Annual Report 2019/20

FUTURITY
INVESTMENT GROUP

Contents

The Chairman's Report

CRAIG DUNSTAN B COM, LLB, MBA, F FINSIA, MAICD

We hope to look back on 2019/20 as the year of our organisation's great transformation.

We believe our major achievements this year have set us on a course that will refresh our relevance as a modern, mutual education savings and investment focused institution.

Indeed, I am very pleased with the accomplishments of our ambitious transformation agenda. This has culminated with the launch of a new range of education bond products, moving our distribution to modern and effective channels, and improving our market perceptions with a new name and brand.

The new products have been launched 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 now the COVID-19 environment carries new uncertainties and pressures impacting our economy, job markets and family finances.

STEADFASTLY COMMITTED TO OUR HERITAGE

Whilst our organisation's rebranding as Futurity is of major significance, it does not change our long and proud heritage of helping Members and their children reach their potential and fulfilling their education dreams. Nor does it alter our steadfast commitments held for nearly 50 years to:

- remaining a mutual, Member-owned organisation supporting education outcomes for our Members and beneficiaries
- being a strong and proactive Advocacy voice on education issues and
- being an ethical and responsible corporate citizen that by Philanthropic support helps those disadvantaged due to a lack of choice and access to affordable education.

Our activities in the last financial year have been true to these ideals. This was a year where we have reached out with special support to our Members and community partners to help deal with the twin challenges of the tragic bushfires and COVID-19 pandemic.

A FEW KEY FINANCIAL MEASURES

At 30 June 2020, Futurity had total assets of $1.1 billion and we managed just on $1.0 billion in education savings and investments for you, our Members.

During the financial year, Futurity distributed over $224.6 million as scholarship, education and member benefits.

Futurity has a strong, well-capitalised balance sheet to facilitate the investment needed to fulfil our organisation's new strategic direction and support our next generation of education products.

COVID-19 – ECONOMIC AND INVESTMENT PERFORMANCE IMPACTS

The second half of the financial year (and more recent times) was dominated by COVID-19 pandemic impacts on the Australian and global economies resulting in uncertain economic conditions and volatile investment markets.

The Investment Performance Report on page 12 overviews the year's returns and the outlook for the year ahead. Suffice to say that markets were severely impacted and there are still unfolding COVID-19 developments and uncertainties.

Whilst investment markets remain volatile, Members can take comfort that Futurity (and as ASG beforehand) has steadfastly maintained its long-term approach to investing with quality diversified investment portfolios and dynamic strategic asset allocation.

Over this COVID-19 period we have heightened our attention to investment oversight and have been regularly rebalancing our portfolios.

STRATEGIC DIRECTION

During the year, Futurity's Board set the organisation's strategic direction with a dual focus - first on our Financial Product Lines, and secondly on our Advocacy and Philanthropy objectives.

To these ends, Futurity's directors devoted special attention in working with management on the strategic implications of the transformation and implementation of the multitude of projects, whilst dealing with the added challenges posed by COVID-19 business disruptions. Important strategic initiatives included:

ALIGNING OUR ORGANISATION'S PURPOSE AND VISION TO A TRANSFORMED FUTURITY

A central tenet of an organisation's strategic direction is to have clearly enunciated Vision and Purpose statements that are relevant to the organisation's reasons for existing, its values and ideals and of course, its future.

Importantly, these statements should be cognisant of, and have currency with the organisation's financial shape, its products, the market and economic environment, and its member and community aspirations. To these ends, the Board devoted considerable attention to aligning (and refining) our Vision and Purpose to Futurity's current strategy, which are set on page 11.

SETTING CONCISE PRIORITIES FOR OUR ADVOCACY STRATEGY

The Board set three strategic priorities for our Advocacy and Philanthropic endeavours:

One – Incentivising Access, Affordability, and Choice in Education

Two – Advancing Regional, Remote and Indigenous Education

Three – Advancing Teacher Quality, Development and Recognition

The Advocacy Report and Philanthropy Report on page 17 provides the details of these new priorities.

RENEWING THE FOCUS ON PHILANTHROPY AND SOCIAL RESPONSIBILITY

During the year we progressed Futurity's community and social responsibility endeavours by initiating the establishment of the Futurity Education Foundation.

