,545)	(4,559)	(535)	(11,639)

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

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 organisation.

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

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

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

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

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.

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.

(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 $107.277 million change (2017: $110.002 million change) in investment income which would be offset by an investment income/loss allocated to policyholders. Therefore, the net financial position of ASG's benefit funds would remain unchanged before and after a 10 per cent change in price.

As the majority of the ASG Group's financial instruments are carried at fair value with changes in fair value recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, all changes in market conditions will directly affect investment income, and therefore the rate of return 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:

		Profit		Total Equity	
	Change in variable	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Pricing risk	+/(-) 10%	+/-5,463	+/-5,237	+/-5,463	+/-5,237

The ASG Group's sensitivity to price risk has decreased by 4 per cent. This was mainly due the level of investments in unlisted trusts were decreasing by similar percentage compared to last financial year 2017.

(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.

		Profit		Total Equity	
	Change in variable	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Foreign Pricing risk	+/(-) 10%	+/-201	+/-207	-	-

Global exposure

As part of the diversification of its investment portfolio, the ASG Group has investments in associates and 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 55 per cent of unhedged investments are exposed to the US dollar, 21 per cent are exposed to the Euro, 8 per cent are exposed to the Japanese Yen and 16 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 $15.339 million change (2017: $12.820 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.

		Profit		Total Equity	
	Change in variable	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Foreign currency risk	+/(-) 10%	+/-606	+/-541	+/-606	+/-541

(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 $1.803 million increase (2017: $2.326 million increase) or a $1.803 million decrease (2017: $2.253 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:

		Profit		Total Equity	
	Change in variable	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest rate risk	+/(-) 1%	+/-80	+/-107	+/-80	+/-107

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

(c) Capital risk management

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

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

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

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

Categories of financial instruments

	2018 $'000	2017 $'000
Financial assets		
Fair value through profit or loss (FVTPL)	1,323,842	1,395,660
Loans and receivables (amortised cost)	45,338	62,797
Cash and cash equivalents	15,982	15,426
Financial liabilities		
Life investment contract liabilities	1,275,254	1,363,854
Other liabilities	11,428	5,375

(d) Credit risk management

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

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

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

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

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

ASG has ceased to offer mortgage products to members and the general public. However, it does maintain a mortgage portfolio. Loans are secured by registered first mortgage over capital improved property and comply with mortgage investment guidelines.

Maximum credit risk exposure of the group is equivalent to financial assets included in the consolidated balance sheet and disclosed as $1.378 billion (2017: $1.460 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 Management has a system in place that monitors the liabilities of each benefit fund, while management has systems in place that monitor the liabilities of the group's subsidiaries. The Management ensures that an appropriate level of liquid assets is maintained for the operations of ASG's benefit funds plus a buffer for unforeseen demands. Management ensures that an appropriate level of liquid assets is maintained for the operations of ASG's subsidiaries.

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

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

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

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

The following tables detail the ASG Group's exposure to liquidity risk as at 30 June 2018.

8. FINANCIAL INSTRUMENTS (continued)

Consolidated - 2018

		Fixed maturity dates						
	Weighted average effective interest ate %	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5+ years $'000	Total $'000
Financial assets:								
Life investment contract assets:								
Cash and cash equivalents	1.50	1,612	-	-	-	-	-	1,612
Receivables		38,970	-	-	-	-	-	38,970
Fair value through profit or loss:								
Unlisted trusts		1,072,771	-	-	-	-	-	1,072,771
Other securities	1.16	180,266	-	-	-	-	-	180,266
Mortgage loans	3.77	158	35	63	26	-	5,399	5,681
Life insurance contract assets:								
Cash and cash equivalents	1.35	3,469	-	-	-	-	-	3,469
Receivables		24						24
Fair value through profit or loss:								
Other securities	1.90	3,974	-	-	-	-	-	3,974
Management Fund								
Cash and cash equivalents	1.35	10,901	-	-	-	-	-	10,901
Receivables		6,344	-	-	-	-	-	6,344
Fair value through profit or loss:								
Unlisted trust		53,161	-	-	-	-	-	53,161
Other securities	2.20	6,359	-	-	-	-	-	6,359
Mortgage loans	4.44	-	-	-	-	-	152	152
Investment in associate company		-	-	-	-	-	1,473	1,473
Total financial assets		1,378,009	35	63	26	-	7,024	1,385,157
Financial liabilities:								
Trade payables		10,473	-	-	-	-	-	10,473
Borrowings		955	-	-	-	-	-	955
Life investment contract liabilities		1,275,254	-	-	-	-	-	1,275,254
Total financial liabilities		1,286,682	-	-	-	-	-	1,286,682

8. FINANCIAL INSTRUMENTS (continued)

The following tables detail the ASG Group's exposure to liquidity risk as at 30 June 2018.

Consolidated - 2017

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

(f) Fair value of financial instruments

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

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value measurements recognised in the consolidated balance sheet

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.

