ASG

ANNUAL REPORT

2018/19

CONTENTS

ABOUT ASG

ASG is a member-owned mutually structured organisation that strives to inspire and empower people to reach for a brighter future through education. With over 74,500 members, ASG is the largest provider of education scholarship plans in Australia and New Zealand.

Over the last 45 years we have seen education change and enrich lives, making it one of the most important investments that families, communities and governments can make. ASG's mission, therefore, is to understand the needs and desires of parents, learners and educators so that we can support and empower them through our financial product lines and advocacy.

Since our inception in 1974, we have supported the education journey of 557,000 children. We have returned more than $3.35 billion in education benefits and scholarship payments to members and their children. Being member-owned enables us to return benefits to our members and their children rather than to shareholders.

We operate in a well-regulated environment that is overseen by the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission, and the Financial Markets Authority in New Zealand.

Today, ASG assists members to plan, save and pay for tuition costs and the additional expenses that suddenly can appear during the education journey.

We also offer Little Big Tuition Helper Loans that enable families to pay their children's private school fees in manageable repayments to cover early learning, primary and secondary schooling.

We look forward to continuing ASG's long and proud heritage of helping members and their families realise their education dreams for the future in new ways.

The Statistics that Define ASG:

IN 2018/19:

SAVINGS PRODUCTS

$71.5 million of education benefits paid to 35,969 beneficiaries

$176.5 million of returns paid to 57,409 ASG members

2,366 new members and **3,216 new Pathway bonds** issued

LENDING PRODUCTS:

643 Little Big Helper loans approved

$12.5 million in short-term education purposed lending

SINCE ASG'S INCEPTION:

$3.35 billion paid to ASG members and their education beneficiaries

Over 550,000 children have received education benefits

ASG's membership base has grown to **74,500** across Australia and New Zealand

Total funds under management **$1.309 billion** at 30 June 2019

45 years of enabling Australian and New Zealand families to save and become self-sufficient to meet the costs of education

PURPOSE

Inspire and empower people to reach for a brighter future.

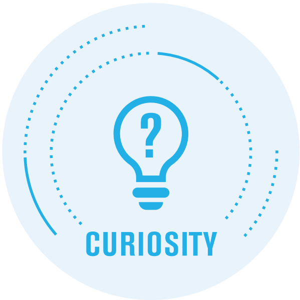
VISION

To open doors to inspiring and fulfilling education journeys for as many people as possible.

MISSION

Understand the needs and desires of parents, learners and educators so that we can support and empower them with services, resources, information and advocacy.

ASG'S VALUES



CURIOSITY

Seek new ways to overcome challenges and create opportunities.

COURAGE

Think and act boldly.

CARE

Respond and make decisions with empathy.

PASSION

Live with energy, belief and enjoyment on the daily journey to success.

RESULTS

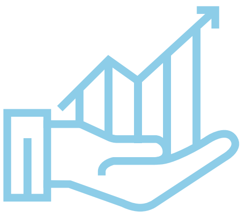
Play an active role in delivering promises.

ASG'S GOALS

MEMBER GOALS

The goals we have for our members (and their beneficiaries) are that they:

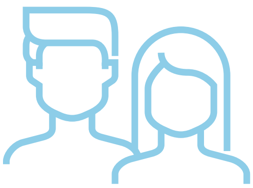
- embrace saving and investing in our range of education bonds to meet their whole family's life-long education needs;
- receive quality and timely service and engage with us through their preferred channel, whether personal or via online technology; and
- value our mutual dividend and advocacy initiatives.



ORGANISATIONAL GOALS

ASG has overarching organisational goals to:

- maintain our position as Australia's leading issuer of tax-effective, life-event education bonds;
- grow our member numbers and funds under management for financial strength and resilience to meet our commitments to members over the long term and through all investment cycles; and
- strengthen our reputation and broaden our brand recognition.



MANAGEMENT & STAFF GOALS

Our goals for management and staff are that they:

- are talented, highly engaged and motivated;
- are productive, proactive and effective;
- work in a positive, enjoyable, accountable, compliant and risk-aware culture; and
- carry forward ASG's core values of care and passion when dealing with our members.

STRATEGIC PILLARS

ASG is rapidly moving along a transformation path and this has caused a refining of ASG's direction to focus on two Strategic Pillars:

- **Financial Product Lines** – with projects to create a new modern Education Bond range, introduce new member services and online technologies, and ASG moving towards the use of contemporary financial advice and direct distribution channels; and
- **Advocacy** – being reshaped and streamlined in its resourcing as ASG continues with a strong voice to represent member interests through active advocacy and participation in key education landscape issues.

Early in 2019, the Board decided that ASG's former third strategic pillar, Educational Resources, would cease active expansion and acquisition activities.

However, ASG's two strategic investments made in 2018/19 into Permission Click Inc. Canada and the Good Education Group are being retained with ASG having Board representation in both companies. (The Chairman's Report on page 10 outlines in greater detail these strategy changes.)

THE CHAIRMAN'S REPORT

CRAIG DUNSTAN B Com, LLB, MBA, F Finsia, MAICD

It has been a year of major change for ASG.

Late in 2018, the Board pushed the button on an ambitious transformation agenda for ASG to develop a new range of education bond products and services, moving our distribution to modern and effective channels, and improving the market perceptions of our brand.

We want to refresh ASG's relevance today as a mutual education savings and investment focused institution. An overarching aim is to reinvigorate ASG's growth – both in terms of member numbers and funds under management.

We also want to enhance member value by providing flexible education products to suit the education goals of families. In the future, the new ASG will give greater recognition to the important role of grandparents in easing the education funding burden of their grandchildren.

These strategic changes are being undertaken at a time when the need to plan and save for the cost of education has never been greater. Education costs continue to rise, and uncertainties are prevalent for our economy, investment markets and family finances.

We seek to inspire and empower our members to reach for a brighter future by having financial capacity for access, affordability and choice of education for themselves and their families.

THE REGULATORY ENVIRONMENT

The 2019 financial year was a watershed year for the regulatory and political landscape in Australia.

The Financial Services Royal Commission highlighted industry-wide imperatives for financial services organisations to improve their transparency, Board and management accountability, and to rebuild trust with their customers and the wider community.

On a positive note in the wake of the Commission's findings, the outlook for "independent" financial institutions, like ASG, has been strengthened by the breaking up of conglomerate groups with conflicting interests between their financial products and personal investment advice businesses.

Of special importance to our sector was the enactment of new Commonwealth legislation, *The Treasury Laws Amendment (Mutual Reforms) Act 2019*. These new laws for the first time formally recognise member-owned institutions, like ASG, and facilitate them to undertake capital raising in a similar fashion to shareholder-based enterprises.

Although ASG has a very strong capital base and does not rely on debt, over this current year your Board will nevertheless evaluate whether our Constitution should be changed to cater for the new avenues for capital raising. This will not detract from ASG's entrenched commitment to our mutual member-owned structure, which facilitates us focusing on longer-term member objectives and not short-term profit pressures.

REFINEMENT OF STRATEGIC DIRECTION

Our transformation program prompted ASG's direction to focus on our Financial Product Lines and Advocacy as ASG's two Strategic Pillars. (These are elaborated on more detail on page 9.)

Early in 2019, the Board decided that ASG's former third strategic pillar, Educational Resources, would cease active expansion and acquisition activities. This meant restructuring the two strategic investments made during the year.

Whilst we have retained a small equity share in Permission Click Inc Canada (PCI), we decided not to proceed with our agreement to distribute its product in Australia. ASG has also retained our investment in the Good Education Group (GEG) in which we have an optional future equity stake. GEG also has potential synergies and upside to our new business channels. ASG has Board representation on both the PCI and GEG Boards.

This strategy refocus in no way will detract from our mission as an education focused friendly society and commitment to our mutual member ownership structure. We have a strong, well capitalised, balance sheet to facilitate the investment needed for ASG's transformation and for building the next generation of education products.

SENIOR MANAGEMENT CHANGES

The priority, scope and scale of AGS's transformation plans have necessitated us making major changes to ASG's leadership team. To this end, I thank our outgoing CEO Tim Mitchell-Adams for his service and hard work during his time with us and wish him well for the future.

Also, during the year, we saw the departure of our Chief Financial Officer (CFO) Bruce Hawkins. We will miss Bruce's leadership, incredible work ethic and commitment to ASG. We wish him every success in his new venture.

WELCOME TO OUR NEW CEO AND OTHER EXECUTIVES

We were very pleased to have appointed Ross Higgins as ASG's new CEO in late December 2018. He is a highly experienced CEO and a seasoned financial services executive with a long and successful career with friendly societies.

Importantly for ASG's transformation, Ross is a creative product builder and very adept with financial services sales and distribution channels. Prior to ASG, Ross founded and built over 18 years the Generation Life friendly society, which over his tenure grew from zero to be a market leader in our industry segment.

Also during the year we welcomed Enzo Silverii as Bruce Hawkins' replacement. He is a very experienced CFO and has operated in national and global financial services organisations in Australia and New Zealand. We also extend our welcome to Dennis Clark as Chief Risk Officer and to Bruno Omizzolo, who has been appointed as Manager, Regulatory Relations and Governance.

I speak on behalf of ASG's Board when I express the confidence that Ross and the new and existing ASG executives will deliver on ASG's substantial transformation objectives, whilst continuing great service to our existing member base and ensuring that the business continues to operate in a fully compliant manner.

ADVOCACY & COMMUNITY INITIATIVES

It is now more important than ever that we keep advocating for our members on the issues that matter to them – especially the cost of education, access to, and the choice of education and high-quality teaching.

ASG is committed to ethical and responsible corporate citizenship, charitable giving and supporting education-aligned activities. We are community-minded and staunchly focused on advocating in our members' education interests.

EDUCATION IS THE GAMECHANGER FOR OUR CHILDREN

In an ever-changing world where there is always more to learn and do, a good education is the undoubted gamechanger for our children.

Australian Bureau of Statistics figures from May 2019 revealed that the cost of education increased by 2.9% over the previous 12 months, while overall inflation rose by only 1.4% in the same period and wage growth was constrained. This makes it increasingly difficult for hardworking Australian families to cope with rising education costs.

Indeed, the 2018/19 ASG Parents Report Card revealed that 68% of parents feel either "a little or a lot" of financial pressure paying for school fees.

ASG has an embedded goal to lift awareness among Australian families on the magnitude of the education funding challenge and the sound sense to plan and save. To this end, we annually publish the ASG Planning for Education Index. The 2019 Index produced with the assistance of Monash University concisely summarises the projected costs over 13 years of preparatory, primary and secondary schooling - across Catholic, Independent and Government schools.

NEITA

In late 2019 we mark the 25th anniversary of the ASG National Excellence in Teaching Awards (NEiTA) and it is our 10th year of sponsoring two young Australians to undertake the trip of their lives to the US Space and Rocket Centre in Alabama, US. (See pages 18 and 19 for more details.)

In New Zealand, we have taken an active stand against cyberbullying by partnering with Healthy Harold the Giraffe and the Life Education Trust to roll out a cyberbullying program to all New Zealand schools.

THE SMITH FAMILY

ASG is very proud of 15 years of active partnership with The Smith Family to support the education needs of disadvantaged Australian children. (See page 18)

SOCIALLY RESPONSIBLE INVESTING

ASG's aims to invest so as to maintain financial strength and to have resilience to meet our commitments to members over the long-term and in all business cycles. In saying this, we also appreciate (and we share) the expectations of many members that our investments should be made in a socially responsible and sustainable way.

In furthering these objectives, we are a signatory to the United Nations Global Compact, which is the world's largest corporate sustainability initiative assisting to create a universal language for corporate responsibility and sustainability.

THANK YOU

All this progress over the 2019 financial year would not have been possible without the dedication and hard work of the management and staff of ASG and the trust and steadfast support of you, our members.

I would also like to thank my fellow Board members for their hard work and support during the year. In particular, I want to acknowledge Monique Sasson (who left the Board in July 2018) for 16 years of valued contribution as an ASG Director. Also, Andre Carsten's role as a Participating Consultant over 2017 and until October 2018 deserves special recognition and thanks.

In our 45th year, ASG is now well and truly on its transformation journey and continues to hold fast to our dedication to help families realise their dreams for a world-class education and to meet their lifelong learning aspirations. We look forward to inspiring and empowering more people to reach for a brighter future.

Craig Dunstan
Chairman

THE CEO'S REPORT

ROSS HIGGINS B.Ec, LL.B, LL.M

I am pleased to present my first report as ASG's CEO and honoured to be given this role at the outset of ASG's transformational phase.

From a career-long association with all facets of friendly societies, their products and distribution, I am very familiar with ASG as a competitor and have long admired its ascendancy and dominance as Australia's market leading education bond provider.

As alluded to in Craig's report – the essence of ASG's strategy change is re-inventing our education product range, enhancing member service delivery and growing our funds and market share. For my part, besides building organisational value, I want to see us deliver "mutual dividends" attendant with your ASG membership as valued additions to the financial benefits of your education investment products.

And whilst over the 2019 financial year (and now continuing) there was lots of focus on the transformation projects, sight has not been lost that the new ASG is being built on, and we remain very reliant upon ASG's foundations. These were established over 45 years ago and have supported the education journeys of generations of Australian and New Zealand families.

PRODUCTS REVIEW FOR 2018/19

SAVINGS PRODUCTS

As part of ASG's evolution into a modern and innovative organisation, in April 2018 we sought member feedback on product design features, as well as conducting general market research.

Based on this, three new Structured Saver variants of the Pathway Education Fund (PEF) were launched to replace ASG's longstanding "pooled" styled education products - The Education Fund and Supplementary Education Program – which were removed from sale in November 2018.

The three Pathway Structured Saver products complement the existing flexible PEF product with features designed for parents wanting systematic and set plans aligned to their savings goals for tertiary education, private secondary school or government secondary school.

Pleasingly, over 2018/19, an average uplift of 57% on initial monies invested was achieved, as well as an uplift of over 50% on ongoing monthly contributions in ASG's Australian funds compared to last year.

Over the year, we also introduced system changes to support the new Structured Saver Funds, extended the online application process to assist with the enrolment in all our financial saving products, and facilitated payments to New Zealand members through electronic fund transfers.

LENDING PRODUCTS

In September 2018 ASG launched the first of a suite of lending products to help parents handle the immediate short-term costs of education in manageable instalments throughout the year.

These lending products were the result of research, which uncovered a need to help parents smooth out the lumpy nature of school fees and tuition expenses without resorting to alternatives, such as increasing their long-term debt or using high interest credit cards.

Our Little Big Tuition Loan allows parents to smooth out the cost of education over 12 months, helping families better manage the household budget with less stress. With a new fully digital application process, we are continuing to deliver improvements to the customer experience across application, renewal and re-payment processes.