This new registered charity's purpose is to raise funds and make donations for charitable and philanthropic purposes aligned to advancing the access, affordability, choice, and quality of education. Importantly, it will be partly funded by Futurity donating to the new Foundation 5% of management fees on the new Education Bonds range.

We have strengthened our 16-year partnership with national charity The Smith Family. Our 2019/20 donations supported 70 disadvantaged young people to stay in school and to thrive through The Smith Family's *Learning for Life* program. Additional funding was also provided to help meet bushfire-related funding for this same program.

RISK MANAGEMENT, REGULATORY AND OUR PANDEMIC PLAN

Our Compliance, Legal, Audit, Regulatory and Governance areas have done an outstanding job with the multitude of risk management, compliance and regulatory impacts of functioning during the pandemic conditions.

COVID-19 triggered a "material event" under our regulatory regime and activated many facets of Futurity's Risk Management Framework, including regularly reporting to APRA on Futurity's strategy, risk and capital position. The implementation of our Pandemic Plan has been thorough and well handled.

Fortunately, Futurity is financially well-placed to cope with the COVID-19 challenges and its impacts on our plans.

CHANGES TO THE BOARD

During 2019/20, long-standing Director Allen Blewitt passed on the mantle as Deputy Chairman. This role has been assumed by fellow Director Neelesh Mehta, who besides great passion for the benefits of education, has over 25 years' experience in the financial services and retail industries in Australia and overseas.

Allen continues as a Futurity Director and as both Chairman of NEiTA and Futurity's Education Advisory Panel and is a member of the Nominations and Remuneration Committee.

During the year, Kieren Dell concluded his role as a Participating Consultant and we thank him for his valuable contribution. Phillip Vernon, a very experienced financial services executive with over 30 years' experience in investments, superannuation, sustainable finance, and corporate governance, has joined Futurity as a Participating Consultant. We welcome Phil and look forward to his contribution.

THANK YOU

I thank my fellow Directors for their time and contribution towards the good governance of Futurity over the past year.

We want to recognise our new CEO, Ross Higgins, who has been the architect of Futurity's transformation projects and instrumental in setting the organisation on its new and exciting path. A special thanks goes to the Group Leadership Team, to Futurity's line managers and employees for their dedication and hard work during these challenging times.

Finally, thank you for the faith that you place in us to look after your education investment products and the privilege of being part of your family's education journey.

Craig Dunstan
Chairman

The CEO's Report

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

In these eventful times for all of us, I am pleased to report on my first full *financial year* as your CEO.

This has been a period of major change and achievement with Futurity's transformation, which remarkably have been accomplished with the second half dominated by severe business disruptions and challenges posed by the COVID-19 pandemic.

FUTURITY'S TRANSFORMATIONAL YEAR

Over 2019/20, we have successfully completed our major transformation projects. This has seen us develop new education savings and investment products, install new systems and open new distribution channels. We have also established a cohesive and productive operating rhythm amongst Futurity's new executive management team.

Futurity has been effectively launched as a modern, vibrant, new *financial institution* and we are uniquely placed for the "new normal" environment on the other side of COVID-19. This will be an environment of great prominence for the value of education, and especially with "lifelong" learning as the enabler for new kinds of work, reskilling, new technologies, and career changes.

A NEW EDUCATION PRODUCT RANGE

Late in the financial year, Futurity launched its new range of Education Bonds. These products have ground-breaking design and features for "lifelong" education courses and coverage for all ages. We believe they will revolutionise the way parents and grandparents save and invest to pay for education for their children, grandchildren and loved ones – and even for their own career-related and later life learning.

The centrepiece is the Family Education Bond, where investing Bond Owners have "discretion" to appoint up to 10 education beneficiaries under the one tax-effective Bond. Multiple beneficiaries can be appointed (or removed) across a broad "Family Class" and/or "Friends' Class" with flexibility to make education benefit claims at any time for some or all of them.

The new product is structured as a master Education Bond platform giving Bond Owners broad investment choice across a menu of 22 *investment portfolio* options that utilise some of Australia's best funds managers. A state-of-art product administration and unit pricing system has been built for the new Education Bond's range.

The Bonds have "*will-like*" estate planning tools for conveying "education-purposed" bequests outside normal *wills* and legal estate arrangements, and they can also be structured for making intergenerational wealth transfers for education funding. As a Member-owned mutual, we have ensured they have a transparent and a competitively low fee structure.