2018

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Life insurance contract assets:				
Fair value through profit or loss:				
Other securities	3,974	-	-	3,974
Life investment contract assets:				
Fair value through profit or loss:				
Unlisted trusts	329,917	627,345	115,509	1,072,771
Other securities	180,266	-	-	180,266
Mortgage loans	-	-	5,681	5,681
Other financial investment assets:				
Fair value through profit or loss:				
Unlisted trusts	18,984	34,177	-	53,161
Other securities	6,359	-	-	6,359
Mortgage loans	-	-	152	152
Investment in associate company	-	-	1,473	1,473
Total	539,500	661,522	122,815	1,323,837

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

2017

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

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

Reconciliation of Level 3 fair value measurements of financial assets

Consolidated - 2018

	Investment in associates $'000	Mortgage Loans $'000	Mortgage Loans $'000	Total $'000
Life investment contract assets:				
Opening balance	-	77,923	6,104	84,027
Total gains or losses:				
in profit or loss	-	-	223	223
change in fair value of financial assets designated at fair value	-	12,848	-	12,848
Purchases/drawdowns	-	24,738	107	24,845
Mortgage repayments/settlements	-	-	(753)	(753)
Closing balance	-	115,509	5,681	121,190
Other financial investment assets:				
Opening balance	-	-	154	154
Total gains or losses:				
in profit or loss	-	-	7	7
Purchases	1,473	-	-	1,473
Mortgage repayments/settlements	1	-	(9)	(9)
Closing balance	1,473	-	152	1,625

Consolidated - 2017

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

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 investment in associate, unlisted property trust and mortgages would decrease/increase by $1.23 million (2017: decrease/increase by $0.84 million).

	Consolidated	
	2018 $'000	2017 $'000
9. TRADE AND OTHER RECEIVABLES AT AMORTISED COST		
Trade receivables	3,231	8,154
Policy acquisition receivable from policyholders	-	247
Allowance for doubtful debts	(130)	(121)
Receivables from investment assets	1,653	2,326
Seed capital	917	-
GST receivable	2	1
Sundry debtors	671	3,463
	6,344	14,070
Ageing of past due but not impaired		
30 - 60 days	-	2
60 - 90 days	-	6
Total	-	8
Movement in the allowance for doubtful debts	(121)	(140)
Impairment losses charge	(9)	19
Balance at the end of the year	(130)	(121)
10. LIFE INVESTMENT CONTRACT ASSETS AT FAIR VALUE		
Cash and cash equivalents	1,612	3,647
Distributions from investment assets	34,077	47,475
Receivables from management fund	4,895	211
Receivables from mortgage settlement	-	1,041
Unlisted trusts	1,072,771	1,100,015
Fixed income securities	2,711	3,113
Certificates of deposit	177,555	222,224
Mortgage loans	5,681	6,104
	1,299,302	1,383,830
11. LIFE INSURANCE CONTRACT ASSETS AT FAIR VALUE		
Cash and cash equivalents	3,469	2,532
Receivables from management fund	24	-
Certificates of deposit	3,974	5,460
	7,467	7,992
12. OTHER FINANCIAL ASSETS - INVESTMENT ASSETS AT FAIR VALUE		
Unlisted trusts	53,161	52,370
Certificate of deposit	6,359	6,220
Mortgage loans	152	154
Investment in associate company	1,473	-
	61,145	58,744
13. INVENTORIES		
Finished goods of YCDI! and Education Resources	4	196
14. OTHER ASSETS	96	12

15. PROPERTY, PLANT AND EQUIPMENT

	2016 $'000	2017 $'000
Carrying amounts of:		
Freehold land	6,346	4,563
Buildings	951	1,035
Leasehold improvements	1	5
Plant and equipment	450	586
	7,748	6,189

	Freehold land at fair value $'000	Buildings at fair value $'000	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Total $'000
Gross carrying amount					
Balance at 1 July 2017	3,974	2,930	337	2,723	9,964
Additions	-	48	-	37	85
Disposals	-	(558)	(1)	(114)	(673)
Net revaluation increments	589	-	-	-	589
Net foreign currency exchange differences	-	(1)	-	-	(1)
Balance at 1 July 2017	4,563	2,419	336	2,646	9,964
Additions	-	-	-	215	215
Disposals	-	(364)	(331)	(1,336)	(2,031)
Net revaluation increments	1,783	-	-	-	1,783
Net foreign currency exchange differences	-	(1)	-	-	(1)
Balance at 30 June 2018	6,346	2,054	5	1,525	9,930
Accumulated depreciation/amortisation and impairment					
Balance at 1 July 2016	-	(1,398)	(328)	(1,895)	(3,621)
Additions	-	-	-	-	-
Disposals	-	111	1	108	220
Depreciation expense	-	(96)	(4)	(273)	(373)
Net foreign currency exchange differences	-	(1)	-	-	(1)
Balance at 1 July 2017	-	(1,384)	(331)	(2,060)	(3,775)
Additions	-	-	-	-	-
Disposals	-	365	329	1,253	1,947
Depreciation expense for continuing operations	-	(83)	(2)	(268)	(353)
Net foreign currency exchange differences	-	(1)	-	-	(1)
Balance at 30 June 2018	-	(1,103)	(4)	(1,075)	(2,182)
Net book value					
As at 30 June 2017	4,563	1,035	5	586	6,189
As at 30 June 2018	6,346	951	1	450	7,748

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 2018 was performed by Sam Lipshut from Charter Keck Cramer (30 June 2017: 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 2018 are as follows:

Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value as at 30/06/18 $'000
Freehold land	-	-	6,346	6,346
Buildings	-	-	951	951

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:

	2018 $'000	2017 $'000
Freehold land	875	875
Buildings	744	827
	1,619	1,702

16. INVESTMENT PROPERTY

Completed investment property	1150	900
Balance at beginning of financial year	900	2,925
Disposals	-	(2,100)
Gain on property revaluations	250	75
Balance at end of financial year	1,150	900

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

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 30 June 2018 and 30 June 2017 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 30 June 2018 valuation was conducted by Sam Lipshut from Charter Keck Cramer (2017: Andrew D. Gaunt from Burgess Rawson & Associates). The valuations were arrived by reference to a discounted cash flow analysis based on the projected net cash flow of the premises over the term of the lease remaining and by reference to market evidence of transaction prices for similar properties, as applicable. There has been no change to the valuation technique during the year.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2018 are as follows:

Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value as at 30/06/18 $'000
Commercial property located in Oakleigh	-	-	1,150	1,150