INVESTMENT PERFORMANCE REVIEW FOR 2018/19

Over the financial year we saw significant volatility and swings across investment markets – marked by weak performance in the first half year and then strong gains recorded in the second half.

Pleasingly, in this unstable environment, our diversified strategic asset allocation and the careful manager selection processes assisted our portfolios generating reasonably good investment returns (see page 15). Indeed, although we maintain conservative settings, ASG's investment of member funds performed well, particularly when compared to other balanced funds with a similar risk profile, or term deposits and cash investments.

Going forward, ASG expects most defensive assets to continue to return lower than historical levels. However, we believe Australian 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 should lead to a more consistent longer-term investment outcome and act to protect members' funds should markets turn downwards.

RE-INVENTING OUR EDUCATION PRODUCTS AND DISTRIBUTION STRATEGY

ASG has embarked on a transformational path to build a modern education bonds and lending business. We will also be moving product distribution (for the first time) through contemporary financial adviser channels and also embracing today's rapidly emerging "self-directed" technology-based distribution platforms.

Central to our plans is to launch in the current financial year a range of modern, fully featured Education Bonds with expansive investment menu choices and a competitive and transparent fee structure.

The centrepiece will be a new "Family Education Bond" with flexible, discretionary powers to allocate across a wide class of education beneficiaries. It will also convey life-long and intergenerational education benefits for a full spectrum of educational courses – including pre-school and courses for adults of all ages.

ASG's transformation includes a brand refresh and is aiming at broader target markets. New ASG will still focus on our heartland parent savers – but we want to also recognise the increasing role of grandparents in education funding. Our target markets will also embrace the new breed of self-directed investors looking to invest lump sums to fully or substantially pay up education plans.

It is imperative that we move forward with a brand that will resonate strongly with our target markets and with our intermediary distributors. It must support and be attuned to all aspects of our business, including advocacy, and promote strength, support and growth.

During the year we also commenced a significant technical upgrade to effectively support the business in its growth objectives and deliver more reliable, scalable and responsive systems infrastructure.

RISK MANAGEMENT

Over 2018/19 particular attention was given to reducing ASG's risk exposure in areas including: business continuity, data security and dependence on older technology. The migration to cloud technology has also reduced our likely future capital investment to replace ASG's aging hardware assets.

Going forward, ASG will continue to strive for a "Best Practice" risk culture aligned to the organisation's Risk Management Framework. We want to see a positive culture of risk management and compliance embedded across all parts of the business.

This starts at the top with the Board and senior executives fully embracing a risk culture and distilling it throughout the organisation by example, through training and education.

ADVOCATING FOR OUR MEMBER INTERESTS

COMMITMENT TO EDUCATION ADVOCACY

Amidst the pace of all this change, the organisation has not lost sight that strong advocacy on ASG's members' education interests is part of our organisation's DNA.

The Board retains (and has impressed upon me) the clear directive that ASG must represent member interests by strong and active advocacy and participation in key education landscape issues and political lobbying.

In the last year we were able to initiate important conversations among stakeholders, including parents, policy makers and the media, around the cost of education and the state of schooling in Australia through our publication of the ASG 2019 Planning for Education Index and the ASG 2019 Parents Report Card.

OUR STAFF

As ASG is being transformed, the changes at the executive leadership level have entailed considerable restructuring of departments and jobs. The Board and senior executives are very mindful that impacts and uncertainties are first, and often hardest, felt by staff.

As such, in the execution of this transformation, we are intent on organisation-wide recognition and communications that all staff are on the same journey with stakes and contributions to make in the successful transition to a more member rewarding and growing business.

Without our staff's dedication and willingness to embrace the new strategy and resilience to deal with the uncertainties that change brings, these goals for our organisation and new career aspirations cannot be met.

ASG's existing experienced people carry the hallmark of ASG's long standing core values of passion and care to do the right things for our members and a key objective of mine is that this is instilled and carried forward to our new staff and manager appointments.

THANK YOU

I would like to thank the ASG Directors, the Group Leadership Team and all staff who have helped me settle into this new role. A special thanks goes to all ASG's members, to whom we are committed to reward your ongoing trust and support by the new era ASG delivering on and fully meeting your expectations.

Ross Higgins
CEO

INVESTMENT PERFORMANCE REPORT

PETER TAUBMAN, HEAD OF INVESTMENTS

The 2018/19 financial year can be divided into two—with each half characterised by very different investment performances. Additionally, there was significant volatility across investment markets, which led to large swings in asset values.

The six months to December 2018 were challenging, while the following six months enjoyed positive returns. Our carefully crafted strategic asset allocation and the diversification within our investment portfolios assisted the generation of a solid result, while protecting members' capital in down markets.

STRATEGIC ASSET ALLOCATION DECISIONS CONTRIBUTE POSITIVELY 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 to new investment managers and continued our overweight positioning to the unlisted Australian property asset class and unlisted infrastructure asset class. In hindsight, we were too cautious on global and Australian fixed income. However, we did extract additional returns from Australian cash investments. The combination of our strategic asset allocations positively contributed to the investment returns and, importantly, provided downside protection to the portfolios.

Global and Australian equity market returns were volatile and ended the financial year higher than expected. Unlisted Australian property and unlisted infrastructure assets delivered strong returns with much less volatility. Fixed interest markets saw yields return to near historic low levels which added to their overall returns during the financial year. Going forward, we expect a continuation of the historically low global cash rate environment, which will contribute to a 'lower-for-longer' return thematic for medium-term outcomes.

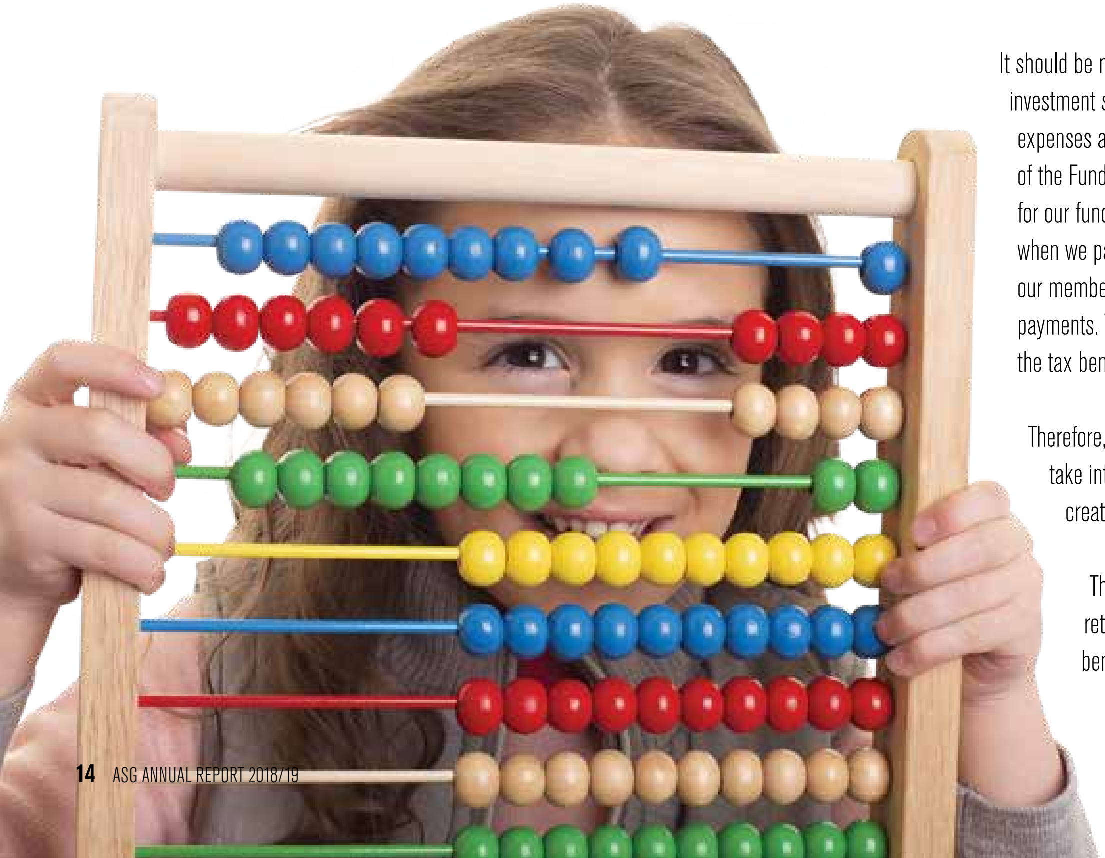
Put into context, ASG's investment of member funds performed well, particularly when compared to other balanced funds with a similar risk profile, term deposits and cash investments. ASG's net investment returns are allocated to each member's account as a declared rate of return. This return is calculated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

TOTAL FUNDS UNDER MANAGEMENT

As of 30 June 2019, the total funds under ASG management amounted to $1.309 billion. During the year, we paid $248 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 children's education.



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

Therefore, when assessing the performance you must take into account that tax has been paid by the Fund creating a tax paid investment structure.

The following table provides a summary of the returns generated on some of our more recent benefit funds for the year ended 30 June 2019.

BENEFIT FUND	Declared Rate of Return	3 Year (p.a.)	5 Year (p.a.)	10 Year (p.a.)
The Education Fund	4.00%	4.8%	4.37%	4.41%
Supplementary Education Fund	3.80%	4.55%	4.10%	4.14%
Pathway Education Fund*	3.61%	4.36%	N/A	N/A
The Education Fund (NZ)	2.40%	3.88%	3.45%	4.17%
Supplementary Education Fund (NZ)	2.10%	3.60%	3.18%	3.94%
Pathway Education Fund (NZ)*	3.14%	N/A	N/A	N/A

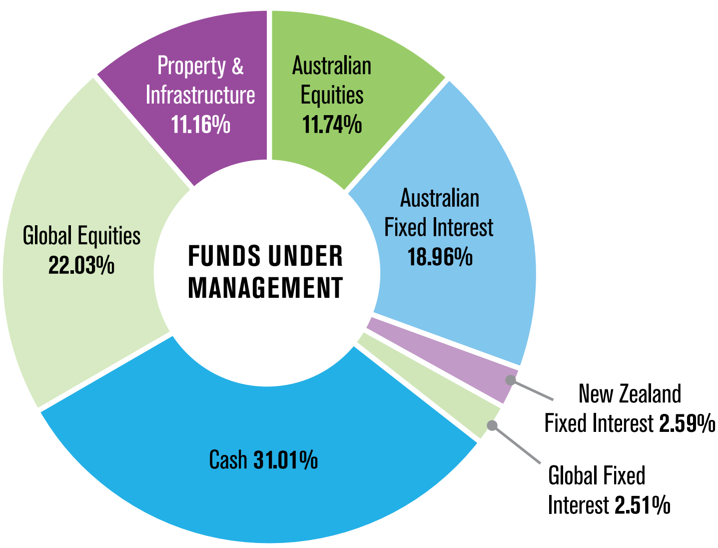
**Annualised returns as these benefit funds have quarterly declarations of rates of returns*

EXPECTATIONS FOR THE YEAR AHEAD

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

Despite the market volatility, growth assets ended the financial year close to all time high levels. We expect continued volatility, at levels higher than in recent years, due to geopolitical risks and an expected slowdown in global economic growth. Defensive assets such as fixed interest securities and money market securities performed well over the year and we expect their returns to be more subdued over the coming years, especially with global bond yields back close to historic low levels.

In the medium term, ASG expects most defensive assets will continue to return lower than long-term 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.



OUR PEOPLE

STACEY GLEN, GROUP EXECUTIVE, PEOPLE & CULTURE

ASG remains committed to being a healthy and positive workplace and to becoming an employer of choice. Over the last year, the People & Culture Team has been working to create a strong, trustworthy reputation amongst our people, encouraging a healthy and positive organisational culture, and ensuring that employees feel supported during times of change in the organisation.

PEOPLE FIRST

Over the past 12 months, the People & Culture Team has focussed on improving the overall employee experience by offering new employee benefits and health and wellbeing initiatives to encourage employees to thrive in a positive work environment. Our team always put people first and align our initiatives with the ASG values –Curiosity, Courage, Care, Passion and Results.

We have adopted a personal care initiative creating a mental wellbeing group, **weCare**, to help build a safe working environment for employees to work smarter and contribute their best. We encourage our employees to take care of themselves and each other. As an avid and qualified mental health first aider, I have a passion for helping people, and I encourage everyone to approach me for advice and support.

Over the last year, we introduced a paid Volunteer Day off to align with our corporate social responsibility. Many employees elected to use this day to support ASG's partner at The Smith Family.

Among many other employee benefits we have introduced over the last 12 months, ASG now also offers employees a paid Birthday Leave Day, allowing them to spend their special day with their loved ones, and adopted a casual dress code in the office to help our employees to dress authentically and feel more comfortable and confident while going to work. This has contributed to making ASG a more vibrant and modern business.

UNLOCKING POTENTIAL

ASG's focus on education naturally translates to encouraging employees to constantly hone their skills and stay updated through professional development.

We recently launched the **Curiosity Hub**, a new learning platform for all employees to access a full catalogue of learning modules for personal development, leadership, sales mastery, wellbeing and much more, assisting employees to browse new ideas or do a deep dive on topics that interest them.

Employees also have access to our learning library at the **Curiosity Corner** in ASG's newly refurbished kitchen, which now serves as an employee hangout space. The library features a wide range of books including biographies, and books on leadership and self-development. In this space, employees can also play games with their peers, zone out on the couch, or watch TV.

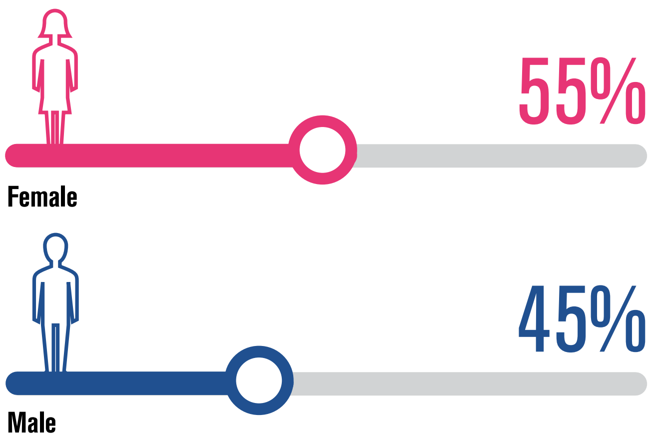
A clearer, more defined performance management framework has been established and aligned with ASG values, helping to improve overall leadership capabilities, results, performance, and personal growth amongst our people.