Our Product Report on page 14 overviews the new Education Bond range.

A NEW DISTRIBUTION STRATEGY

In another major transformational change, our business for the first time has shifted to using licensed Financial Adviser distribution channels. We also opened new direct sales avenues that will embrace today's rapidly emerging "self-directed" and more technology adept investors, looking for education funding solutions.

These monumental changes have meant us fully dismantling ASG's longstanding salaried "education counsellor" distribution model. Futurity has already assembled the core of a formidable new Sales and Distribution Team that will be expanded to have national coverage.

MARKETING REBRANDING AND TARGET MARKETS

During the year, our Products and Marketing Teams developed a new Futurity website, with a member portal and user-friendly online application for the new products. They also rolled out high quality marketing, media and promotional materials, including the Product Disclosure Statement for the new Education Bond range, which is available at www.futurityinvest.com .

Futurity's target market will still be focused on our heartland parent savers – however, we also want to recognise the increasing role of grandparents in education funding. We will also embrace the new breed of self-directed "online" investors looking for education funding solutions.

Grandparents already assist with a major portion of private school fees and post COVID-19 are likely to have an increasing role. Also, for grandparents wanting to put in place education-purposed estate planning and intergenerational arrangements, Futurity's new Bonds have tailored features.

OUR TALENTED AND DEDICATED EMPLOYEES

I am immensely proud of what Futurity's management and employees have accomplished over this year. This is especially so for the second half under Victoria's strict COVID-19 lockdown and work from home conditions – and for many employees also contending with the demands of homeschooling.

Without complaint or fuss they have just got on with their jobs with resilience – embracing the new strategy, delivering on transformation projects, and at the same time ensuring smooth operations with high level service to our ASG Membership base.

Special recognition must go to our frontline Customer Care Team, who have borne the brunt of distressed financial conditions faced by many ASG Members and lending customers due to the pandemic and the devastating bushfires before.

Hardship requests are very difficult to listen to and need sympathetic and patient handling. We were so pleased that our Team has been able to alleviate some level of anxiety and financial pressure with the deferral and other support measures put in place.

Fortuitously, well before the onset of the pandemic, Futurity had migrated to cloud-based technology. Our Technology Team deserve special accolades for the rapid and seamless transition from the office to our work-from-home environment. Futurity has high grade risk controls to limit our risk exposures for business continuity, data security and economic shocks, such as that posed by COVID-19.

MEMBER VALUE MEASUREMENT

In my first presentation as your CEO last year, I foreshadowed Futurity's objective to deliver 'mutual dividends' beyond the financial benefits attendant with your education products. Success with this objective can set us apart from other financial services organisations.

During the 2019/20 year we advanced this endeavour with considerable work in collaboration with the Business Council of Co-operatives and Mutuals and the Monash Business School in a project aimed to devise mutual sector-wide tools and a framework to articulate, define and measure the dimensions of mutual organisational value.

ASG BUSINESS – UPHOLDING ASG'S LEGACY

Futurity's future direction and operation cannot lose sight that our organisation is being developed on the foundations of the ASG business established nearly 50 years ago.

So to our near 75,000 Members with ASG branded products, I want to assure you that rebranding as Futurity, the new products and the organisational changes will in no way adversely impact your existing ASG products or your level of benefits or your voting entitlements.

Also, the way we communicate with you will remain unchanged – the ASG website and *My ASG* member portal will be fully maintained and we will continue to update Members through the quarterly ASG Scholastic member newsletter.

One thing we will be doing this year though, is exploring options and pathways for existing Members to move some elements of existing ASG products to the new Futurity Bonds.

I want to stress though that no changes or pathways will be introduced that are detrimental to your existing product entitlements or upset their accrued valuable taxation status.

BOARD, EMPLOYEES AND MEMBERS

I want to thank Futurity's Board of Directors for their confidence in the management team and for their unwavering commitment to, and oversight of the transformation projects.

All that has been accomplished this year would not have been possible without the hard work and support of the Futurity Group Leadership Team, managers and employees. I am proud of what we've achieved together.

Finally, my thanks and gratitude must go to you, our Members, for the great trust placed in us to look after and grow your education investments.