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

17. OTHER INTANGIBLE ASSETS

	Consolidated		
	Computer Software $'000	Software Licences $'000	Total $'000
Gross carrying amount			
Balance at 1 July 2016	4,058	339	4,397
Additions	616	95	711
Disposals	(26)	-	(26)
Balance at 1 July 2017	4,648	434	5,082
Additions	73	46	119
Disposals	(116)	-	(116)
Balance at 30 June 2018	4,605	480	5,085
Accumulated amortisation and impairment			
Balance at 1 July 2016	(1,775)	-	(1,775)
Amortisation expense (i)	(881)	-	(881)
Disposals	23	-	23
Balance at 1 July 2017	(2,633)	-	(2,633)
Amortisation expense (i)	(746)	(265)	(1,011)
Disposals	119	-	119
Balance at 30 June 2018	(3,260)	(265)	(3,525)
Net book value			
As at 30 June 2017	2,015	434	2,449
As at 30 June 2018	1,345	215	1,560

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

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

Computer software	4-5 years
Software licences	3-5 years

18. TRADE AND OTHER PAYABLES AT AMORTISED COST

	Consolidated	
	2018 $'000	2017 $'000
Trade payables	3,688	674
Accruals	1,101	983
Amounts due to benefit funds	5,684	3,718
	10,473	5,375

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

19. BORROWINGS

Pathway Education Fund (New Zealand)	955	-
	955	-

Pathway Education Fund (New Zealand) was introduced on 2 July 2017. APRA approved the transfer by ASG of NZD 1 million as seed capital from the management fund of ASG to the Fund on 24 January 2017. The expected repayment of the seed capital to the management fund will be longer than 6 months and not longer than 12 months.

20. EMPLOYEE ENTITLEMENT

Employee benefits	2,267	3,400
	2,267	3,400

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 and directors receive lump sum benefits on retirement, death, disablement and withdrawal. The Plan was closed to new members in 2013.

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.
- Timing of members leaving service – As the Plan has only a small number of members, if members with large benefits or groups of members leave, this may have an impact on the financial position of the Plan, depending on the financial position of the Plan at the time they leave. The impact may be positive or negative, depending upon the circumstances and timing of the withdrawal.

The 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 was a reorganisation with ASG during the year resulting in a number of redundancies. The reorganisation resulted in a curtailment gain of $10,000, reflecting the excess of the Defined Benefit Obligation for the employees made redundant over the benefits paid.

Reconciliation of Net Defined Benefit Liability/(Asset)

Financial year ending	2018 $'000	2017 $'000
Net defined benefit liability/(asset) at start of the year	1,328	984
(+) Current service cost	295	299
(+) Past service cost/curtailments	(10)	-
(+) Net interest	41	25
(-) Actual return on plan assets less interest income	17	161
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	-	352
(+) Actuarial (gains)/losses arising from changes in financial assumptions	(14)	(149)
(+) Actuarial (gains)/losses arising from liability experience	(255)	124
(-) Employer contributions	621	146
Net defined benefit liability/(assets) at the end of year	747	1,328

Reconciliation of Fair Value of Plan Assets

Financial year ending	2018 $'000	2017 $'000
Fair value of plan assets at the beginning of the year	2,365	2,181
(+) Interest income	65	49
(+) Actual return on plan assets less interest income	17	161
(+) Employer contributions	621	146
(-) Benefits paid	2,280	80
(-) Taxes, premiums & expenses paid	126	92
Fair value of plan assets at end of the year	662	2,365

Reconciliation of Defined Benefit Obligation

Financial year ending	2018 $'000	2017 $'000
Present value of defined benefit obligations at beginning of the year	3,693	3,165
(+) Current service cost	295	299
(+) Past service cost/curtailments	(10)	-
(+) Interest expense	106	74
(+) Actuarial (gains)/losses arising from changes in demographic assumptions	-	352
(+) Actuarial (gains)/losses arising from changes in financial assumptions	(14)	(149)
(+) Actuarial (gains)/losses arising from liability experience	(255)	124
(-) Benefits paid	2,280	80
(-) Taxes, premiums &expenses paid	126	92
Present value of defined benefit obligations at the end of year	1,409	3,693

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 2018

Asset category	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Cash and cash equivalents	65	-	65	-
Investment funds*	597	-	597	-
Total	662	-	662	-

*Approximately 90% of the Plan assets are invested in the IOOF MultiMix Moderate Trust.

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

As at	2018	2017
Australian Equity	21%	24%
International Equity	14%	16%
Fixed Income	33%	31%
Property	9%	9%
Alternatives/Other	6%	8%
Cash	17%	12%

Fair Value of Entity's Own Financial Instruments

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

- Any of ASG's own financial instruments
- Any property occupied by, or other assets used by ASG.

Significant Actuarial Assumptions

Financial year ending Assumptions to determine defined benefit cost	2018	2017
Discount rate	3.8% pa	3.2% pa
Expected salary increase rate	2.5% pa	2.5% pa

As at Assumptions to determine defined benefit obligations	2018	2017
Discount rate	3.9% pa	3.8% pa
Expected salary increase rate	2.5% pa	2.5% pa

Sensitivity Analysis

The defined benefit obligation as at 30 June 2018 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	3.9% pa	3.4% pa	4.4% pa	3.9% pa	3.9% pa
Salary increase rate	2.5% pa	2.5% pa	2.5% pa	2.0% pa	3.0% pa
Defined benefit obligation ^ ($'000)	1,409	1,484	1,340	1,344	1,478

^ 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 September 2017, it was recommended that ASG contributes to the Plan to target individual funding levels at 95%, subject to a limit based on maximum annual concessional contributions for each member. ASG adopted the 95% funding target for the year ending 30 June 2018. 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 2019 have been estimated using a methodology consistent with the letter dated 28 February 2017, assuming:

- Current membership at 30 June 2018
- Expected return on Supplementary Benefit accounts of 3.7% pa
- Actual salary at 1 July 2018
- A 95% funding target.