BUILDING TRUST

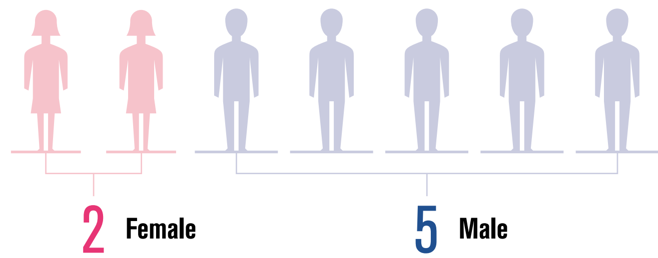
Overall, in pursuit of ASG's goal to develop a strong corporate culture, the People & Culture Team continue to focus on improving the entire range of employee experiences–right from their first interaction with us during the onboarding process.

We work closely with our people to gain a high level of trust, approachability and respect to build a bold, resilient workforce showing courage during an exciting time of transformation at ASG.

ASG EMPLOYEES GENDER– 2018/19*



ASG DIRECTORS



ASG MANAGERS

GROUP LEADERSHIP TEAM

*as at 30 June 2019

OUR COMMUNITY

ASG is committed to ethical and responsible corporate citizenship, charitable giving and education-aligned activities.

UNITED NATIONS GLOBAL COMPACT (UNGC)

Globally, as a signatory to the UN Global Compact, ASG is committed to adopt sustainable and socially responsible policies, strategies and operations in accordance with the UN Global Compact's 10 sustainability principles below.

Businesses should:

Principle 1– support 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 12,000 participating businesses as signatories to the UNGC globally, from over 145 countries, including over 100 actively participating organisations in Australia.

THE SMITH FAMILY

More locally, and since 2004, ASG has had an active partnership with national charity The Smith Family to support the education needs of disadvantaged Australian children. The Smith Family helps young Australians in need to get the most out of their education so that they can create a better future for themselves.

ASG entered into a renewed partnership agreement with The Smith Family in late 2017 for a further 3 years until the end of 2020. Under this agreement, ASG supports 70 disadvantaged children and young people through its Learning for Life Program, which aims to improve access to education and lift academic achievement for disadvantaged Australian students.

ASG also promotes employee involvement in deepening our engagement with The Smith Family by encouraging staff to use their paid Volunteer Day off to support the following events or activities:

- **Toy & Book Christmas Appeal**, which engages volunteers in wrapping Christmas presents and/or delivering gifts to children.
- **iTrack Mentoring Program** to provide one-on-one mentoring opportunities to students.
- **Volunteering opportunities** for ad-hoc local activities.
- Creating **handwritten thank you and birthday cards** to major donors.
- Participating in **ongoing fundraising ideas** to build morale among the team and have fun amongst peers.

THE ASG NATIONAL EXCELLENCE IN TEACHING AWARDS – ASG NEITA

ASG formed the NEiTA Foundation in 1994 to honour exemplary teaching throughout Australia and New Zealand through the ASG National Excellence in Teaching Awards. Twenty-five years on, we are proud to continue to extend our support to the teaching profession by acknowledging the valuable contribution inspirational educators make in the development of our youth.

ASG and the NEiTA Foundation recognise and celebrate exceptional educators in early learning centres, primary and secondary schools, and special schools. Over the last 25 years, NEiTA has received more than 35,000 nominations, of which 1,050 teachers have received awards. NEiTA has awarded over $1 million in professional development grants, prizes and endowments.

We would like to congratulate all our 2018 NEiTA Australian and New Zealand recipients—12 teachers in Australia and 6 in New Zealand—and acknowledge the support of the ASG NEiTA judging panels.

SPACE CAMP SPONSORSHIP

Each year for the last 10 years, ASG has been sponsoring two Australian secondary school students—children of members—to attend the week-long International Space Camp in Huntsville, Alabama, giving them a ticket to go on the trip of a lifetime.

The International Space Camp brings together educators and students from 35 countries across the world to build relationships and challenge themselves as learners and teachers in STEM.

The 2019 ASG Space Camp Student Ambassadors were Sarah Nolan of NSW and Sean Affleck of Queensland. Sarah is passionate about science and outer space and dreams of becoming an astrobiologist and finding elusive life on another planet. Sean has a wry sense of humour and a love for STEM subjects and space science. He is particularly interested in space mining and Australia's contribution to this field.

"The week I spent at Space Camp was one of the best in my whole life, and it is an experience I will never forget. This trip has grown my interest in space drastically and it will help my opportunities in the future greatly."
– Sarah Nolan, 2019 ASG Space Camp Student Ambassador

LIFE EDUCATION TRUST – NEW ZEALAND

ASG supports Life Education Trust (LET), an organisation that provides health-based programmes to primary and intermediate schools throughout New Zealand. LET aims to arm children with the knowledge to make informed choices about their health, respect others and appreciate their uniqueness.

As part of our Corporate Social Resonsibility activities, ASG partnered with Healthy Harold the giraffe and LET to roll out a cyberbullying program through an 18-month sponsorship, starting from January 2018. The program aims to empower all school-aged children in New Zealand to reject and stamp out cyberbullying in the country.

LET reaches an average of 250,000 children a year, and over 30,000 children have benefitted from awareness programs around cyberbullying so far.

"We make a living by what we get. We make a life by what we give." – **Winston S Churchill**

BOARD OF DIRECTORS AND PARTICIPATING CONSULTANTS

CRAIG DUNSTAN

B Com, LLB, MBA, F Finsia, MAICD

Mr C M Dunstan commenced with ASG in 2010 as a Participating Consultant, was appointed as a Non-Executive Director in 2011 and appointed as the Chairman of the Board in October 2015.

He has extensive experience in the financial services industry in Australia, Asia, and the United States. He is currently Managing Director of Vasco Investment Managers Limited, Chairman of D H Flinders Corporate Advisory 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 MacarthurCook Limited, General Manager Financial Services of Australian Unity Limited, and Deputy Chair of Seaforth TAFE college in NSW.

Mr C M Dunstan is the current Chairman of the Nominations & Remuneration Committee and a member of the Investment Committee.

ALLEN BLEWITT

BA (Hons), MEd, FAICD, FAIM

Mr A W Blewitt commenced with ASG in 2012 as a Participating Consultant, was appointed as a Non-Executive Director in 2015 and appointed as the Deputy Chairman of the Board in 2016.

He 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 school teacher and university lecturer.

Mr A W Blewitt is the current Chairman of the Education Advisory Panel, the ASG National Excellence in Teaching Awards (NEiTA) Foundation and a member of the Nominations & Remuneration Committee.

TONY BRAIN

B Com, CAANZ, GAICD, FAIST

Mr T Brain commenced with ASG as a Participating Consultant in 2014 and was appointed Non-Executive Director in 2016.

He is a chartered accountant, with over 30 years' experience in Australia and the United Kingdom with Deloitte Touche Tohmatsu. He spent 12 of those years as a Partner and subsequently nearly three 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.

Mr T Brain is a Graduate Member of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Superannuation Trustees and has significant board experience as a Director of various trustee boards of regulated entities.

He was appointed as a member of the Company Auditors Disciplinary Board in August 2017. In addition to ASG, his current Board-related roles include appointment to the AMP Superannuation Trustee Boards since October 2018 – currently as Interim Chair and recent appointment to the board of Monash Health. Tony also serves as an independent member on various board committees – Magistrates Court Victoria, Victoria University, Barwon Health and the Alannah & Madeline Foundation. Mr T Brain is currently Chairman of ASG's Risk & Compliance Committee and a member of each of ASG's Audit Committee and Investment Committee.

DR JACQUELINE JENNINGS

B Met, M Mgt, PhD Mgt, GAICD

Dr J Jennings commenced with ASG as a Participating Consultant in 2011 and was appointed as a Non-Executive Director in 2012.

She 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.

Dr J Jennings is the Chairman of the Investment Committee and a member of the Risk & Compliance Committee and the Education Advisory Panel.

NEELESH MEHTA

B Com, FCA India, FCAANZ, FAICD

Mr N Mehta is a Non-Executive Director who was appointed to the Board in 2017.

He has over 25 years' experience across both the financial services and retail industries in Australia and overseas. He has extensive experience working in international markets and a passion for the benefits of education.

He is a Fellow of the Institute of Company Directors and a Fellow of Chartered Accountants Australia and New Zealand. He is Chairman of We Ride (Australian Cycling Promotion Fund), CFO and board member of Texas Peak Group, Managing Director of Jaipur Asset Management Pty Ltd. He is also on the board of RSPCA Victoria and chairs their Audit, Risk and Finance Committee, and an invitee to the Governance Committee of Samarinda Ashburton Aged Services whose Board he served previously. He has previously worked on the Board of The Gawler Cancer Foundation and Emerge Australia.

Mr N Mehta is a member of the Audit Committee. He is also the ASG-appointed Director of Good Education Group.

LEON NASH

B Bus, MBA, FCPA, FAICD

Mr L G Nash is a Non-Executive Independent Director who was first appointed to the Board in 2006.

He is currently the Chief Financial Officer of a regional Australian metal fabrication business servicing the agriculture and wood heating industries where he also fulfils the role of Company Secretary. He has extensive experience in general management, accounting, economics, human resources, and corporate finance. He has previous acted as the Financial Controller (Australia and New Zealand) of a multinational fast-moving consumer goods (FMCG) company, and his executive experience has covered many sectors including manufacturing, construction, FMCG and land development at a local and multinational level. Leon also has board experience as a former Director and Company Secretary for Australian Timken Pty Ltd and Australian Timken Superannuation Pty Ltd.

Mr L G Nash is currently Chairman of the Audit Committee and a member of the Nominations & Remuneration Committee.

BOARD OF DIRECTORS AND PARTICIPATING CONSULTANTS continued

MONIQUE SASSON

B Ed, GAICD, Certificate in Governance and Risk Management

Ms M K Sasson is a Non-Executive Independent Director who first joined the Board in 2002 and resigned as a Director with effect from 27 July 2018.

She has a diverse backgound in the performing arts and education and has extensive experience in reputation management, media relations, corporate communications and property investment advice. She is the author of two books on property investment and a frequent media contributor.

Ms M K Sasson is the Principal of Career Eye, a career mentoring service for professional women.

JENNIFER STOREY

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

Ms J Storey commenced with ASG as a Participating Consultant in 2016 and was appointed a Non-Executive Director in August 2018.

She is a highly successful leader with more than 20 years of experience in digital marketing, product, and commercialisation experience across a variety of industries including extensive involvement in financial services.

She is the Director of Outside Insights Consulting Pty Ltd and the ASG-appointed Director of Permission Click Inc.

Ms J Storey is a member of the Risk & Compliance Committee.

KIEREN DELL

B.A (Sydney), LLB (UTS)

Mr K Dell was appointed as a Participating Consultant to the Board in 2017.

He is a partner in Praxis Partners, a small consulting firm in financial services. He has more than 33 years of experience in the superannuation and financial services, having worked in a variety of corporate roles from 1986 to 2000, and as an independent consultant to the industry from 2000 till date. In 2002, Kieren became the CEO and founder of Majestic Cinemas, which currently operates 7 cinema sites in Northern NSW and SE Queensland.

Mr K Dell 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.

ANDRE CARSTEN

B Com (Hons), FCA, MAICD

Mr A Carsten was appointed as a Participating Consultant to the Board in 2017.

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

Mr A Carstens was a Participating Consultant until the October 2018 Board meeting.

DIRECTORS' SKILLS & EXPERIENCE MATRIX

Consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, ASG's Board has developed a skills matrix. It addresses the skills, knowledge, experience and capabilities the Board considers required among its Directors collectively to meet ASG's strategic objectives and was developed following self-assessment by each Director. While identifying some scope for further skills enhancement, the Board has assessed that it currently retains the necessary high-level skills to meet both the current and future challenges of ASG.

	DIRECTOR 1	DIRECTOR 2	DIRECTOR 3	DIRECTOR 4	DIRECTOR 5	DIRECTOR 6	DIRECTOR 7	TOTAL
Strategic thinking & analysis	√	√	√	√	√	√	√	7
Investment & funds management	√		√	√	√			4
Education sector knowledge & experience	√	√		√	√		√	5
Product innovation & implementation		√	√	√		√		4
Risk management & compliance oversight	√	√	√	√	√	√	√	7
Digital strategy & implementation		√		√				2
Change management & innovation	√	√	√	√	√	√	√	7
Senior management/CEO experience	√	√	√	√	√	√	√	7
Marketing & communications	√	√	√	√	√		√	6
Business expansion via M&A		√	√	√	√			4
Parent / grandparent member	√	√	√		√	√		5
Financial services - accounting / tax	√		√	√			√	4
Financial services industry	√	√	√	√	√			5
Mutual sector & friendly societies		√	√				√	3

"Leadership is the capacity to translate vision into reality." – Warren Bennis

CORPORATE GOVERNANCE STATEMENT

The Australian Scholarships Group Friendly Society Limited (ASG) is a member-owned mutual organisation, which at 30 June 2019 had over 74,500 members and close to 112,000 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 for excellence in corporate governance standards.

For the reporting period, ASG's Board consisted of 7 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 interests 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, 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, of the annual budget and business plan and monitoring of performance against them for the ASG Group;
- approving and monitoring the effectiveness of compliance and 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 Harry Tyler and 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 Emeriti are:

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.

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 from 1 July to 27 August 2018.
Mr A Carsten was a consultant from 1 July to October 2018.
Mr K Dell was a consultant for the full reporting period.

MEETINGS OF THE BOARD

ASG's Board met monthly (other than in January and April) with an additional 1-day strategic offsite meeting scheduled in May and an additional strategic planning meeting 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 re-election at the end of each term, subject to them satisfying APRA's fit and proper requirements and the ASG Constitution's eligibility requirements. If a casual vacancy occurs during the year, ASG's Board may choose to appoint an Interim Director, who satisfies these requirements who must then retire and stand for election at the next AGM. ASG's Board appointed Ms J Storey to act as Interim Director to fill a casual vacancy on

28 August 2018 and Ms Storey was subsequently elected by the members to act as Director at the 2018 AGM.

CONFLICTS OF INTEREST

To avoid any possible conflicts of interest, Directors and Board participating consultants must declare any specific conflicts of interest arising from the business of any particular meeting at each Board or Committee 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; and
- delivery of ASG's holistic member support strategy.

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

ASG's 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 aspects of control roles which may expose ASG 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 2019 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, Appointed Auditor and Appointed Actuary to September meetings. The Committee, amongst other functions provides a forum for the effective communication between ASG's Board and ASG's Appointed 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;
- reviews audit findings to ensure issues are appropriately managed and rectified; establishes, maintains and oversees procedures;
- 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; and
- attends to various internal control responsibilities.