Ross Higgins
Chief Executive Officer

Our History

ABOUT FUTURITY

1974

Founded in 1974

75,000 members

Supported the education journeys of **557,000 children**

Total assets amount to **$1.18b**

We manage and invest **$1.09 billion** in education savings and investments for our members

Returned **$3.35 billion** to members in education benefits and scholarship payments

ADVOCACY & PHILANTHROPY

$1 million awarded in grants, prizes and endowments

26 years since the inception of the NEiTA Awards

40,000 NEiTA nominations received

1,050 teachers have received NEiTA Awards

Futurity 2020

FUTURITY IN 2020

$161.09m distributed as member benefits

52,040 member benefit payments

33,047 scholarship benefit payments

$63.57m distributed as scholarship benefits

92% Member satisfaction score

160 Average daily calls

42 secs Average response time

Provided hardship assistance during COVID-19 to **689** members

ADVOCACY & PHILANTHROPY

70 children supported via The Smith Family

2 Education Advisory Panel meetings with 8 expert educators

Initiated establishment of 1 new charitable foundation – Futurity Education Foundation

EDUCATION BOND RANGE

2 new bonds launched in 2020

choice of 22 investment options

up to **10** education beneficiaries with our Family Education Bond

1 education beneficiary with the Individual Education Bond

EDUCATION LOANS

74% of customers have a mortgage

38 borrowers assisted during COVID 19

$28,969 Average loan size

44 Average age of customers

PEOPLE & CULTURE

83 Number of employees

21 Our employees' countries of origin

33:50 Gender ratio (♀:♂)

Futurity Investment Group

Futurity Investment Group has been supporting the education journeys of families for over 45 years. We are an independent and mutually structured financial institution and Australia's leading issuer of tax-effective, life-event Education Bonds.

OUR PURPOSE

Our core purpose is enabling members to attain financial self-sufficiency to meet lifelong education objectives for themselves and their families. We support families and individuals to achieve these objectives through a ground-breaking range of Education Bonds, by our strong and active advocacy, and education-purposed philanthropy.

OUR VISION

Our vision is that everyone has access to the education and lifelong learning opportunities needed to fulfil their aspirations.

We support this vision through:

- Providing our members financial products to assist them to save and plan for the lifelong education costs of themselves, their families and others dear to them
- Advocating for a quality education that is affordable, accessible and inclusive across all sectors of society
- Philanthropic activities that break down barriers and enable educational pathways to disadvantaged sectors of our community.

PRODUCTS & SERVICES

Our ground-breaking range of Education Bonds is designed for members to tax-effectively save and invest to accumulate funding for education-purposed objectives. They have flexibility and features to establish financial provisioning for a full spectrum of lifelong education courses, to serve families across multiple generations or can be tailored for Individual Education Beneficiaries.

Through Futurity Lending, a *Tuition Instalment Loan* can help spread a full year's private school fees into easy and manageable repayments over 12 months. By smoothing the significant upfront fees and extra costs, juggling the household budget can be eased.

ADVOCACY

Our central advocacy objectives are furthering Access, Affordability and Choice in Education, with emphasis on regional, remote and Indigenous students. The NEiTA Foundation, with its National Excellence in Teaching Awards (NEiTA), and the upcoming Teachers Report Card, support improved teacher quality and retention.

We annually survey on the Cost of Education to better inform all consumers and produce the Parents Report Card, which measures satisfaction with schools, and provides invaluable benchmarks. We assemble an Education Advisory Panel of leading educational practitioners providing research, guidance and insight.

PHILANTHROPY

Through the Futurity Education Foundation we shall support community, regional and Indigenous initiatives. NEiTA is a community-centred awards program, started with the NEiTA Foundation in 1994 to honour exemplary teaching in Australia and New Zealand.

Futurity is proud to work with The Smith Family as our charity partner. The Smith Family is a national charity helping young Australians in need to get the most out of their education, so they can create better futures for themselves.