Expected employer contributions for the year 30 June 2019 also includes expected insurance premium and administration expenses of $17,000.

ASG expects to make a contribution of $169,000 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 2018 is 10 years (30 June 2017: 8 years).

Expected benefit payments for the financial year ending on	$'000
2019	57
2020	78
2021	99
2022	99
2023	127
Following 5 years	762

21. COMMITMENTS FOR EXPENDITURE

	Consolidated	
	2018 $'000	2017 $'000
(a) Capital expenditure commitments		
Plant and equipment		
Not longer than 1 year	636	941
	636	941

(b) Lease commitments

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

22. LEASES

Operating leases
Leasing arrangements

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

	2018 $'000	2017 $'000
Non-cancellable operating lease payments		
Not longer than 1 year	273	403
Longer than 1 year and not longer than 5 years	327	532
	600	935

23. REMUNERATION OF AUDITORS

	2018 $	2017 $
Audit or review of the Financial Report	275,430	320,509
Audit of regulatory reports	123,380	147,320
	398,810	467,829
Non-audit services	-	43,326

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

24. DETAILS OF CONTROLLED ENTITIES

		Ownership interest	
		2018 %	2017 %
Parent Entity			
Australian Scholarships Group Friendly Society Limited			
Controlled Entities:			
Little Big Funding Pty Ltd	(i)		
ASG Education Funding Solution 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
ASG Education Programmes (NZ) Limited	(i)	100	100
NEiTA Foundation Trust	(ii)	-	-
KidsLife Foundation Trust	(ii), (iii)	-	-
ASG Education Programmes (NZ) Limited	(i)	100	100

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

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

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

(iii) On 15 August 2018 the Group deregistered KidsLife Foundation Pty Ltd. This was a dormant entity that was no longer required.

24. DETAILS OF CONTROLLED ENTITIES (CONTINUED)

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

(v) ASG gives financial support to ASG Education Programmes (NZ) Limited amounting $0.6 million (2017: $0.9 million), which is a management subsidy on its operating expenses.

25. EVENTS SINCE THE END OF THE FINANCIAL YEAR

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

26. PARENT ENTITY INFORMATION

Summary financial information

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

	2018 $'000	2017 $'000
Financial position		
Assets		
Current assets	63,490	80,485
Non-current assets	1,335,310	1,406,497
Total assets	1,398,800	1,486,982
Liabilities		
Current liabilities	19,119	20,585
Non-current liabilities	1,290,199	1,371,546
Total liabilities	1,309,318	1,392,131
Equity		
Policyholder equity	7,394	7,838
Retained earnings	78,387	84,710
Reserves	3,699	2,303
Total equity	89,480	94,851
Financial performance		
Profit/(loss) for the year	(6,737)	23
Other comprehensive income	1,479	89
Total comprehensive income for the year	(5,258)	112

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 2018 and 2017.

Commitments entered into by the Parent entity

The Parent entity did not have any commitments as at 30 June 2018 and 2017.

27. RELATED PARTY DISCLOSURES

(a) Ownership interests in related parties

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

(b) Key management personnel compensation and key management payment

Information in relation to key management personnel compensation is provided in 2018 Remuneration Report.

(c) 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 2018, there was a loan balance owing to ASG from ASG Education Funding Solutions Pty Ltd of $3.5 million (2017: $4.5 million).

(d) 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.

(e) Intra-group transactions

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

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

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

		Consolidated	
	Notes	2018 $'000	2017 $'000
Management fund and controlled entities:			
Cash on hand		1	3
Cash at bank		10,816	9,199
Term deposit		84	47
		10,901	9,247
Life investment contracts			
Deposits at call		1,612	3,647
		1,612	3,647
Life insurance contracts			
Deposits at call		3,469	2,532
		3,469	2,532
Total		15,982	15,426

(b) Reconciliation of profit from ordinary activities after related income

ax to net cash flows from operating ativities			
Profit from ordinary activities after related income tax		(6,492)	328
		-	-
Non-cash flows in profit from ordinary activities:			
Gain on disposal of investments		(15,885)	(21,458)
Investment income allocated to policyholders		57,877	73,309
Revaluation (increase) / decrease on investment		(13,894)	(5,439)
Reinvestment of fee rebate		(1,464)	(1,425)
Reinvestment of dividend distribution		(53,346)	(68,916)
Other movements in policyholder liabilities		(141,789)	(174,151)
Depreciation and amortisation of non-current assets		1,364	1,254
Amounts written off - fixed assets		-	-
Profit on sale of property plant and equipments		90	(123)
Increase/(decrease) in current tax liability		(4,169)	5,673
Increase/(decrease) in deferred tax balances		5,090	2,277
Movement in general reserve		1,412	117
(Increase)/decrease in assets:			
Receivables		17,482	(1,892)
Inventories		192	39
Other current assets		(84)	23
Increase/(decrease) in liabilities:			
Payables		6,052	(4,008)
Provisions		(1,133)	471
Net cash from operating activities		(148,697)	(193,921)

29. LIFE INVESTMENT CONTRACT BUSINESS

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

	Consolidated	
	2018	2017
(a) Analysis of policy liabilities	$'000	$'000
Life investment contract liabilities	1,275,254	1,363,854
Total policy liabilities	1,275,254	1,363,854
Expected to be realised on demand by the members	1,275,254	1,363,854
(b) Reconciliations of changes in policy liabilities		
Life investment contract liabilities		
Balance at the beginning of the financial year	1,363,854	1,464,792
Liability component of contributions	115,988	125,272
Withdrawals	(257,433)	(300,175)
Transfer from policyholder equity	1	-
Policy liability revaluation	(345)	752
Proposed allocation of current year's surplus	57,877	73,309
Foreign transalation movement	(4,688)	(96)
Balance at the end of the financial year	1,275,254	1,363,854