Investment Committee

The members of the Investment Committee as at 30 June 2019 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 the 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 Management Policy, and any regulations in force; and
- monitors and reports to the Board according to the framework specified in the Investment Policy, Risk Management Policy and in accordance with current legislation.

Nominations and Remuneration Committee

The members of the Nominations and Remuneration Committee as at 30 June 2019 were:

Mr C M Dunstan	Non-Executive Independent Director (Chair)
Mr A W Blewitt	Non-Executive Independent Director
Mr L G Nash	Non-Executive Independent Director

The committee generally invites the Chief Executive Officer and Head of People and Culture.

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. Further information on the Committee and Renumeration is contained in the Renumeration Report on page 32.

Risk and Compliance Committee

The members of the Risk and Compliance Committee as at 30 June 2019 were:

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

The Risk and Compliance Committee generally invites ASG's Chief Risk Officer, members of ASG's management, and Appointed Actuary to meetings.

The Risk and Compliance Committee:

- provides an institution-wide view of ASG's risk position relative to its risk appetite and tolerances 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 ASG Risk Management Framework and its elements, including risk appetite statement, risk management strategy, risk register and ICAAP;
- attends to various risk control responsibilities.

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 2019 were:

Mr A W 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 Limited (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 ASG 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.

APPOINTED ACTUARY

Ms B Cummings, KPMG's Executive, is the Appointed Actuary in compliance with the requirements of S93 of the *Life Insurance Act*.

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 (ASG) submit herewith the annual Directors' Report for the financial year ended 30 June 2019.

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 W Blewitt	Deputy Chairman
Mr T Brain	Director
Dr J A Jennings	Director
Mr N Mehta	Director
Mr L G Nash	Director
Ms M K Sasson[1]	Director
Ms J Storey[1]	Director

[1] Ms M K Sasson resigned as a Director with effect from 27 July 2018. Ms J Storey was appointed to fill the casual vacancy on 28 August 2018 and was subsequently elected by members to act as Director at the 2018 AGM.

COMPANY SECRETARY

Ms S Yeo

Joined ASG in July 2018 in the role of General Counsel and Company Secretary and ceased on 28 August 2019.

Mr E Silverii

Joined ASG in February 2019 and was appointed as the Company Secretary on 29 August 2019.

ASG'S STRATEGIC DIRECTION

Over 2018/19, ASG embarked on a major transformation of its business encompassing a brand refresh and introducing a new range of education bonds to be distributed directly to its members and through financial advisers. This strategy will be implemented by appropriately skilled management, operational, sales and marketing resources. The plans entail a new website, self-service online portals and new administration and customer relationship management systems. Existing ASG product branding and member portal will be retained for ASG's established member funds.

The objects of the transformation are to reinvigorate ASG's growth both in terms of funds under management and member numbers – as well as creating a range of replacement education products for ASG 'pooled' education products closed in 2018.

In the longer term, ASG's objective is to continue helping its members to fund their children's education through solid investment returns, while protecting members' capital in down markets.

PRINCIPAL ACTIVITIES

ASG operates as a friendly society-based life insurance company that is member owned and structured as a mutual. ASG is a current issuer in Australia of sole purpose scholarship plans and maintains closed Benefit Fund business in respect of its formerly issued New Zealand education bond business. The principal activities of ASG and its subsidiaries during the financial year were the provision of financial and credit products to help fund the cost of education. ASG also undertakes advocacy activities aligned to the education and lifelong learning objectives of its members.

By generating investment income for members through its financial and credit products, these activities enable ASG to meet its organisational and member objectives.

Key performance measures

Financially ASG seeks to maintain its already strong capital base enabling it to continually and comfortably meet its commitments to ASG's members as well as its regulatory obligations and working capital needs.

Non-financial measures include the provision of high service standards, continually meeting our regulatory obligations in a compliant manner, providing valued advocacy in the education sector and providing an engaging and rewarding workplace for employees.

Operating results

The profit after income tax for the ASG Group for 2018/19 was $1,024,000 (2017/18: loss of $6,492,000).

Review of operations

The report of our 45th year of operations has been compiled and audited. The Directors hereby present a summary of the financial report for the year which highlights a positive result amid declining revenues. Focus over recent years on driving an uplift of funds under management continues and should assist in offsetting the benefits paid out to members in the normal course of business.

During 2018/19, ASG produced solid investment returns on its management fund and member funds due to ASG's strategic asset allocation and the diversification within the investment portfolios. This investment performance was characterised by two halves of very different investment performance. The six months to December were challenging, whilst the following six months to June enjoyed positive returns.

Pleasingly, over the course of the year we have returned more than $248 million of member benefits and scholarship payments to our members and to 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 the year:

	2019 $'000	2018 $'000	Movement %
Total Assets of the Benefit Funds	1,211,774	1,306,769	(7%)
Consolidated Management Fund	95,958	85,097	13%
Controlled Entities	2,095	3,851	(46%)
Total Assets	1,309,827	1,395,717	(6%)

Details of benefit funds open to new members during the course of the financial year were:

	2019 Member Funds $'000	2018 Member Funds $'000	2019 Declared Rate of Return %	2018 Declared Rate of Return %
The Education Fund	357,423	355,175	4.00	4.70
Supplementary Education Program	336,337	328,731	3.80	4.45
Pathway Education Fund	83,973	56,188	3.61	3.97
The Education Fund (New Zealand)	23,030	21,056	2.40	3.70
Supplementary Education Program (New Zealand)	11,632	10,193	2.10	3.35
Pathway Education Fund (New Zealand)	2,182	1,260	3.14	N/A

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 ASG.

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 ASG, the results of those operations, or the state of affairs of ASG 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 ASG has received or become entitled to receive any benefit (other than a benefit included in Note 27: Related Party Disclosures forming part of ASG'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.

BOARD AND COMMITTEE MEETINGS

	Board of Directors		Strategic offsite		Investment Committee		Audit Committee		Risk & Compliance Committee		Education Advisory Panel		Nominations & Remuneration Committee	
Directors:	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Mr A W Blewitt	11	10	2	2							2	2	2	2
Mr T Brain	11	11	2	2	7	7	5	5	6	6				
Mr C M Dunstan (Chairman)	11	11	2	2	7	6							2	2
Dr J A Jennings	11	11	2	2	7	7			6	6	2	2		
Mr N Mehta	11	9	2	2			5	3						
Mr L G Nash	11	9	2	2			5	5					1	1
Ms M K Sasson	1	1							1	1			1	1
Ms J Storey	10	10	2	2					2	2				

Participating Consultants														
Mr A Carstens	4	4												
Mr K Dell	11	11	2	2										
Ms J Storey	1	1												

- Ms M K Sasson was a Director until 27 July 2018.
- Ms J Storey was elected Director at the October 2018 AGM and replaced Ms M K Sasson on the Risk and Compliance Committee at the December 2018 Risk and Compliance Committee meeting.
- Mr L G Nash replaced Ms M K Sasson on the Nominations and Remuneration Committee at the December 2018 Nominations and Remuneration Committee meeting.
- Mr A Carstens was a Participating Consultant until the October 2018 Board meeting.
- Mr K Dell was reappointed as a Participating Consultant at the October 2018 Board meeting.

CLASS OF MEMBERSHIP IN THE COMPANY

There is one class of membership. Under Rule 23.2 of ASG's Constitution, in the event of a wind up occurring during the time a person is a member or within one year afterwards, a member is required to contribute to ASG's debts and liabilities contracted before he/she ceases to be a member and of the costs, charges and expenses of the wind up. A member's contribution shall not exceed $2.00.

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.

The corporate travel insurance policy provides cover for Directors' business travel and in addition includes cover for all private travel outside Australia for themselves and accompanying relatives.

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

Mr C M Dunstan
Chairman

Mr A W Blewitt
Deputy Chairman

Deloitte.

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

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

25 September 2019

Dear Board Members

Auditor's Independence Declaration to 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 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants

REMUNERATION REPORT

1. 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 recruitment and retention of high calibre executives.

This information provided in the Remuneration Report has been prepared in accordance with disclosure requirements outlined in the Corporation 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) 2019 remuneration information for the year ended 30 June 2019 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.

FY 2019 KMP covered in this year's Remuneration Report are listed below:

NAME	POSITION
Non-Executive Director	
Mr C M Dunstan	Chairman
Mr A W Blewitt	Deputy Chair
Mr T Brain	Director
Dr J Jennings	Director
Mr N Mehta	Director
Mr L G Nash	Director
Ms M K Sasson	Director – resigned 27 July 2018
Ms J Storey	Director – appointed 28 August 2018
Key Management Personnel	
Mr Tim Mitchell-Adams	Chief Executive Officer – until 21 December 2018
Mr Ross Higgins	Chief Executive Officer – appointed 2 January 2019
Mr Bruce Hawkins	Chief Financial Officer – until 18 April 2019
Mr Enzo Silverii	Chief Financial Officer – appointed 19 April 2019
Ms Bronwyn Crook	Chief Risk Officer – until 29 March 2019
Mr Dennis Clark	Chief Risk Officer – appointed 1 April 2019
Mr Damien Otto	Group Executive Sales
Mr Carlos Schafer	Group Executive Educational Resources – until 28 February 2019

2. REMUNERATION GOVERNANCE

Nominations and Remuneration Committee role

The Nominations and Remuneration Committee (the Committee) is responsible to ASG's Board for advising on certain governance and remuneration matters, having regard to ASG's Remuneration Policy, and for recommending candidates for the roles of Chief Executive Officer, Director, participating consultant, company secretary and internal audit manager.

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

a. Review of the Remuneration Policy
   The Committee shall review, approve and recommend to the Board the Remuneration Policy ("Policy") and make recommendations to the Board on any changes. In reviewing the Policy, the Committee shall:
   - Ensure that the Policy sets out ASG's remuneration policy objectives and the structure of remuneration arrangements including performance-based components of remuneration.
   - Ensure that the Policy covers all employees and agents, whether 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 have regard to APRA's guidance and comply with the law and regulation, APRA's prudential standards and any applicable industrial awards/collective agreements.
   - 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 measures.
   - Assess the effectiveness of the Policy in achieving the Board's remuneration objectives in line with regulatory requirements.

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
   - Senior Executives
   - Manager Internal Audit
   - Any other person whose activities may affect the financial soundness of ASG and any other person specified by APRA

The Committee shall review the remuneration arrangements 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.

The Chair of the Committee shall approve any termination payments made to Responsible Persons or any other Senior Executives and such payments shall be reported to the Committee. The Committee shall monitor termination and retirement payments and the funding policy of those payments.

c. Review Performance-related Remuneration
   - Ensure periodic reviews are undertaken annually by management of performance-related remuneration for all groups of personnel at all levels.
   - Review recommendations of the CEO and/or senior executives on any changes of performance-related remuneration and provide recommendations to the Board.

d. Nominate and Endorse Director and Participating Consultant Candidates
   - Undertake a documented, 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 supporting data, to fill a permanent or casual Director vacancy (as applicable).
   - Make recommendations to the Board, along with supporting 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.
   - The CEO shall consult the Chair of the Committee and shall report to the Committee on the appointments of senior management roles.

f. Committee Appointments
   Annually review the memberships to all ASG Board committees and recommend to the Board on committee appointments.

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

h. Review ASG's succession planning requirements for the Board, CEO and senior executives and recommend to the Board a succession plan for the Board and the CEO position.

i. Review, monitor and recommend to the Board on ASG's diversity and gender pay equity initiatives, and update the Board on the gender proportion of ASG's workforce.

j. Review and recommend to the Board for approval the remuneration disclosures contained in the Governance and Directors' Report sections of the Annual Report.

k. Review regulatory developments relating to employment and remuneration issues.

l. Review Board and Committee Member remuneration.

3. 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. Remuneration is reviewed on an annual basis considering 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 2018 AGM, the members approved a pool of $350,000 for Directors' fees (excluding superannuation and Committee fees) and approved the maximum Committee fees payable being:

Committee	Fee per Meeting per Director		Maximum Fee per Financial Year per Director	
Audit	Chair:	$930	Chair:	$5,000
	Member:	$555	Member:	$3,500
Risk and Compliance	Chair:	$930	Chair:	$5,000
	Member:	$555	Member:	$3,500
Nominations and Remuneration	Chair:	$930	Chair:	$4,200
	Member:	$555	Member:	$2,940
Investment	Chair:	$930	Chair:	$7,800
	Member:	$555	Member:	$5,460

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

$780 per member per Panel meeting and
$1,300 per Chair per Panel meeting.

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

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 10-year continuous service is required. An initial contribution into a Director's ASG Supplementary Account is made when Directors have rendered 10 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:

- Mr C M Dunstan
- Mr L G Nash
- Dr J Jennings

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

	SHORT-TERM EMPLOYEE BENEFITS		POST EMPLOYMENT BENEFIT		TOTAL
	Salary *	Committee fees	Superannuation guarantee	Supplementary superannuation	Total
	$	$	$	$	$
Non-Executive Directors					
2019					
Mr C M Dunstan	76,700	7,050	7,956		91,706
Mr A W Blewitt	53,700	3,710	5,454		62,864
Mr T Brain	42,100	11,685	5,110		58,895
Dr J A Jennings	42,100	11,400	5,083		58,583
Mr N Mehta	44,023	1,665	4,340		50,029
Mr L G Nash	42,100	5,760	4,547	6,000	58,407
Ms J Storey[2]	44,408	1,110	4,741		50,258
Former Non-Executive Director					
Ms M K Sasson[1]	3,400	1,665	481	-	5,547
Total [3]	348,531	44,045	37,712	6,000	436,287
2018					
Mr C M Dunstan	76,692	10,395	8,319	-	95,406
Mr A W Blewitt	53,646	7,975	5,900	-	67,521
Mr T Brain	42,096	10,020	5,182	-	57,298
Mr N Mehta	28,337	3,330	3,008	-	34,675
Dr J A Jennings	42,096	11,550	5,296	-	58,942
Mr L G Nash	42,096	7,425	4,920	7,000	61,441
Ms M K Sasson	42,096	5,550	4,665	-	52,311
Mr A Carstens	10,363	-	985	-	11,348
Mr T P M O'Connell	3,720	-	344	-	4,064
Total	341,142	56,245	38,619	7,000	443,006

1 Ms M K Sasson resigned as a Director with effect from 27 July 2018.
2 Ms J Storey was appointed as a Director with effect from 28 August 2018.
3 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.
*Includes $1,923 (2018: $0) and $9,192 (2018: $0) for Mr N Mehta and Ms J Storey respectively for Directorships in entities in which ASG has an investment.

Chief Executive Officer and senior executives

The Chief Executive Officer and senior executives 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
- whether behaviours are consistent with ASG core values and culture
- 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.