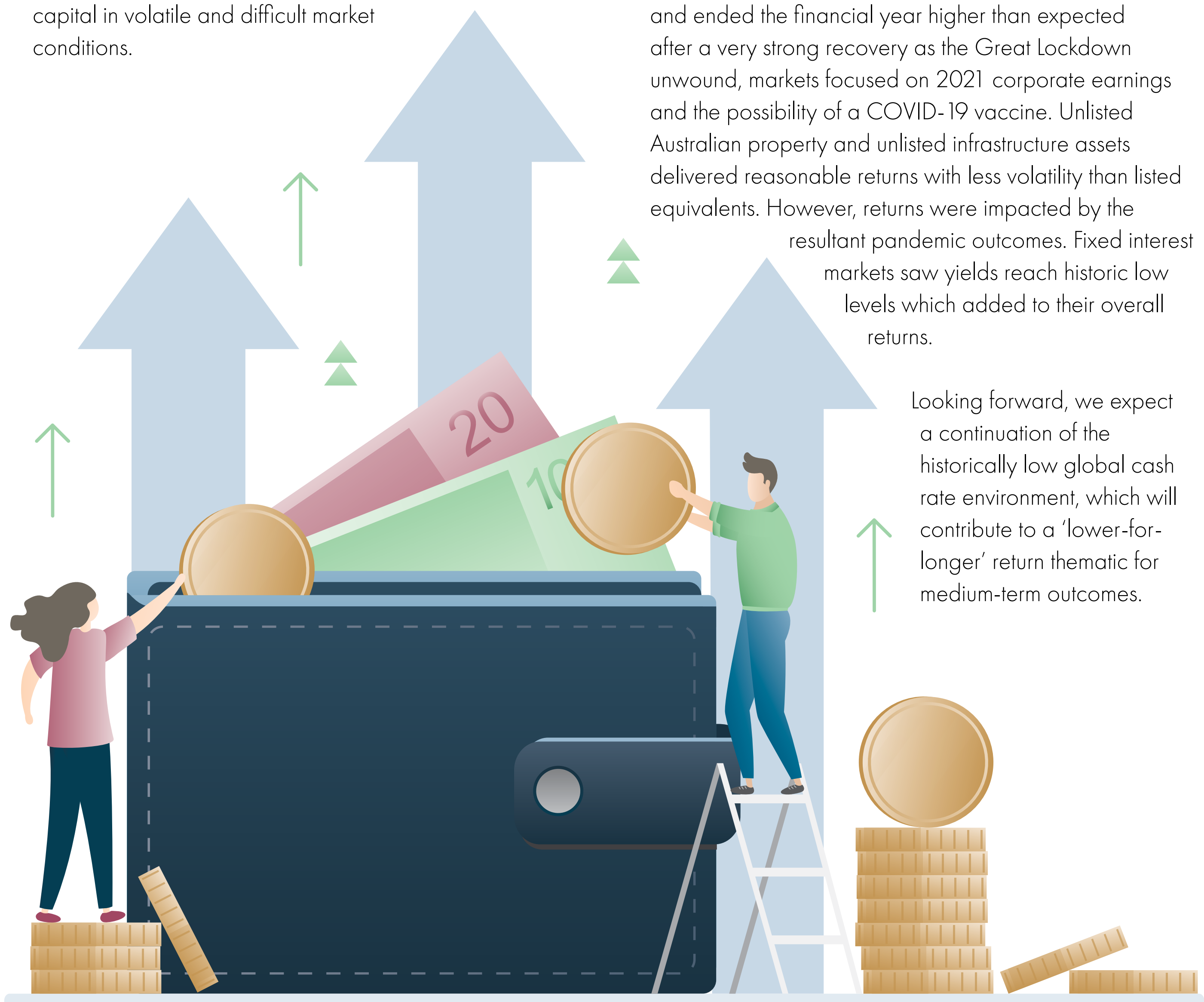

Investment Performance Report 2020

PETER TAUBMAN, HEAD OF INVESTMENTS

The year was challenging with the unprecedented events surrounding the COVID-19 pandemic and the impact of measures taken to slow the spread of the virus. This led to the Great Lockdown.

We saw global equity markets plunge and liquidity quickly dry up in credit markets as COVID-19 infection numbers grew. Then around the world we witnessed Governments and Central Banks respond with extraordinary levels of both fiscal and monetary policy actions, which sought to provide economic stimulus to support growth.

Post March 2020, equity markets staged an equally impressive and swift recovery led by 'big tech' in the US. With our disciplined approach and investment frameworks we managed risks and participated in the improvement in market conditions. We remained focused on our carefully crafted strategic asset allocation and the diversification within our investment portfolios, whilst protecting Members' capital in volatile and difficult market conditions.



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 and continued our overweight positioning to the unlisted Australian property asset class and unlisted infrastructure asset class. The strategic asset allocation design positively contributed to the investment returns generated, and importantly provided downside protection to the portfolios throughout the COVID-19 pandemic.