29. LIFE INVESTMENT CONTRACT BUSINESS

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

2018	Revenue		Expenses		Profit for the year		
	Premium	Investment	Fees	Investment income paid	Before tax	After tax	Declared Bonus
	$'000	$'000	$'000	$'000	$'000	$'000	%
Assurance Benefit Fund	-	-	-	-	-	-	-
Children's Bursary Fund	65	4,920	857	4,128	-	-	5.35
Children's Bursary Fund (NZ)	8	487	87	408	-	-	5.35
Children's Bursary Fund No. 2	162	4,773	687	2,816	1,432	-	3.85
Children's Bursary Fund No. 2 (NZ)	54	1,349	208	790	405	-	3.60
Children's Scholarships Fund	105	5,379	976	4,508	-	-	5.35
Children's Scholarships Fund (NZ)	11	471	86	396	-	-	5.30
Children's Scholarships Fund No. 2	204	4,172	664	2,460	1,252	-	3.85
Children's Scholarships Fund No. 2 (NZ)	63	1,077	187	630	323	-	3.60
Flexible Insurance Fund	-	-	-	-	-	-	-
HECS Equity Enhanced Fund	-	211	22	189	-	-	8.70
Higher Education Cost Saver Fund (Balanced)	-	1,879	300	1,579	-	-	5.00
Higher Education Cost Saver Fund (Fixed)	-	15	8	7	-	-	1.00
Malaysian Flexible Insurance Fund	-	-	-	-	-	-	-
Part B Flexible Insurance Fund	-	36	19	6	11	-	0.25
Pathway Education Fund	1,470	3,198	2,031	1,679	958	-	3.97
Pathway Education Fund (NZ)	33	99	80	34	18	-	4.64
Scholarships Benefit Fund (Balanced)	-	4,752	778	3,974	-	-	4.80
Scholarships Benefit Fund (Fixed)	-	135	72	63	-	-	1.25
Scholarships Benefit Fund (Malaysia)	-	1	-	1	-	-	2.50
Scholarships Benefit Fund (NZ)	-	493	204	289	-	-	2.00
Secondary Scholarship Benefit Fund (Balanced)	-	150	19	131	-	-	7.95
Secondary Scholarship Benefit Fund (Fixed)	-	8	4	4	-	-	3.25
Secondary Scholarship Benefit Fund (NZ)	-	9	4	5	-	-	2.75
Students' Education Fund	-	2,040	287	1,753	-	-	6.00
Students' Education Fund (NZ)	-	43	5	38	-	-	6.70
Students' Education Fund No. 2	-	2,640	276	1,572	792	-	4.05
Students' Education Fund No. 2 (NZ)	-	264	29	156	79	-	3.95
Supplementary Education Program	898	24,451	4,614	13,291	7,444	-	4.45
Supplementary Education Program (NZ)	59	631	177	322	191	-	3.35
Tertiary Education Cost Saver (NZ)	-	91	56	35	-	-	0.75
Tertiary Support Fund	-	46	4	28	14	-	3.80
The Education Fund	1,930	26,676	5,100	15,504	8,002	-	4.70
The Education Fund (NZ)	128	1,332	325	736	399	-	3.70
Total Life Investment Contract Business	5,190	91,828	18,166	57,532	21,320	-	

29. LIFE INVESTMENT CONTRACT BUSINESS

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

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

29. LIFE INVESTMENT CONTRACT BUSINESS

Life investment contract business by benefit fund - Balance Sheet

2018	Assets		Liabilities		Equity
	Investments	Other	Life investment	Other	
	$'000	$'000	$'000	$'000	$'000
Assurance Benefit Fund	11	-	11	-	-
Children's Bursary Fund	69,682	2,363	72,045	-	-
Children's Bursary Fund (NZ)	7,255	17	7,216	56	-
Children's Bursary Fund No. 2	72,652	2,499	74,078	1,073	-
Children's Bursary Fund No. 2 (NZ)	21,721	64	21,636	149	-
Children's Scholarships Fund	76,293	2,537	78,830	-	-
Children's Scholarships Fund (NZ)	7,099	16	7,101	14	-
Children's Scholarships Fund No. 2	63,489	2,191	64,687	993	-
Children's Scholarships Fund No. 2 (NZ)	17,224	55	17,155	124	-
Flexible Insurance Fund	-	-	-	-	-
HECS Equity Enhanced Fund	1,787	96	1,883	-	-
Higher Education Cost Saver Fund (Balanced)	18,920	617	19,229	308	-
Higher Education Cost Saver Fund (Fixed)	664	-	480	184	-
Malaysian Flexible Insurance Fund	-	-	-	-	-
Part B Flexible Insurance Fund	1,954	-	1,950	4	-
Pathway Education Fund	55,195	1,547	56,188	554	-
Pathway Education Fund (NZ)	2,166	60	1,260	966	
Scholarships Benefit Fund (Balanced)	51,536	2,231	53,767	-	-
Scholarships Benefit Fund (Fixed)	7,096	-	4,478	2,618	-
Scholarships Benefit Fund (Malaysia)	57	-	55	2	-
Scholarships Benefit Fund (NZ)	13,693	-	13,273	420	-
Secondary Scholarship Benefit Fund (Balanced)	1,118	35	757	396	-
Secondary Scholarship Benefit Fund (Fixed)	458	-	145	313	-
Secondary Scholarship Benefit Fund (NZ)	299	-	173	126	-
Students' Education Fund	19,057	2,291	21,348	-	-
Students' Education Fund (NZ)	444	21	465	-	-
Students' Education Fund No. 2	31,218	3,042	33,872	388	-
Students' Education Fund No. 2 (NZ)	3,526	63	3,553	36	-
Supplementary Education Program	327,131	9,271	328,731	7,671	-
Supplementary Education Program (NZ)	10,255	27	10,193	89	-
Tertiary Education Cost Saver (NZ)	3,811	-	3,794	17	-
Tertiary Support Fund	652	25	670	7	-
The Education Fund	352,694	9,852	355,175	7,371	-
The Education Fund (NZ)	21,172	55	21,056	171	-
Total Life Investment Contract Business	1,260,329	38,975	1,275,254	24,050	-