Chief Executive Officer and Senior Executives

		SHORT-TERM EMPLOYEE BENEFITS			POST EMPLOYMENT BENEFIT		
		Salary	Cash bonus	Non-monetary	Superannuation	Termination payment*	Total
		$	$	$	$	$	$
FY 2019 CEO and Senior Executives							
R Higgins	Start 2 Jan 2019	185,356	-	-	10,266	-	195,622
T Mitchell-Adams	End 21 Dec 2018	171,783	47,671	-	15,399	129,798	364,651
E Silverii	Start 19 Apr 2019	28,220	-	-	2,681	-	30,901
B Hawkins	End 18 Apr 2019	216,136	-	-	18,883	16,094	251,113
D Otto	Full year	224,086	-	-	20,047	-	244,133
C Schafer	End 28 Feb 2019	149,706	-	-	16,917	67,120	233,744
B Crook	End 29 Mar 2019	116,319	-	-	13,023	93,416	222,758
D Clark	Start 1 Apr 2019	77,000	-	-	-	-	77,000
Other senior executives		893,018	2,500	-	96,632	54,043	1,046,193
		2,061,624	50,171	-	193,848	360,471	2,666,114
FY 2018 CEO and Senior Executives							
T Mitchell-Adams	Start 8 Jan 2018	169,284	-	-	10,024	-	179,308
J Velegrinis	End 31 Dec 2018	181,360	54,275	-	379,885	835	616,355
B Hawkins	Full year	259,895	13,579	-	20,049	-	293,523
K Brown	End 13 Feb 2018	110,410	6,877	11,123	284,701	154,039	567,150
L Staropoli	End 1 Mar 2018	120,684	24,535	-	245,051	143,026	533,296
C Schafer	Start 23 Oct 2017	141,464	-	-	13,196	-	154,659
Other senior executives		293,494	8,813	-	29,195	6,780	338,282
		1,276,591	108,079	11,123	982,101	304,679	2,682,574

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
R Higgins	2 years	4 months' notice
E Silverii	Ongoing	8 weeks' notice
D Otto	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 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	
	2019 $	2018 $
Payments made by ASG out of the benefit funds to KMP	18,863	31,186

The names of key management personnel of ASG with payments arising from their memberships are: C M Dunstan, B Hawkins, L G Nash and J Jennings (2018: C M Dunstan, J Jennings and L G 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.


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FINANCIAL REPORT 2019

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

Continuing Operations	Notes	2019 $'000	2018 $'000
Revenue			
Investment income		82,832	96,083
Funds management and insurance income		20,954	23,594
Other operating revenue		759	1,551
Total revenue	5	104,545	121,228
Expenses			
Operating expenses		(41,504)	(54,100)
Total expenses	6	(41,504)	(54,100)
Operating profit		63,041	67,128
Policy liability revaluation	31	(1,266)	345
Investment income allocated to policyholders	31	(44,843)	(57,877)
Profit before income tax expense		16,932	9,596
Income tax expense	7(a)	(15,908)	(16,088)
Profit/(loss) for the year		1,024	(6,492)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on property revaluation		127	1,783
Remeasurement of defined benefit obligations		26	286
Income tax relating to items not reclassified subsequently		(38)	(537)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		234	(282)
Income tax relating to items reclassified subsequently		(70)	85
Other comprehensive income for the year, net of tax		279	1,335
Total comprehensive income for the year		1,303	(5,157)
Profit/(loss) attributable to:			
Members of ASG		1,024	(6,492)
Total comprehensive income attributable to:			
Members of ASG		1,303	(5,157)

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 2019

	Notes	2019 $'000	2018 $'000
Assets			
Cash and cash equivalents	28 (a)	6,032	10,901
Trade and other receivables	9	9,006	6,344
Life investment contract assets	10	1,208,228	1,299,302
Life insurance contract assets	11	7,804	7,467
Other financial assets - investment assets	12	65,481	61,145
Inventories	13	-	4
Other assets	14	-	96
Current tax assets	7(c)	2,670	-
Property, plant and equipment	15	7,726	7,748
Investment property	16	2,000	1,150
Other intangible assets	17	880	1,560
Total assets		1,309,827	1,395,717
Liabilities			
Trade and other payables	18	8,991	10,473
Borrowings	19	1,025	955
Contract liabilities		1,768	-
Current tax liabilities	7(c)	-	1,782
Deferred tax liabilities	7(d)	17,475	11,639
Employee entitlement	20	1,926	2,267
Life investment contract liabilities	32	1,185,526	1,275,254
Total liabilities		1,216,711	1,302,370
Net assets		93,116	93,347
Equity			
Policyholder equity		7,040	7,317
Reserves		3,916	3,722
Retained earnings		82,160	82,308
Total equity		93,116	93,347

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 2019

	Policyholder equity $'000	General reserve	Foreign exchange translation reserve	Revaluation reserve	Total reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 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 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
Adjustment to opening balance due to adopting AASB 15						(1,534)	(1,534)
Transfers from benefit funds	-	-	-	-	-	700	700
Transfer to management fund	(700)	-	-	-	-	-	(700)
Profit for the year	338	-	-	-	-	686	1,024
Other comprehensive income	85	26	79	89	194	-	279
Total comprehensive profit for the year	423	26	79	89	194	686	1,303
Balance at 30 June 2019	7,040	(58)	56	3,918	3,916	82,160	93,116

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Life investment contracts - contributions received		112,177	121,813
Life investment contracts - withdrawals		(248,108)	(257,432)
Life investment contracts - fees received		16,136	17,769
Life insurance contracts - premium received		490	2,395
Life insurance contracts - policy claims paid		(177)	(286)
Investment income received		26,717	28,832
Management fees paid		(16,001)	(18,189)
Payments to suppliers and employees		(23,358)	(22,931)
Payments to members and scholarship grants		(1,399)	(4,966)
Income tax payments		(13,912)	(15,702)
Net cash used in operating activities	28 (b)	(147,435)	(148,697)
Cash flows from investing activities			
Payment for investment securities		(225,596)	(427,217)
Proceeds from sale of investment securities		368,869	576,801
Payments for property, plant and equipment		(141)	(215)
Proceeds from disposal of property, plant and equipment		21	13
Payments for intangible assets		(115)	(119)
Net cash generated by investing activities		143,038	149,263
Cash flows from financing activities			
Transfers from benefit funds		700	700
Transfers to management fund		(700)	(700)
Net cash used in financing activities		-	-
Increase in cash and cash equivalents		(4,397)	566
Cash and cash equivalents at the beginning of the financial year		15,982	15,426
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	(10)
Cash and cash equivalents at the end of the financial year	28(a)	11,585	15,982

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. GENERAL INFORMATION

TThe Australian Scholarships Group Friendly Society Limited ("ASG", "the Parent") is a registered Australian public company limited by guarantee 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: 131 274

A description of the nature of the ASG Group's principal activities is included in the Directors' Report on page 27 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:

- AASB 9 – *Financial Instruments*
- AASB 15 – *Revenue from Contracts with Customers*

AASB 9 – *Financial Instruments*

In the current year, ASG has applied AASB 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other AASB Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives.

AASB 9 introduced new requirements as well as their impact on the ASG's consolidated financial statements are described below.

a. Classification and measurement of financial assets
b. Impairment of financial assets.
c. General hedge accounting. No applicable for ASG.

Details of these new requirements as well as their impact on ASG's consolidated financial statements are described below.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which ASG has assessed its existing financial assets and financial liabilities in terms of the requirements of AASB 9) is 1 July 2018.

Accordingly, ASG has applied the requirements of AASB 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018.

AASB 9 is applied retrospectively using the differences of carrying amount at the DIA adjusted to opening retained earnings.

All recognised financial assets that are within the scope of AASB 9 are required to be measured subsequently at amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Debt instruments that are measured subsequently at amortised cost are subject to impairment.

ASG reviewed and assessed ASG's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB has had the following impact on ASG's financial assets as regards their classification and measurement:

- there is no change in the measurement of ASG's investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL;

- there is no change in ASG's investment in other securities, i.e. corporate bonds, government bonds are measured at FVTPL because by doing so eliminates or significantly reduces an accounting mismatch;

- there is no change in loans and receivables under AASB 139 that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely payments of principal and interest on the principal amount outstanding.

None of these classification and measurement have had any impact on ASG's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

(b) Impairment of financial assets
In relation to the impairment of financial assets, AASB 9 requires an expected credit loss (ECL) model as opposed to an incurred credit loss model under AASB 139. The ECL model requires ASG to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, AASB 9 requires ASG to recognise a loss allowance for ECL on:

Mortgages, loans to related parties and other entities.
ASG has concluded that it would require undue cost and effort to determine the credit risk of each loan on their respective dates of initial recognition. However, each of these loans has security greater than the loan amounts. These loans are assessed to have credit risk as low due to low risk of default, the borrowers have a strong capacity to meet its contractual cash flow obligations in the near terms and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrowers to fulfil its contractual cash flow obligations. Therefore, no impairment on mortgages, loan to related parties and other entities due to existence of collateral.

Trade and Other Receivables
ASG applies the simplified approach and recognises lifetime ECL for these assets. The impairment effect on these assets are $47,854

Cash and bank balances
All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions, which have credit rating of investment grade as further discussed in Note 8 (d).

(c) Classification and measurement of financial liabilities
A significant change introduced by AASB 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuers.

(d) Disclosures in relation to the initial application of AASB 9.
There were no financial assets or financial liabilities which ASG had previously designated as at FVTPL under AASB 139 that were subject to reclassification or which ASG has elected to reclassify upon application of AASB 9.

The application of AASB 9 has had no impact on the classification and measurement of the ASG's consolidated statement of cash flow.

AASB 15 – *Revenue from Contracts with Customers*

In the current year, ASG has applied AASB 15 *Revenue from Contracts with Customers* which is effective for an annual period that begins on or after 1January 2018. AASB 15 introduced a 5-step approach to revenue recognition.

ASG has applied AASB 15 in accordance with the modified retrospective transitional approach without restatement, with the cumulative effect on initial application recognised as a debit adjustment of $2.19 million to opening retained earnings at 1 July 2018. The credit entry was to recognise a contract liability (this would have previously been known as deferred revenue), which is a new balance sheet account. The opening reserves adjustment does not impact the statement of profit or loss.

In accordance with the transition requirements, the standard has only been applied to contracts that are existing as at 1 July 2018. The disclosure requirements of AASB 15 have not been applied to comparative information, nor to contracts that were considered complete at the date of initial application.

AASB 15 uses the terms 'contract assets' and 'contract liabilities' to describe what might more commonly knowns as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statements of financial position. ASG has adopted the terminology used in AASB 15 to describe such balances.

ASG's accounting policies for its revenue streams are disclosed in detail in note 3.5 below. Apart from providing more extensive disclosures for ASG's revenue transactions, the application of AASB 15 has not had a significant impact on the financial position and/or financial performance of ASG.

The amount of adjustment for each financial statement line item affected by the application of AASB 15 is illustrated below.

Impact on profit or loss for the period to 30 June 2019
The table below illustrates the impact of AASB 15 on profit or loss for the year ended 30 June 2019 on Note 5. Line items that were not affected by AASB 15 have not been included.

	Revenue from benefit funds $'000	Income Tax Expenses $'000
Amounts which would be presented under AASB 118	16,136	15,781
AASB 15 impact / adjustment	423	127
As presented for the year ended 30 June 2019	16,559	15,908

Impact on the financial position at 30 June 2019

The table below illustrates the impact of AASB 15 on the financial position at 30 June 2019 on Note 18. Line items that were not affected by AASB 15 have not been included.

	Amounts which would be presented under AASB 118 $'000	Transition impact for the year ended 30 June 2018 $'000	AASB 15 impact / adjustment for the period $'000	As presented for the year ended 30 June 2019 $'000
Current Tax assets	2,639	-	31	2,670
Contract liabilities	-	2,191	(423)	1,768
Deferred Tax Liabilities	17,974	(657)	158	17,475
Retained Earnings	83,398	(1,534)	296	82,160

Impact on cash flows

The consolidated statement of cash flows is not materially different from that presented in the prior year.

Impact on changes in equity

The total impact on transition is a decrease of $2.19 million to equity.

The opening reserves adjustments do not impact the statement of profit or loss.

Changes in presentation

In addition to the changes in accounting policies, ASG has also amended the presentation of certain item to align it with the requirements of AASB 15:

- Contract liabilities related to the above revenue stream also known as deferred revenue was not previously presented

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 2019:

- AASB 16 – *Leases*

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

- AASB 17 – *Insurance Contracts*

AASB 16 - *Leases*

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 supersede the current lease guidance including AASB 117 Leases and the related Interpretation when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of AASB 16 for ASG will be 1 July 2019.

AASB 16 will change how ASG accounts for leases previously classified as operating leases under AASB 17, which were off-balance sheet.

On initial application of AASB 16, for all leases, ASG will:

a. Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b. Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c. Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets will be tested for impairment in accordance with AASB 36 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease terms of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), ASG will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

At transitition, ASG adopted modified retrospective method, right-of-use asset is equal to lease liability, adjusted for prepaid or accrued payments immediately before date of initial adoption (no restatement of comparatives, adjusting the opening balance of the retained earning).

As at 30 June 2019, ASG has non-cancellable operating lease commitments of $270k.

A preliminary assessment indicates that $75k of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence ASG will recognise a right-of-use asset of $163k and a corresponding lease liability of $163k in respect of all these leases. The impact on profit or loss is to decrease premises expenses by $50k, to increase depreciation by $52k and to increase interest expense by $10k. Lease liability incentives of $19k previously recognised in respect of the operating leases will be derecognised and the amount factored into the measurement of the right-to-use assets and lease liabilities.

The preliminary assessment indicates that $195k of these arrangements relate to short-term leases and leases of low-value assets.

Under AASB 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under AASB 16 would be to reduce the cash generated by operating activities by $10k and to increase net cash used in the financing activities by the same amount.

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

The consolidated financial statements were authorised for issue by the Directors on 25 September 2019.

3.2 Basis of preparation

The consolidated financial statements have been prepared based on 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 considers 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 2019, 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.

The Fund has reached NZD 1-million-member capital or more. ASG, with the assistance of the Actuary, is determining 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

ASG recognises revenue over time from the following major sources:

- Investment income;
- Premium revenue – life investment contracts;
- Premium revenue – life insurance contracts;
- Revenue from benefit funds;
- Service fee income

Revenue is measured based on the consideration to which ASG expects to be entitled in a contract with a customer and excludes amount collected on behalf of third parties. ASG recognises revenue when it transfers control of a product or service to a customer.