Global and Australian equity market returns were volatile and ended the financial year higher than expected after a very strong recovery as the Great Lockdown unwound, markets focused on 2021 corporate earnings and the possibility of a COVID-19 vaccine. Unlisted Australian property and unlisted infrastructure assets delivered reasonable returns with less volatility than listed equivalents. However, returns were impacted by the resultant pandemic outcomes. Fixed interest markets saw yields reach historic low levels which added to their overall returns.

Looking 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.

TOTAL FUNDS UNDER MANAGEMENT

As of 30 June 2020, the total funds under Futurity management amounted to $1.18 billion. During the year, we paid $224.66 million in member benefits and scholarship payments.

INVESTMENT RETURNS

Our primary investment purpose for the Pooled Risk Group and Unitised Futurity Managed and Blended investment options is to provide stable and reliable investment returns without taking excessive risk, to best assist our Members and investors to meet the costs of their children's education.

Futurity's products are of a tax paid investment style and our returns are quoted after taxes have been applied to the earnings at the applicable tax rate (generally 30% for our funds). We do however receive a tax benefit when we pay our scholarship benefits to our Members' children, which we pass on to Members via higher payments. The declared rate of return and unit price does not include the tax benefit returned to Members.

The following table provides a summary of the returns generated on some of our Pooled Risk Group benefit funds for the year ended 30 June 2020.

BENEFIT FUND	DECLARED RATE OF RETURN
The Education Fund	0.75%
Supplementary Education Fund	0.25%
Pathway Education Fund*	0.05%
The Education Fund (NZ)	2.25%
Supplementary Education Fund (NZ)	2.00%
Pathway Education Fund (NZ)*	2.38%

*annualised

Our Unitised Funds Group only has a short history since its gradual inception in February 2020.

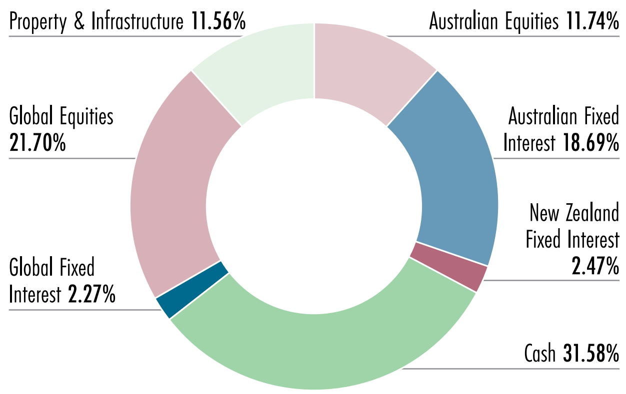
EXPECTATIONS FOR THE YEAR AHEAD

We expect uncertainty to remain for some time as the world and investment markets work through the COVID-19 pandemic and its associated fiscal and monetary effects are adjusted over time. We view market volatility as remaining at levels higher than in recent years and expect subdued relative levels of global economic growth. Whilst equity markets staged a large recovery, it was driven by 'big tech' and the breadth of the recovery was narrow. Defensive assets such as fixed interest securities and money market securities are expected to be more subdued over the coming years, especially with global bond yields back to near historic low levels and Central Bank interventions in markets as a result of COVID-19.

In the medium term, Futurity expects most defensive assets will continue to return lower than long term historical levels. However, we believe Australian defensive assets will assist in generating risk-adjusted returns within a balanced investment fund as opposed to global fixed interest assets. 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.

During the year, we constructed our unitised investment menu as we built our ground-breaking Education Bonds. The investment menu offers both self-directed investors and financial advisors investment choice. We look forward to contributing and watching that product grow, develop and prosper, as it assists to meet the investment objectives of our Members and investors.

FUNDS UNDER MANAGEMENT



Our Products

KATE HILL, GROUP EXECUTIVE – FINANCIAL PRODUCTS AND MARKETING & DIGITAL

In what was an exciting year for us, we launched a ground-breaking range of Education Bonds that revolutionised the way parents and grandparents save and invest to pay for education. These Education Bonds help members to tax-effectively establish financial provisioning for a full spectrum of lifelong education courses and can serve families across multiple generations.