29. LIFE INVESTMENT CONTRACT BUSINESS

Life investment contract business by benefit fund - Balance Sheet

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

30. LIFE INSURANCE CONTRACTS BUSINESS BY BENEFIT FUND - STATEMENT OF COMPREHENSIVE INCOME

	Note	Family Protection Fund		Contingency Fund		Total Life Insurance Contracts Business	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Income							
Investment income		58	62	68	76	126	138
Revenue - life insurance contracts		470	620	165	206	635	826
Total income		528	682	233	282	761	964
Operating Expenses							
Claims expense - life insurance contracts		92	126	192	304	284	430
Investment management expenses		36	40	37	40	73	80
Other operating expenses		2	3	2	17	4	20
Total expenses		130	169	231	361	361	530
Operating profit/(loss)		398	513	2	(79)	400	434
Profit/(loss) before income tax		398	513	2	(79)	400	434
Income tax expense/(benefit) (Note 7)		(159)	(168)	17	21	(142)	(147)
Total comprehensive income for the year		239	345	19	(58)	258	287
Unallocated surplus at the beginning of the financial year		3,890	4,045	3,946	4,206	7,836	8,251
Transfers to Management Fund		(500)	(500)	(200)	(200)	(700)	(700)
Retained profit		3,629	3,890	3,765	3,948	7,394	7,838

30. LIFE INSURANCE CONTRACTS BUSINESS BY BENEFIT FUND - BALANCE SHEET

	Note	Family Protection Fund		Contingency Fund		Total Life Insurance Contracts Business	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Assets							
Cash and cash equivalents		2,547	2,258	922	274	3,469	2,532
Investment assets		1,197	1,804	2,777	3,656	3,974	5,460
Other assets		-	-	32	25	32	25
Total assets		3,744	4,062	3,731	3,955	7,475	8,017
Liabilities							
Other liabilities		158	171	-	9	158	180
Total liabilities		158	171	-	9	158	180
Net assets		3,586	3,891	3,731	3,946	7,317	7,837
Equity							
Policyholder equity		3,629	3,890	3,765	3,948	7,394	7,838
Foreign currency translation reserve		(43)	1	(34)	(2)	(77)	(1)
Total equity		3,586	3,891	3,731	3,946	7,317	7,837
Capital Adequacy Position							
Net Assets (Common Equity Tier 1 Capital)		3,586	3,891	3,731	3,946	7,317	7,837
Less Regulatory adjustments to Tier 1 Capital		-	-	-	-	-	-
Net Assets after regulatory adjustments		3,586	3,891	3,731	3,946	7,317	7,837
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		3,586	3,891	3,731	3,946	7,317	7,837
Prescribed Capital Amount (net of management actions)		883	1,217	12	231	895	1,448
which comprises:							
Asset risk		10	11	12	13	22	24
Insurance risk		881	1,215	-	228	881	1,443
Aggregation benefit		(8)	(9)	-	(10)	(8)	(19)
Capital adequacy multiple		4	3	311	17	8	5

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

In order to ensure that the funds have an appropriate level of supporting assets retained in the funds, the appointed Actuary has calculated the present value of future payments, based on past experience. This present value is $0.173 million for the Family Protection Fund and $0.352 million for the Contingency Fund as at 30 June 2017.

31. STATEMENT OF COMPREHENSIVE INCOME BY BUSINESS TYPE

	Note	Total Life Investment Contracts Business 2018 $'000	Total Life Insurance Contracts Business 2018 $'000	Total Management Fund 2018 $'000	Total Controlled Entities (After Elimination) 2018 $'000	Total Consolidated 2018 $'000
Revenue						
Investment income		64,724	126	3,469	(357)	67,962
Gain on disposal of investments		16,392	-	503	-	16,895
Change in fair value of financial assets designated as at fair value		10,712	-	513	-	11,225
Revenue from life investment contracts		5,190	-	-	-	5,190
Revenue from benefit funds		-	-	17,769	-	17,769
Premium revenue – life insurance contracts		-	635	-	-	635
Other revenue		-	-	467	1,085	1,552
Total revenue		97,018	761	22,721	728	121,228
Operating expenses						
Commission		-	-	483	-	483
Policy acquisition expenses		1,360		-	-	1,360
Policy maintenance expenses		3,830		-	-	3,830
Investment management expenses		12,926	73	-	-	12,999
Claims expense – life insurance contracts		-	284		-	284
Depreciation & amortisation		-	-	1,362	2	1,364
Staff expenses		-	-	17,353	710	18,063
Office expenses		-	-	1,598	101	1,699
Communication expenses		-	-	537	36	573
Marketing expenses		-	-	1,216	170	1,386
General expenses		-	-	4,536	(748)	3,788
Member & scholarships grants		-	-	4,966	-	4,966
Other operating expenses		50	4	3,073	179	3,306
Total expenses		18,166	361	35,124	450	54,101
Operating profit/(loss)		78,852	400	(12,403)	278	67,127
Policy liability revaluation		345	-	-	-	345
Investment income paid or allocated to policyholders (bonus distribution)		(57,877)	-	-	-	(57,877)
Profit/(loss) before income tax		21,320	400	(12,403)	278	9,595
Income tax (expense)/benefit	7	(21,320)	(142)	5,406	(31)	(16,087)
Total comprehensive income for the year		-	258	(6,997)	247	(6,492)