Contract liabilities

Contract liabilities represent the ASG's obligation to render services or complete work to customers for consideration already invoiced and received at the reporting date. The contract liabilities are transferred to revenue over the passage of time.

Costs of contract

ASG did not recognise assets relating to the cost of obtaining a contract or the cost incurred to fulfil a contract that are directly related to the contracts, provided that the performance obligations of the contract have already been satisfied.

Investment income

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 AASB 15.

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, premium revenue – life insurance contracts, and revenue from benefit funds.

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.

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

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

ASG's performance obligations in relation to these revenues are:

- Investment management services i.e. return from investment portfolio.
- Investment administration, i.e. executing and recording of investment transactions.

A series of these distinct services make up single performance obligation.

Revenue for these contracts are recognised over time.

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

For sales of educational goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods. ASG stopped selling educational products in February 2019.

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

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

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

Depreciation on revalued buildings is recognised in profit or loss.

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

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

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

3.10 Investment property

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

3.11 Intangible assets

Intangible assets acquired separately

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

3.12 Impairment of tangible and intangible assets

At each reporting date, the ASG Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated 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 is 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 in the Group's consolidated balance sheet when the Group becomes a party to the contractual relevant instruments.

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

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrecoverable election/ designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FCTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and 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.

For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "revenue from investment income – interest" line item (Note 5).

Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the ASG Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the net gains/(losses) of financial assets held at fair value through profit and loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is considered when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria can identify significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without considering any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, considering legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The 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 entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. Gain or losses on financial liabilities at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) because of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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 2019. 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. 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 12 per cent of contributions. For the Contingency Fund this is 99.8 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 (e.g. 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 requirements of these standards have been met for the benefit funds as at 30 June 2019.

	Notes	2019 $'000	2018 $'000
5 REVENUE			
Investment income			
Distributions income		46,327	57,788
Interest income		17,673	10,174
Net gains of financial assets held at fair value through profit and loss		18,832	28,121
Funds management and insurance income			
Premium revenue - life investment contracts		3,861	5,190
Premium revenue - life insurance contracts		534	635
Revenue from benefit funds		16,559	17,769
Other operating revenue		759	1,551
		104,545	121,228
6 EXPENSES			
a) Personnel			
Salaries and related costs		13,993	16,228
Superannuation costs		1,340	1,835
Other		773	885
Total personnel expenses		16,106	18,948
b) Premises			
Rent		329	395
Depreciation		264	354
Other		272	620
Total premises expenses		865	1,369
c) Technology			
Depreciation and amortisation		766	1,010
Licences and outsources services		883	801
Other		134	162
Total technology expenses		1,783	1,973
d) Life investment and insurance contracts			
Policy expenses		3,861	5,190
Claims expenses		176	285
Investment management expenses		12,140	12,999
Total life investment and insurance contracts expenses		16,177	18,474
e) Communication, marketing and other expenses			
Advertising and marketing		1,339	1,569
Communication expenses		823	572
Legal and professional fees		2,186	2,442
Freight, stationery, postage and telephone		221	474
Auditors' remuneration		340	399
Member and scholarship grants		1,399	4,966
Other		265	2,914
Total communication, marketing and other expenses		6,573	13,336
Total operating expenses		41,504	54,100

7. INCOME TAX

	2019 $'000	2018 $'000
(a) Income tax recognised in profit or loss		
Current tax	9,452	11,529
Deferred tax	6,456	4,559
Total income tax expense recognised in the current year	15,908	16,088
The income tax expenses for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	16,932	9,596
Income tax expense calculated	5,080	2,879
Effect of income that is exempt from taxation	(3,643)	(6,369)
Effect of expenses that are not deductible in determining taxable profit	14,471	20,004
Other - apportionment deduction adjustment	(17)	(418)
	15,891	16,096
Adjustments recognised in the current year in relation to the current tax of prior years	17	(8)
	15,908	16,088

The tax rate used in the 2019 and 2018 reconciliation is the corporate tax rate of 30 per cent, under Australian tax law, payable by tax-consolidated group, ASG. 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 (2018: 28 per cent) under New Zealand tax law.

	2019 $'000	2018 $'000
(b) Income tax recognised in other comprehensive income		
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Property revaluations	(37)	(535)
Total income tax recognised in other comprehensive income	(37)	(535)
(c) Current tax assets and liabilities		
Current tax assets/(liabilities):		
Income tax payable attributable to:		
Parent entity	(3,225)	(7,302)
Entities in the tax-consolidated group	38	(81)
Tax credits & instalments	5,850	5,597
Exchange difference of foreign subsidiary	7	4
	2,670	(1,782)
Current tax balances are presented in the consolidated balance sheet as follows:		
Current tax assets	2,670	-
Current tax payables	-	(1,782)
	2,670	(1,782)
(d) Deferred tax balances		
Deferred tax balances are presented in the consolidated balance sheet as follows:		
Deferred tax assets	-	-
Deferred tax liabilities	17,475	11,639

7 INCOME TAX (continued)

Taxable and deductible temporary difference arise from the following:

2019	Opening balance $'000	Adjustment to opening balance due to adopting AASB 15	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	(10,499)	-	(5,898)	-	(16,397)
Property, plant and equipment	(1,642)	-	-	(37)	(1,679)
Investment property	(178)	-	(255)	-	(433)
Exchange difference of foreign subsidiary	(10)	-	(19)	-	(29)
	(12,329)	-	(6,172)	(37)	(18,538)
Gross deferred tax assets:					
Trade and other receivables	37	-	(23)	-	14
Financial assets at fair value through profit or loss	128	-	-	-	128
Contract liabilities	-	657	(158)	-	499
Provisions	525	-	(103)	-	422
	690	657	(284)	-	1,063
	(11,639)	657	(6,456)	(37)	(17,475)

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)

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, Risk and Compliance functions 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 functions. The Internal Audit, Risk and Compliance functions actively partner with ASG's management to help ASG to effectively identify, access, manage and report its risks. To assist in this regard, these functions 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 $104.195 million change (2018: $107.277 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	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Pricing risk	+/(-) 10%	'+/-5,583	+/-5,463	'+/-5,583	+/-5,463

The ASG Group's sensitivity to price risk has increased by 2.2 per cent. This was mainly due the level of investments in unlisted trusts decreasing by similar percentage over the financial year.

(ii) **Foreign currency risk management**

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

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

New Zealand exposure

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

		Profit		Total Equity	
	Change in variable	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Foreign currency risk	+/(-) 10%	+/-213	+/-201	-	-

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 54 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 17 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 $14.541 million change (2018: $15.339 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	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Foreign currency risk	+/(-) 10%	+/-457	+/-606	+/-457	+/-606

(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 $1.370 million increase (2018: $1.803 million increase) or a $1.370 million decrease (2018: $1.803 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	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Interest rate risk	+/(-) 1%	'+/-82	+/-80	'+/-82	+/-80

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 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

	2019 $'000	2018 $'000
Financial assets		
Fair value through profit or loss (FVTPL)	1,252,832	1,323,842
Loans and receivables (amortised cost)	32,133	45,336
Cash and cash equivalents	11,585	15,982
Financial liabilities		
Life investment contract liabilities	1,185,526	1,275,254
Other liabilities	11,784	11,428

(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 $1.287 billion (2018: $1.378 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 because 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 2019.

8. FINANCIAL INSTRUMENTS (continued)

Consolidated - 2019

		Fixed maturity dates						
	Weighted average effective interest rate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Life investment contract assets:								
Cash and cash equivalents	1.25	2,470	-	-	-	-	-	2,470
Receivables		22,452	-	-	-	-	-	22,452
Fair value through profit or loss:								
Unlisted trust		1,041,955	-	-	-	-	-	1,041,955
Other securities	2.05	136,976	-	-	-	-	-	136,976
Mortgage loans	3.54	106	30	17	-	-	4,223	4,376
Life insurance contract assets:								
Cash and cash equivalents	1.25	3,083	-	-	-	-	-	3,083
Receivables		675	-	-	-	-	-	675
Fair value through profit or loss:								
Other securities	1.91	4,046	-	-	-	-	-	4,046
Management Fund								
Cash and cash equivalents	1.25	6,032	-	-	-	-	-	6,032
Receivables		9,006	-	-	-	-	-	9,006
Fair value through profit or loss:								
Unlisted trust		55,831	-	-	-	-	-	55,831
Other securities	1.95	6,500	-	-	-	-	-	6,500
Mortgage loans	4.19	-	-	-	-	-	146	146
Investment in other companies		3,004	-	-	-	-	-	3,004
Total financial assets		1,292,136	30	17	-	-	4,369	1,296,552
Financial liabilities:								
Trade payables		8,991	-	-	-	-	-	8,991
Borrowings		1,025	-	-	-	-	-	1,025
Contract liabilities		1,768						1,768
Life investment contract liabilities		1,185,526	-	-	-	-	-	1,185,526
Total financial liabilities		1,197,310	-	-	-	-	-	1,197,310

8. FINANCIAL INSTRUMENTS (continued)

Consolidated - 2018

	Weighted average effective interest rate	Fixed maturity dates						
		Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
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 trust		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 other company		1,473	-	-	-	-	-	1,473
Total financial assets		1,379,482	35	63	26	-	5,551	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

(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 selling-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.

8 FINANCIAL INSTRUMENTS (continued)

2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Life insurance contract assets:				
Fair value through profit or loss:				
Other securities	4,046	-	-	4,046
Life investment contract assets:				
Fair value through profit or loss:				
Unlisted trusts	309,429	602,640	129,886	1,041,955
Other securities	136,975	-	-	136,975
Mortgage loans	-	-	4,376	4,376
Other financial investment assets:				
Fair value through profit or loss:				
Unlisted trusts	18,873	36,957	-	55,830
Other securities	6,500	-	-	6,500
Mortgage loans	-	-	146	146
Investment in other companies	-	-	3,004	3,004
Total	475,823	639,597	137,412	1,252,832

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

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 other company	-	-	1,473	1,473
Total	539,500	661,522	122,815	1,323,837

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

8. FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair value measurements of financial assets

Consolidated - 2019	Fair value through profit or loss			
	Investment in other companies $'000	Unlisted Property trust $'000	Mortgage Loans $'000	Total $'000
Life investment contract assets:				
Opening balance	-	115,509	5,681	121,190
Total gains or losses:				
in profit or loss	-	-	184	184
change in fair value of financial assets designated at fair value	-	12,029	-	12,029
Purchases/drawdowns	-	2,348	18	2,366
Mortgage repayments/settlements	-	-	(1,507)	(1,507)
Closing balance	-	129,886	4,376	134,262
Other financial investment assets:				
Opening balance	1,473	-	152	1,625
Total gains or losses:				
in profit or loss	-	-	6	6
Purchases	1,531	-	-	1,531
Mortgage repayments/settlements	-	-	(12)	(12)
Closing balance	3,004	-	146	3,150

Consolidated - 2018	Fair value through profit or loss			
	Investment in other company $'000	Unlisted Property trust $'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	-	-	(9)	(9)
Closing balance	1,473	-	152	1,625

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 $1.37 million (2018: decrease/increase by $1.23 million).

	2019 $'000	2018 $'000
9. TRADE AND OTHER RECEIVABLES AT AMORTISED COST		
Trade receivables	3,628	3,231
Receivables from credit product	3,052	-
Allowance for doubtful debts	(47)	(130)
Receivables from investment assets	1,045	1,653
Seed capital	1,025	917
GST receivable	2	2
Sundry debtors	301	671
	9,006	6,344

10. LIFE INVESTMENT CONTRACT ASSETS AT FAIR VALUE

	2019 $'000	2018 $'000
Cash and cash equivalents	2,470	1,612
Distributions from investment assets	22,139	34,077
Receivables from management fund	313	4,895
Unlisted trusts	1,041,955	1,072,771
Fixed income securities	2,779	2,711
Certificates of deposit	134,196	177,555
Mortgage loans	4,376	5,681
	1,208,228	1,299,302

11. LIFE INSURANCE CONTRACT ASSETS AT FAIR VALUE

	2019 $'000	2018 $'000
Cash and cash equivalents	3,083	3,469
Receivables from management fund	675	23
Certificates of deposit	4,046	3,974
	7,804	7,466

12. OTHER FINANCIAL ASSETS - INVESTMENT ASSETS AT FAIR VALUE

	2019 $'000	2018 $'000
Unlisted trusts	55,831	53,161
Certificate of deposit	6,500	6,359
Mortgage loans	146	152
Investment in other companies	3,004	1,473
	65,481	61,145

13. INVENTORIES

	2019 $'000	2018 $'000
Finished goods of Education Resources	-	4

14. OTHER ASSETS

	2019 $'000	2018 $'000
Prepayments	-	96

15 PROPERTY, PLANT AND EQUIPMENT

	2019 $'000	2018 $'000
Carrying amounts of:		
Freehold land	6,472	6,346
Buildings	925	951
Leasehold improvements	-	-
Plant and equipment	329	450
	7,726	7,747

	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	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 1 July 2018	6,346	2,054	5	1,525	9,930
Additions	-	51	-	90	141
Disposals	-	(13)	(5)	(414)	(432)
Net revaluation increments	126	-	-	-	126
Net foreign currency exchange differences	-	-	-	-	-
Balance at 30 June 2019	6,472	2,092	-	1,201	9,765
Accumulated depreciation/amortisation and impairment					
Balance at 1 July 2017	-	(1,384)	(331)	(2,060)	(3,775)
Additions	-	-	-	-	-
Disposals	-	365	329	1,253	1,947
Depreciation expense	-	(83)	(2)	(268)	(353)
Net foreign currency exchange differences	-	(1)	-	-	(1)
Balance at 1 July 2018	-	(1,103)	(5)	(1,075)	(2,183)
Additions	-	-	-	-	-
Disposals	-	13	5	389	407
Depreciation expense for continuing operations	-	(77)	-	(186)	(263)
Net foreign currency exchange differences	-	-	-	-	-
Balance at 30 June 2019	-	(1,167)	-	(872)	(2,039)
Net book value					
As at 30 June 2018	6,346	951	-	450	7,747
As at 30 June 2019	6,472	925	-	329	7,726

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Buildings	40 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 2019 and 30 June 2018 was performed by Sam Lipshut from Charter Keck Cramer, 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 2019 are as follows:

Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value as at 30/06/19 $'000
Freehold land	-	-	6,472	6,472
Buildings	-	-	925	925

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:

	2019 $'000	2018 $'000
Freehold land	875	875
Buildings	718	744
	1,593	1,619

16. INVESTMENT PROPERTY

Fair value		
Completed investment property	2,000	1,150
Balance at beginning of financial year	1,150	900
Gain on property revaluations	850	250
Balance at end of financial year	2,000	1,150

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 2019 and 30 June 2018 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 2019 and 30 June 2018 valuations were conducted by Sam Lipshut from Charter Keck Cramer. 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 2019 are as follows:

Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value as at 30/06/19 $'000
Commercial property located in Oakleigh	-	-	2,000	2,000

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

17. OTHER INTANGIBLE ASSETS

	Computer Software $'000	Software Licences $'000	Total $'000
Gross carrying amount			
Balance at 1 July 2017	4,648	434	5,082
Additions	73	46	119
Disposals	(116)	-	(116)
Balance at 1 July 2018	4,605	480	5,085
Additions	115	-	115
Disposals	(229)	(140)	(369)
Balance at 30 June 2019	4,491	340	4,831
Accumulated amortisation and impairment			
Balance at 1 July 2017	(2,633)	-	(2,633)
Amortisation expense	(746)	(265)	(1,011)
Disposals	119	-	119
Balance at 1 July 2018	(3,260)	(265)	(3,525)
Amortisation expense	(720)	(47)	(767)
Disposals	208	133	341
Balance at 30 June 2019	(3,772)	(179)	(3,951)
Net book value			
As at 30 June 2018	1,345	215	1,560
As at 30 June 2019	719	161	880

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

	2019 $'000	2018 $'000
Trade payables	4,216	3,688
Accruals	1,238	1,101
Amounts due to benefit funds	3,537	5,684
	8,991	10,473

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

	2019 $'000	2018 $'000
Pathway Education Fund (New Zealand)	1,025	955
	1,025	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 lesser than 6 months, from the end of the 2019 financial year.