The centrepiece of the range is a 'first-of-kind' discretionary *Family Education Bond* that works like your own tailored, education-purposed family trust – but with off-the-shelf simplicity and the inbuilt tax-effectiveness of a conventional education bond. This product provides discretion to appoint up to 10 education beneficiaries under the one Family Bond with freedom to make education benefit claims for some or all of them. Education beneficiaries can be appointed or removed across broad family and friends classes.

The other Bond type in Futurity's new range is an *Individual Education Bond* that has all its benefits earmarked, invested, and accounted only for one individual education beneficiary. This product allows members to cater for the specific education goals and timeframes of children of different ages - and also to address 'blended' family situations, where maintaining different arrangements (and sometimes, confidentiality) between children of current and previous relationships is desired.

Both Education Bonds in the new range feature savings and lump sum investment plans for lifelong education funding with the broadest possible coverage, including preschool, primary, secondary, university, TAFE, job, mid-life/career, micro-credential, adult education and indigenous courses.

Our ground-breaking range of Education Bonds include:

- First-ever *Family Education Bonds* giving parents and grandparents discretion to appoint multiple education beneficiaries under the one tax-effective, flexible Education Bond
- *Individual Education Bonds* to tailor separately invested, managed, and accounted for Bonds for individual education beneficiaries
- Coverage for lifelong education courses and education expenses for individual and family education provisioning and intergenerational wealth transfers with Bond terms up to 99 years.

This range of modern Education Bonds has an expansive investment menu, a competitive and transparent fee structure and a full complement of features:

CONTROL – Bond owner(s) have full control of their investment, whether used for education purposes or otherwise applied for their own changed personal use.

ACCESS – At any time for education benefit claims and making other withdrawals (for any purpose).

PLANNING FEATURES – Estate and intergenerational planning tools and appointing Bond guardians.

A MASTER FUND-LIKE INVESTMENT MENU – 22 investment options with leading Australian and international managers and switching tax-freedom.

EASE & FLEXIBILITY OF OPERATION – Minimise burdensome annual taxation and CGT reporting for Bond owners.

PEACE OF MIND – Secure peace of mind knowing your education funding plans are in place.

TUITION INSTALMENT LOAN

Our *Tuition Instalment Loan* has continued to offer parents with children in private Independent schools a more flexible way to pay for their school fees. In addition to convenient weekly, fortnightly, and monthly repayment options we have launched a brand new secure online self-service portal. Parents with a *Tuition Instalment Loan* can now pay their school fees directly via BPAY, apply for an increase to their loan and view their account details and transaction history.

The first half of 2020, unfortunately, saw many families affected by the negative economic impact of the COVID-19 pandemic. For a number of parents with a *Tuition Instalment Loan*, our hardship assistance policy has enabled us to offer short-term repayment deferrals and repayment reductions have been provided to help them through this period.