31. STATEMENT OF COMPREHENSIVE INCOME BY BUSINESS TYPE

	Note	Total Life Investment Contracts Business 2017 $'000	Total Life Insurance Contracts Business 2017 $'000	Total Management Fund 2017 $'000	Total Controlled Entities (After Elimination) 2017 $'000	Total Consolidated 2017 $'000
Revenue						
Investment income		82,918	138	3,773	(352)	86,477
Gain on disposal of investments		21,458	-	1,353	-	22,811
Change in fair value of financial assets designated as at fair value through profit or		4,469	-	(562)	-	3,907
Revenue from life investment contracts		5,402	-	-	-	5,402
Revenue from benefit funds		-	-	19,191	-	19,191
Premium revenue – life insurance contracts		-	826	-	-	826
Other revenue		-	-	1,041	1,305	2,346
Total revenue		114,247	964	24,796	953	140,960
Operating expenses						
Commission		-	-	672	-	672
Policy acquisition expenses		1,330	-	-	-	1,330
Policy maintenance expenses		4,071	-	-	-	4,071
Investment management expenses		13,759	80	-	-	13,839
Claims expense – life insurance contracts		-	430	-	-	430
Depreciation & amortisation		-	-	1,244	10	1,254
Staff expenses		-	-	16,927	1,042	17,969
Office expenses		-	-	1,929	196	2,125
Communication expenses		-	-	691	80	771
Marketing expenses		-	-	901	149	1,050
General expenses		-	-	4,646	(1,073)	3,573
Member & scholarships grants		-	-	2,117	-	2,117
Other operating expenses		15	20	740	94	869
Total expenses		19,175	530	29,867	498	50,070
Operating profit/(loss)		95,072	434	(5,071)	455	90,890
Policy liability revaluation		(752)	-	-	-	(752)
Investment income paid or allocated to policyholders (bonus distribution)		(73,309)	-	-	-	(73,309)
Profit/(loss) before income tax		21,011	434	(5,071)	455	16,829
Income tax (expense)/benefit	7	(21,011)	(147)	4,807	(150)	(16,501)
Total comprehensive income for the year		-	287	(264)	305	328

32. BALANCE SHEET BY BUSINESS TYPE

	Note	Total Life Investment Contracts Business 2018 $'000	Total Life Insurance Contracts Business 2018 $'000	Total Management Fund 2018 $'000	Total Controlled Entities (After Elimination) 2018 $'000	Total Consolidated 2018 $'000
Assets						
Cash and cash equivalents		1,612	3,469	5,699	5,202	15,982
Trade and other receivables		38,970	23	7,518	(1,175)	45,336
Other financial assets (investment assets)		-	-	61,145	-	61,145
Life investment contract assets		1,258,718	-	-	-	1,258,718
Life insurance contract assets		-	3,974	-	-	3,974
Inventories		-	-	4	-	4
Current tax assets	(b)	-	-	6,101	-	6,101
Other assets		-	-	96	-	96
Property, plant and equipment		-	-	7,748	-	7,748
Investment property		-	-	1,150	-	1,150
Deferred tax assets	(c)	4	-	1,007	43	1,054
Other intangible assets		-	-	1,560	-	1,560
Total assets		1,299,304	7,467	92,029	4,070	1,402,868
Liabilities						
Payables and other liabilities		5,021	8	5,318	126	10,473
Borrowings	(b)	955	-	-	-	955
Current tax payables		7,676	141	-	66	7,883
Employee entitlement		-	-	2,256	11	2,267
Deferred tax liabilities	(c)	10,398	-	2,291	-	12,689
Life investment contract liabilities	(a)	1,275,254	-	-	-	1,275,254
Total liabilities		1,299,304	149	9,865	203	1,309,521
Net assets		-	7,318	82,164	3,867	93,349
Equity						
Policyholder equity		-	7,394	-	-	7,394
Retained earnings		-	-	78,387	3,828	82,215
Reserves		-	(77)	3,776	39	3,738
Total equity		-	7,317	82,163	3,867	93,347
(a) Life investment contract liabilities						
Balance at the beginning of the financial year		1,363,854	-	-	-	1,363,854
Liability component of contributions		115,988	-	-	-	115,988
Withdrawals		(257,433)	-	-	-	(257,433)
Transfer to/(from) other funds		-	-	-	-	-
Transfer from policyholder equity		1	-	-	-	1
Policy liability revaluation		(345)	-	-	-	(345)
Proposed allocation of current year's surplus		57,877	-	-	-	57,877
Foreign translation movement		(4,688)	-	-	-	(4,688)
Balance at the end of the financial year	(d)	1,275,254	-	-	-	1,275,254
(b) Presented in the Statement of Financial Position as follows:						
Current tax assets		-	-	6,101	-	6,101
Current tax (payables)		(7,676)	(141)	-	(66)	(7,883)
(c) Presented in the Statement of Financial Position as follows:						
Deferred tax (liabilities)/assets		(10,394)	-	(1,284)	43	(11,635)

(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. BALANCE SHEET BY BUSINESS TYPE