20. EMPLOYEE ENTITLEMENT

	2019 $'000	2018 $'000
Employee benefits	1,926	2,267
	1,926	2,267

20. SUPPLEMENTARY BENEFIT PLAN

The Supplementary Benefit Plan ("the 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 Plan is an accumulation benefit superannuation fund administered by IOOF. It is governed by the privions of the IOOF Employer Super Trust Deed, and regulated by APRA under the *Superannuation Industry (Supervision) Act 1993* (SIS).

Under a separate agreement between ASG and its eligible employees, ASG provides that the Plan will provide minimum defined benefits (i.e. salary-related benefits) on retirement, resignation, death or total and permanent disablement. If necessary, ASG will pay additional contriubtions to top up the Plan's accumulation benefits to the agreed defined benefits, grossing up to allow for the contriubutions tax payable by the Plan, and any excess contributions tax payable by the member.

The agreement applies to a closed group of employees, containing 16 members at the valuation date. There were 20 employees included in the previous AASB119 valuation. Four employees have since terminated service with ASG, with one of these members still to be paid a benefit as at June 2019.

The Plan's assets are invested mainly in the IOOF Multimix Moderate Trust.

Reconciliation of Net Defined Benefit Liability/(Asset)

Financial year ending	2019 $'000	2018 $'000
Net defined benefit liability/(asset) at start of the year	747	1,328
(+) Expense recognised in Statement of Comprehensive Income	158	326
(+) Remeasurements of net defined liability/asset recognised in OCI	58	(286)
(-) Employer contributions	201	621
Net defined benefit liability/(assets) at the end of year	762	747

Reconciliation of Fair Value of Plan Assets

Financial year ending	2019 $'000	2018 $'000
Fair value of plan assets at the beginning of the year	662	2,365
(+) Interest income	27	65
(+) Actual return on plan assets less interest income	12	17
(+) Employer contributions	201	621
(-) Benefits paid	181	2,280
(-) Taxes, premiums & expenses paid	30	126
Fair value of plan assets at end of the year	691	662

Reconciliation of Defined Benefit Obligation (DBO)

Financial year ending	2019 $'000	2018 $'000
Present value of defined benefit obligations at beginning of the year	1,409	3,693
(+) Current service cost	136	295
(+) Past service cost/curtailments	-	(10)
(+) Interest expense	49	106
(+) Actuarial (gains)/losses arising from changes in financial assumptions	154	(14)
(+) Actuarial (gains)/losses arising from liability experience	(84)	(255)
(-) Benefits paid	181	2,280
(-) Taxes, premiums &expenses paid	30	126
Present value of defined benefit obligations at the end of year	1,453	1,409

Fair value of Plan assets

As 30 June 2019, the Plan's assets were invested in the following asset classes:

As at	2019	2018
Australian Equity	17%	21%
International Equity	14%	14%
Fixed Income	24%	33%
Property	8%	9%
Alternatives/Other	10%	6%
Cash	27%	17%

The fair value of Plan assets includes no amounts relating to:
- ASG's own transferable financial instruments, or
- Any property occupied by, or other assets used by, ASG.

Sensitivity Analysis

The key actuarial assumptions adopted for the valuations are:

- The discount rate of 2.85% p.a.
- The salary growth rate of 2.5% p.a.

The impact on the 30 June 2019 DBO of variations in these assumptions is shown below.

The tables are intered to illustrate the sensitivity of the valuation results to variations in assumptions. The table do not indicate the bounds of all possible outcomes, and in practice, the Plan's experience may lie outside the range illustrated.

Discount rate (% p.a.)	DBO ($'000)	Sensitivity ($'000)	Sensitivity (%)
2.35%	1,536	+83	+6%
2.85%	1,453		
3.35%	1,377	(76)	-5%

Salary growth (% p.a.)	DBO ($'000)	Sensitivity ($'000)	Sensitivity (%)
2.00%	1,386	(67)	-5%
2.50%	1,453		
3.00%	1,524	+71	+5%

Asset-Liability matching strategies

The Plan does not have an asset and liability matching strategy.

The Plan is closed to new entrants. On the assumptions adopted for the 30 June 2019 valuation, the weighted average duration of the DBO is approximately 11 years.

Funding arrangements

In accordance with previous actuarial recommendations, ASG contributes to the Plan to target individual funding levels of 95% of each member's vested defined benefit. ASG limits its contributions to the amount available to each member within the concessional contributions cap (currently $25,000 p.a.) after allowance for ASG's Superannuation Guarantee (SG) contributions for the member, and the insurance premiums and administration fees reimbursed to the member in the Plan and to the member's SG account outside the Plan.

On this basis, we have calculated expected employer contributions of $134,000 for 2019-2020. This amount includes an estimated $9,000 for insurance premiums and administration fees, based on the rates advised by IOOF.

21 COMMITMENTS

(a) Capital commitments

	2019 $'000	2018 $'000
Investment in other companies	1,000	-
	1,000	-

(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.

	2019 $'000	2018 $'000
Non-cancellable operating lease payments		
Not longer than 1 year	197	273
Longer than 1 year and not longer than 5 years	76	327
	273	600

23 REMUNERATION OF AUDITORS

	CONSOLIDATED	
	2019 $	2018 $
Audit or review of the Financial Report	252,352	275,430
Audit of regulatory reports	87,450	123,380
	339,802	398,810
Non-audit services	34,650	-

The auditor of ASG is Deloitte Touche Tohmatsu and costs incurred include the non-recoverable component of GST.

24 DETAILS OF CONTROLLED ENTITIES

		OWNERSHIP INTEREST	
		2019 %	2018 %
Parent Entity			
Australian Scholarships Group Friendly Society Limited			
Controlled Entities:			
Little Big Funding Pty Ltd	(i)	100	100
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)	-	-

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 Little Big Funding Pty Ltd and ASG Education Funding Solutions 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 provided financial support to ASG Education Programmes (NZ) Limited amounting to $0.24 million (2018: $0.60 million), in the form of 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 3 for a summary of the significant accounting policies.

	2019 $'000	2018 $'000
Financial position		
Assets		
Current assets	48,550	63,490
Non-current assets	1,263,440	1,335,310
Total assets	1,311,990	1,398,800
Liabilities		
Current liabilities	14,998	19,119
Non-current liabilities	1,204,940	1,290,199
Total liabilities	1,219,938	1,309,318
Equity		
Policyholder equity	7,032	7,394
Retained earnings	81,027	78,387
Reserves	3,993	3,699
Total equity	92,052	89,480
Financial performance		
Profit/(loss) for the year	3,823	(6,737)
Other comprehensive income	282	1,479
Total comprehensive income for the year	4,105	(5,258)

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 2019 and 2018.

Commitments entered into by the Parent entity

The Parent entity did not have any commitments as at 30 June 2019 and 2018, other than those disclosed in Note 21.

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 the Remuneration Report.

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

During the financial year there were no transactions took place with key management personnel related entities on terms and conditions no more favorable than those available on similar transactions to other parties.

Transactions with Subsidiaries

As at 30 June 2019, there was a loan balance owing to ASG from:

- Little Big Funding Pty Ltd $3.35 million (2018: nil).
- ASG Education Funding Solutions Pty Ltd nil (2018: $3.5 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 bank accounts 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 Balance Sheet as follows:

	Notes	2019 $'000	2018 $'000
Management fund and controlled entities:			
Cash on hand		1	1
Cash at bank		5,995	10,816
Term deposit		36	84
		6,032	10,901
Life investment contracts			
Deposits at call		2,470	1,612
	10	2,470	1,612
Life insurance contracts			
Deposits at call		3,083	3,469
	11	3,083	3,469
Total		11,585	15,982

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

	2019 $'000	2018 $'000
Profit from ordinary activities after related income tax	1,024	(6,492)
Non-cash flows in profit from ordinary activities:		
Gain on disposal of investments	(7,588)	(15,885)
Investment income allocated to policyholders	44,843	57,877
Revaluation (increase) / decrease on investment	(19,993)	(13,894)
Reinvestment of fee rebate	(1,575)	(1,464)
Reinvestment of dividend distribution	(40,145)	(53,346)
Other movements in policyholder liabilities	(139,060)	(141,789)
Depreciation and amortisation of non-current assets	1,030	1,364
Profit on sale of property plant and equipments	18	90
Increase/(decrease) in current tax liability	(4,452)	(4,169)
Increase/(decrease) in deferred tax balances	6,493	5,090
Movement in general reserve	195	1,412
(Increase)/decrease in assets:		
Receivables	15,028	17,482
Inventories	4	192
Other current assets	96	(84)
Increase/(decrease) in liabilities:		
Contract liabilities	(423)	-
Payables	(2,589)	6,052
Provisions	(341)	(1,133)
Net cash from operating activities	(147,435)	(148,697)

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.

	2019 $'000	2018 $'000
(a) Analysis of policy liabilities		
Total policy liabilities comprising life investment contract liablities and the amount expected to be realised on demand by the members	1,185,526	1,275,254
(b) Reconciliations of changes in policy liabilities		
Life investment contract liabilities		
Balance at the beginning of the financial year	1,275,254	1,363,854
Liability component of contributions	107,783	115,988
Withdrawals	(248,109)	(257,433)
Transfer from policyholder equity	-	1
Policy liability revaluation	1,266	(345)
Proposed allocation of current year's surplus	44,843	57,877
Foreign translation movement	4,489	(4,688)
Balance at the end of the financial year	1,185,526	1,275,254

29. LIFE INVESTMENT CONTRACT BUSINESS

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

2019	Revenue		Expenses		Profit/(loss) for the year		
	Premium	Investment	Fees	Investment income paid	Before tax	After tax	Declared Rate of Return
	$'000	$'000	$'000	$'000	$'000	$'000	%
Assurance Benefit Fund	-	-	-	-	-	-	-
Children's Bursary Fund	37	3,557	670	2,924	-	-	4.75
Children's Bursary Fund (NZ)	5	247	72	180	-	-	2.65
Children's Bursary Fund No. 2	120	4,809	626	2,860	1,443	-	4.05
Children's Bursary Fund No. 2 (NZ)	43	944	195	507	285	-	2.30
Children's Scholarships Fund	58	3,807	745	3,120	-	-	4.65
Children's Scholarships Fund (NZ)	7	237	72	172	-	-	2.60
Children's Scholarships Fund No. 2	148	4,160	587	2,473	1,248	-	4.00
Children's Scholarships Fund No. 2 (NZ)	49	746	169	401	225	-	2.25
Flexible Insurance Fund	-	-	-	-	-	-	-
HECS Equity Enhanced Fund	-	66	14	52	-	-	3.50
Higher Education Cost Saver Fund (Balanced)	-	819	154	665	-	-	4.10
Higher Education Cost Saver Fund (Fixed)	-	8	4	4	-	-	1.50
Malaysian Flexible Insurance Fund	-	-	-	-	-	-	-
Part B Flexible Insurance Fund	-	39	19	8	12	-	0.50
Pathway Education Fund	619	5,135	1,512	2,705	1,537	-	1.75
Pathway Education Fund (NZ)	33	153	86	64	36	-	2.45
Scholarships Benefit Fund (Balanced)	-	2,550	455	2,095	-	-	4.45
Scholarships Benefit Fund (Fixed)	-	100	42	58	-	-	1.75
Scholarships Benefit Fund (Malaysia)	-	1	-	1	-	-	2.50
Scholarships Benefit Fund (NZ)	-	269	119	150	-	-	2.00
Secondary Scholarship Benefit Fund (Balanced)	-	46	7	39	-	-	5.80
Secondary Scholarship Benefit Fund (Fixed)	-	3	-	3	-	-	-
Secondary Scholarship Benefit Fund (NZ)	-	-	-	-	-	-	1.50
Students' Education Fund	-	283	114	169	-	-	1.45
Students' Education Fund (NZ)	-	5	2	3	-	-	1.00
Students' Education Fund No. 2	-	1,007	168	537	302	-	2.15
Students' Education Fund No. 2 (NZ)	-	94	20	45	29	-	1.55
Supplementary Education Program	803	22,961	4,609	12,281	6,874	-	3.80
Supplementary Education Program (NZ)	44	530	176	239	159	-	2.10
Tertiary Education Cost Saver (NZ)	-	46	29	17	-	-	1.00
Tertiary Support Fund	-	38	4	23	11	-	3.65
The Education Fund	1,774	24,224	4,965	13,782	7,251	-	4.00
The Education Fund (NZ)	120	1,063	331	533	319	-	2.40
Total Life Investment Contract Business	3,860	77,947	15,967	46,109	19,731	-	

Australian Educational Allowance Fund

ASG is terminating the Australian Educational Allowance Fund. There are no assets in the fund and all policy liabilities have been paid out as at 30 June 2012.

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 Rate of Return
	$'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	-	

Australian Educational Allowance Fund

ASG is terminating the Australian Educational Allowance Fund. There are no assets in the fund and all policy liabilities have been paid out as at 30 June 2012.