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

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

32. BALANCE SHEET BY BUSINESS TYPE

	Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000
(e) Capital Adequacy Position					
Net Assets (Common Equity Tier 1 Capital)	-	7,318	82,164	3,867	93,349
Less Regulatory adjustments to Tier 1 Capital					
Deferred tax assets	-	-	-	-	-
Fair value adjustments	-	-	955	-	955
Goodwill & intangibles	-	-	1,560	-	1,560
Investment in subsidiaries	-	-	3,500	-	3,500
Others	-	-	4,800	-	4,800
Net Assets after regulatory adjustments	-	7,318	71,349	3,867	82,534
Tier 2 Capital	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital	-	-	-	-	-
Capital Base	-	7,318	71,349	3,867	82,534
Prescribed Capital Amount (net of management actions)	-	895	31,543	-	32,438
which comprises:					
Asset risk	-	22	19,819	-	19,841
Insurance risk	-	881	-	-	881
Aggregation benefit	-	(8)	-	-	(8)
Operational risk	-	-	3,230	-	3,230
Combined stress adjustment	-	-	8,494	-	8,494
Capital adequacy multiple	-	8	2	-	10

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. BALANCE SHEET BY BUSINESS TYPE

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

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

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

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
	2018 $'000	2018 $'000	2018 $'000	2018 $'000	2018 $'000
Cash flows from operating activities					
Fees received	-	-	17,769	-	17,769
Contributions received	121,178	635	-	-	121,813
Premium received	-	-	743	1,652	2,395
Investment income received	24,984	120	4,085	(357)	28,832
Management fees paid	(18,116)	(73)	-	-	(18,189)
Payments to suppliers and employees	(50)	(3)	(23,597)	719	(22,931)
Payments to members and scholarship grants	-	-	(4,966)	-	(4,966)
Life investment contracts - withdrawals	(257,432)	-	-	-	(257,432)
Life insurance contracts - policy claims paid	-	(286)	-	-	(286)
Intercompany (payments) / receipts	955	-	(17)	(938)	-
Income tax payments	(21,121)	(144)	5,667	(104)	(15,702)
Net cash provided by/(used in) operating activities	(149,602)	249	(316)	972	(148,697)
Cash flows from investing activities					
Payment for investment securities	(384,162)	(13,161)	(29,862)	(32)	(427,217)
Proceeds on sale of investment securities	531,737	14,549	30,515	-	576,801
Proceeds from sale of plant & equipment	-	-	13	-	13
Proceeds from sale of investment property	-	-		-	-
Payments for intangible assets	-	-	(215)	-	(215)
Payments for property, plant and equipment	-	-	(119)	-	(119)
Net cash provided by/(used in) investing activities	147,575	1,388	332	(32)	149,263
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	(2,027)	937	716	940	566
Cash at the beginning of the financial year	3,647	2,532	4,983	4,264	15,426
Effects of exchange rate changes on the balance of cash held in foreign currencies	(10)				(10)
Cash at the end of the financial year	1,610	3,469	5,699	5,204	15,982

33. STATEMENT OF CASH FLOWS BY BUSINESS TYPE

	Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
	2017 $'000	2017 $'000	2017 $'000	2017 $'000	2017 $'000
Cash flows from operating activities					
Fees received	-	-	19,191	-	19,191
Contributions received	130,674	826	-	-	131,500
Premium received	-	-	1,120	832	1,952
Investment income received	8,745	141	1,012	(352)	9,546
Management fees paid	(19,161)	(80)	-	-	(19,241)
Payments to suppliers and employees	(15)	(20)	(24,876)	(683)	(25,594)
Payments to members and scholarship grants	-	-	(2,117)	-	(2,117)
Life investment contracts - withdrawals	(300,175)	-	-	-	(300,606)
Life Insurance contracts - policy claims paid	-	(431)	-	-	(431)
Intercompany (payments) / receipts	-	-	261	(261)	
Income tax payments	(10,700)	(107)	2,248	7	(8,552)
Net cash provided by/(used in) operating activities	(190,632)	329	(3,161)	(457)	(193,921)
Cash flows from investing activities					
Payment for investment securities	(316,989)	(14,843)	(11,054)	29	(342,857)
Proceeds on sale of investment securities	508,022	14,742	16,549	-	539,313
Proceeds from sale of plant & equipment	-	-	-	390	390
Proceeds from sale of investment property	-	-	1,947	-	1,947
Payments for intangible assets	-	-	(711)	-	(711)
Payments for property, plant and equipment	-	-	(87)	2	(85)
Net cash provided by investing activities	191,033	(101)	6,644	421	197,997
Cash flows from financing activities					
Transfers from benefit funds	-	-	700	-	700
Transfers to management fund	-	(700)	-	-	(700)
Net cash (used in)/provided by financing activities	-	(700)	700	-	-
Net increase/(decrease) in cash held	401	(472)	4,183	(36)	4,076
Cash at the beginning of the financial year	3,223	3,004	800	4,300	11,327
Effects of exchange rate changes on the balance of cash held in foreign currencies	23	-	-	-	23
Cash at the end of the financial year	3,647	2,532	4,983	4,264	15,426

Directors' Declaration

For the year ended 30 June 2018

The directors declare that:

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

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

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

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

On behalf of the directors

Craig Dunstan

Chairman

A Blewitt

Deputy Chairman

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Tel: +61 2 9322 7000
www.deloitte.com.au

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

Opinion

We have audited the financial report of Australian Scholarships Group Friendly Society Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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Responsibilities of the directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

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

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

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

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

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants
Sydney, 26 September 2018

Australian Scholarships Group Friendly Society Limited

ABN 21 087 648 879 | AFSL No. 236665 | FSP 53922
Australian Credit Licence No. 236665

Registered offices
23-35 Hanover Street Oakleigh Vic 3166
Phone: +61 3 9276 7777
www.asg.com.au

ASG Education Programmes New Zealand
216 Great South Road Epsom Auckland City 1140
Phone: +64 9 366 7670
www.asg.co.nz

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