29. LIFE INVESTMENT CONTRACT BUSINESS

Life investment contract business by benefit fund - Balance Sheet

2019	Assets		Liabilities		Equity
	Investments	Other	Life investment	Other	
	$'000	$'000	$'000	$'000	$'000
Assurance Benefit Fund	11	-	11	-	-
Children's Bursary Fund	49,144	1,387	50,531	-	-
Children's Bursary Fund (NZ)	5,756	-	5,750	6	-
Children's Bursary Fund No. 2	68,881	1,767	69,433	1,215	-
Children's Bursary Fund No. 2 (NZ)	22,000	21	21,691	330	-
Children's Scholarships Fund	52,300	1,447	53,747	-	-
Children's Scholarships Fund (NZ)	5,547	-	5,541	6	-
Children's Scholarships Fund No. 2	59,585	1,527	59,984	1,128	-
Children's Scholarships Fund No. 2 (NZ)	17,407	17	17,143	281	-
Flexible Insurance Fund	-	-	-	-	-
HECS Equity Enhanced Fund	857	25	882	-	-
Higher Education Cost Saver Fund (Balanced)	9,399	261	9,660	-	-
Higher Education Cost Saver Fund (Fixed)	340	-	339	1	-
Malaysian Flexible Insurance Fund	-	-	-	-	-
Part B Flexible Insurance Fund	1,912	-	1,908	4	-
Pathway Education Fund	83,473	1,575	83,979	1,069	-
Pathway Education Fund (NZ)	3,175	54	2,182	1,047	-
Scholarships Benefit Fund (Balanced)	32,238	870	33,108	-	-
Scholarships Benefit Fund (Fixed)	4,126	-	4,126	-	-
Scholarships Benefit Fund (Malaysia)	37	-	37	-	-
Scholarships Benefit Fund (NZ)	7,664	-	7,617	47	-
Secondary Scholarship Benefit Fund (Balanced)	653	20	673	-	-
Secondary Scholarship Benefit Fund (Fixed)	11	4	15	-	-
Secondary Scholarship Benefit Fund (NZ)	35	-	35	-	-
Students' Education Fund	5,337	150	5,487	-	-
Students' Education Fund (NZ)	166	-	166	-	-
Students' Education Fund No. 2	18,314	467	18,586	195	-
Students' Education Fund No. 2 (NZ)	2,517	3	2,500	20	-
Supplementary Education Program	338,433	6,273	336,337	8,369	-
Supplementary Education Program (NZ)	11,841	10	11,632	219	-
Tertiary Education Cost Saver (NZ)	1,390	2	1,392	-	-
Tertiary Support Fund	575	15	581	9	-
The Education Fund	359,171	6,614	357,423	8,362	-
The Education Fund (NZ)	23,472	19	23,030	461	-
Total Life Investment Contract Business	1,185,767	22,528	1,185,526	22,769	-

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	-

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

		Family Protection Fund		Contingency Fund		Total Life Insurance Contracts Business	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Income							
Investment income		55	58	73	68	128	126
Revenue - life insurance contracts		397	470	137	165	534	635
Total income		452	528	210	233	662	761
Operating Expenses							
Claims expense - life insurance contracts		64	92	112	192	176	284
Investment management expenses		34	36	36	37	70	73
Other operating expenses		-	2	1	2	1	4
Total expenses		98	130	149	231	247	361
Operating profit		354	398	61	2	415	400
Profit before income tax		354	398	61	2	415	400
Income tax expense/(benefit) (Note 7)		(132)	(159)	55	17	(77)	(142)
Total comprehensive income for the year		222	239	116	19	338	258
Unallocated surplus at the beginning of the financial year		3,629	3,890	3,765	3,946	7,394	7,836
Transfers to Management Fund		(500)	(500)	(200)	(200)	(700)	(700)
Retained profit		3,351	3,629	3,681	3,765	7,032	7,394
Life insurance contracts business by benefit fund - Balance Sheet							
Assets							
Cash and cash equivalents		2,258	2,547	825	922	3,083	3,469
Investment assets		1,233	1,197	2,813	2,777	4,046	3,974
Other assets		490	-	186	32	676	32
Total assets		3,981	3,744	3,824	3,731	7,805	7,475
Liabilities						-	-
Other liabilities		625	158	141	-	766	158
Total liabilities		625	158	141	-	766	158
Net assets		3,356	3,586	3,683	3,731	7,039	7,317
Equity						-	-
Policyholder equity		3,351	3,629	3,681	3,765	7,032	7,394
Foreign currency translation reserve		5	(43)	2	(34)	7	(77)
Total equity		3,356	3,586	3,683	3,731	7,039	7,317
Capital Adequacy Position						-	-
Net Assets (Common Equity Tier 1 Capital)		3,356	3,586	3,683	3,731	7,039	7,317
Less Regulatory adjustments to Tier 1 Capital		-	-	-	-	-	-
Net Assets after regulatory adjustments		3,356	3,586	3,683	3,731	7,039	7,317
Tier 2 Capital		-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital		-	-	-	-	-	-
Capital Base		3,356	3,586	3,683	3,731	7,039	7,317
Prescribed Capital Amount (net of management actions)		783	883	17	12	800	895
which comprises:						-	-
Asset risk		9	10	17	12	26	22
Insurance risk		781	881	-	-	781	881
Aggregation benefit		(7)	(8)	-	-	(7)	(8)
Capital adequacy multiple		4	4	217	311	9	8

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 2019 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 $0.144 million for the Family Protection Fund and $0.337 million for the Contingency Fund as at 30 June 2019.

31. STATEMENT OF COMPREHENSIVE INCOME BY BUSINESS TYPE

	Note	Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
		2019	2019	2019	2019	2019
		$'000	$'000	$'000	$'000	$'000
Revenue						
Investment income		52,793	128	5,672	(3,132)	55,461
Gain on disposal of investments		8,063	-	476	-	8,539
Change in fair value of financial assets designated as at fair value through profit or loss		17,090	-	1,742	-	18,832
Revenue from life investment contracts		3,861	-	-	-	3,861
Revenue from benefit funds		-	-	16,559	-	16,559
Premium revenue – life insurance contracts		-	534	-	-	534
Other revenue		-	-	158	600	758
Total revenue		81,807	662	24,607	(2,532)	104,544
Operating expenses						
Commission		-	-	513	-	513
Policy acquisition expenses		222	-	-	-	222
Policy maintenance expenses		3,639	-	-	-	3,639
Investment management expenses		12,069	70	-	-	12,139
Claims expense – life insurance contracts		-	176	-	-	176
Depreciation & amortisation		-	-	1,030	-	1,030
Staff expenses		-	-	14,974	358	15,332
Office expenses		-	-	968	73	1,041
Communication expenses		-	-	746	77	823
Marketing expenses		-	-	1,002	137	1,139
General expenses		-	-	3,906	(478)	3,428
Member & scholarships grants		-	-	1,399	-	1,399
Other operating expenses		37	1	476	109	623
Total expenses		15,967	247	25,014	276	41,504
Operating profit/(loss)		65,840	415	(407)	(2,808)	63,040
						-
Policy liability revaluation		(1,266)	-	-	-	(1,266)
Investment income paid or allocated to policyholders		(44,843)	-	-	-	(44,843)
Finance costs		-	-	-	-	-
Profit/(loss) before income tax		19,731	415	(407)	(2,808)	16,931
Income tax (expense)/benefit	7	(19,731)	(77)	3,892	9	(15,907)
Profit/(loss) for the year		-	338	3,485	(2,799)	1,024

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 through profit or loss		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		(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)
Profit/(loss) for the year		-	258	(6,997)	247	(6,492)

32. BALANCE SHEET BY BUSINESS TYPE

	Note	Total Life Investment Contracts Business 2019 $'000	Total Life Insurance Contracts Business 2019 $'000	Total Management Fund 2019 $'000	Total Controlled Entities (After Elimination) 2019 $'000	Total Consolidated 2019 $'000
Assets						
Cash and cash equivalents		2,470	3,083	4,753	1,279	11,585
Trade and other receivables		22,452	675	8,244	762	32,133
Other financial assets (investment assets)		-	-	65,481	-	65,481
Life investment contract assets		1,183,306	-	-	-	1,183,306
Life insurance contract assets		-	4,046	-	-	4,046
Inventories		-	-	-	-	-
Current tax assets	(b)	-	-	6,873	54	6,927
Other assets		-	-	-	-	-
Property, plant and equipment		-	-	7,727	-	7,727
Investment property		-	-	2,000	-	2,000
Deferred tax assets	(c)	-	-	-	13	13
Other intangible assets		-	-	880	-	880
Total assets		1,208,228	7,804	95,958	2,108	1,314,098
Liabilities						
Payables and other liabilities		1,487	656	5,805	1,044	8,992
Borrowings		1,025	-	-	-	1,025
Contract liabilities		-	-	1,768	-	1,768
Current tax payables	(b)	4,148	109	-	-	4,257
Employee entitlement		-	-	1,926	-	1,926
Deferred tax liabilities	(c)	16,042	-	1,446	-	17,488
Life investment contract liabilities	(a)	1,185,526	-	-	-	1,185,526
Total liabilities		1,208,228	765	10,945	1,044	1,220,982
Net assets		-	7,039	85,013	1,064	93,116
Equity						
Policyholder equity		-	7,032	-	-	7,032
Retained earnings		-	-	81,027	1,026	82,053
Reserves		-	7	3,986	38	4,031
Total equity		-	7,039	85,013	1,064	93,116

(a) Life investment contract liabilities

	Note	Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
Balance at the beginning of the financial year		1,275,254	-	-	-	1,275,254
Liability component of contributions		107,783	-	-	-	107,783
Withdrawals		(248,109)	-	-	-	(248,109)
Transfer to/(from) other funds		-	-	-	-	-
Transfer from policyholder equity		-	-	-	-	-
Policy liability revaluation		1,266	-	-	-	1,266
Proposed allocation of current year's surplus		44,843	-	-	-	44,843
Foreign translation movement		4,489	-	-	-	4,489
Balance at the end of the financial year	(d)	1,185,526	-	-	-	1,185,526

(b) Presented in the Consolidated Balance Sheet as follows:

	Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
Current tax assets	-	-	6,873	54	6,927
Current tax (payables)	(4,148)	(109)	-	-	(4,257)

(c) Presented in the Consolidated Balance Sheet as follows:

	Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
Deferred tax (liabilities)	(16,042)	-	(1,446)	13	(17,475)

(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 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	7,466	92,028	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		-	7,317	82,163	3,867	93,347
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 Consolidated Balance Sheet as follows:						
Current tax assets		-	-	6,101	-	6,101
Current tax (payables)		(7,676)	(141)	-	(66)	(7,883)
(c) Presented in the Consolidated Balance Sheet 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

(e) Capital Adequacy Position

	Total Life Investment Contracts Business 2019 $'000	Total Life Insurance Contracts Business 2019 $'000	Total Management Fund 2019 $'000	Total Controlled Entities (After Elimination) 2019 $'000	Total Consolidated 2019 $'000
Net Assets (Common Equity Tier 1 Capital)	-	7,039	85,013	1,064	93,116
Less Regulatory adjustments to Tier 1 Capital					
Deferred tax assets	-	-	-	-	-
Seed capital	-	-	1,025	-	1,025
Intangibles	-	-	880	-	880
Investment in subsidiaries	-	-	3,350	-	3,350
Others	-	-	2,500	-	2,500
Net Assets after regulatory adjustments	-	7,039	77,258	1,064	85,361
Tier 2 Capital	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital	-	-	-	-	-
Capital Base	-	7,039	77,258	1,064	85,361
Prescribed Capital Amount (net of management actions)	-	800	31,374	-	32,174
which comprises:					
Asset risk	-	26	19,867	-	19,893
Insurance risk	-	781	-	-	781
Aggregation benefit	-	(7)	-	-	(7)
Operational risk	-	-	2,992	-	2,992
Combined stress adjustment	-	-	8,514	-	8,514
Capital adequacy multiple	-	9	3	-	11
	2018 $'000	**2018 $'000**	**2018 $'000**	**2018 $'000**	**2018 $'000**
Net Assets (Common Equity Tier 1 Capital)	-	7,317	82,163	3,867	93,347
Less Regulatory adjustments to Tier 1 Capital					
Deferred tax assets	-	-	-	-	-
Seed capital	-	-	955	-	955
Intangibles	-	-	1,560	-	1,560
Investment in subsidiaries	-	-	3,500	-	3,500
Others	-	-	4,800	-	4,800
Net Assets after regulatory adjustments	-	7,317	71,348	3,867	82,532
Tier 2 Capital	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital	-	-	-	-	-
Capital Base	-	7,317	71,348	3,867	82,532
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.

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
	2019	2019	2019	2019	2019
	$'000	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Fees received	-	-	16,136	-	16,136
Contributions received	111,643	534	-	-	112,177
Premium received	-	-	158	332	490
Investment income received	25,834	775	3,239	(3,131)	26,717
Management fees paid	(15,930)	(71)	-	-	(16,001)
Payments to suppliers and employees	(35)	-	(22,285)	(1,038)	(23,358)
Payments to members and scholarship grants	-	-	(1,399)	-	(1,399)
Life investment contracts - withdrawals	(248,108)	-	-	-	(248,108)
Life insurance contracts - policy claims paid	-	(177)	-	-	(177)
Income tax payments	(17,617)	(109)	3,901	(87)	(13,912)
Net cash provided by/(used in) operating activities	(144,213)	952	(250)	(3,924)	(147,435)
Cash flows from investing activities					
Payment for investment securities	(193,045)	(9,990)	(22,561)	-	(225,596)
Proceeds on sale of investment securities	338,117	9,352	21,400	-	368,869
Proceeds from sale of plant & equipment	-	-	21	-	21
Payments for property, plant and equipment	-	-	(141)	-	(141)
Payments for intangible assets	-	-	(115)	-	(115)
Net cash provided by/(used in) investing activities	145,072	(638)	(1,396)	-	143,038
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	859	(386)	(946)	(3,924)	(4,397)
Cash at the beginning of the financial year	1,610	3,469	5,699	5,204	15,982
Effects of exchange rate changes on the balance of cash held in foreign currencies					-
Cash at the end of the financial year	2,469	3,083	4,753	1,280	11,585

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	2018	2018	2018	2018
	$'000	$'000	$'000	$'000	$'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
Payments for property, plant and equipment	-	-	(215)	-	(215)
Payments for intangible assets	-	-	(119)	-	(119)
Net cash provided by 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

DIRECTORS' DECLARATION

The Directors declare that:

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

b) in the Directors' opinion, the attached 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 Australian Accounting Standards Board 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

Mr C M Dunstan
Chairman

Mr A W Blewitt
Deputy Chairman

Deloitte.

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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 2019, 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 Entity's financial position as at 30 June 2019 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 Entity, 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 2019, 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.

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.

Deloitte.

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

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

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants
Sydney, 25 September 2019

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