Our People

ANGELA GODFREY, GROUP EXECUTIVE – PEOPLE & CULTURE

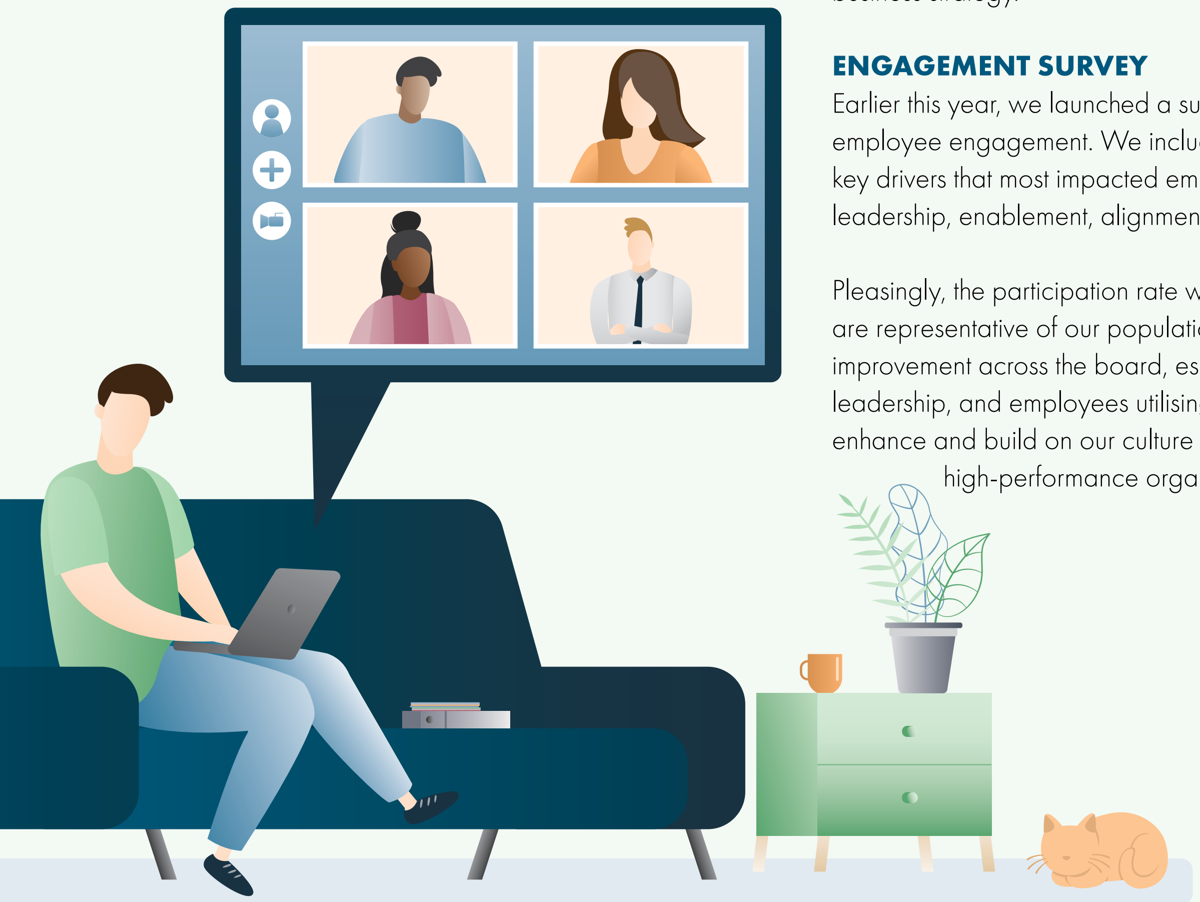
The People and Culture Team supports Futurity's mission in a myriad of ways – from collaboration on engagement initiatives to implementation of a new best-in-class technology designed to meet the evolving needs of Futurity.

In the past 12 months, the People & Culture Team has worked to help Futurity become an employer of choice by offering a suite of services to support employees and team members throughout their journey at Futurity. We are committed to building a high-performance, diverse, and inclusive workforce, while recognising the skills and capabilities of our employees.

In the 2019/20 financial year, we launched several strategic initiatives focused on employee engagement, health and wellbeing, and learning and development.

PUTTING PEOPLE FIRST

In the 2019/20 financial year, we implemented a new best-in-class technology called Bamboo, a kiosk system designed to meet the evolving needs of Futurity, increase efficiency, and reduce complexity.



HEALTH AND WELLBEING

The COVID-19 pandemic presented unique challenges that we have never come across earlier. Our transition from office to working from home was seamless, with our employees being supported with tools that ensured that they remained connected, productive, and engaged. The People & Culture Team continue to support employees through these challenging times as we hope to transition back to the workplace soon.

EMPLOYEE LEARNING AND DEVELOPMENT

Futurity's focus on education naturally translates to encouraging employees to constantly hone their skills and stay updated through self-directed development. With the launch of the Futurity Education Bonds an e-learning module was developed to give our employees an insight into the features of the new brand, the Education Bonds range, and its unique features and benefits. The learning experience reflected the new branding style in line with the business strategy.

ENGAGEMENT SURVEY

Earlier this year, we launched a survey to measure employee engagement. We included questions on four key drivers that most impacted employee engagement: leadership, enablement, alignment, and development.

Pleasingly, the participation rate was 84%, so the results are representative of our population. We saw a significant improvement across the board, especially in terms of leadership, and employees utilising opportunities to enhance and build on our culture and focus on being a high-performance organisation.

Advocacy and Philanthropy

DAVID MICHELL – POLICY, RESEARCH AND STAKEHOLDER RELATIONS MANAGER

At Futurity, we express our mutual purpose and values through responsible actions, and by better informing and empowering our Members through advocacy activities.

Central to our value proposition to Members is the recognition that Australian families – parents, grandparents, and others – in all stages of life, have education objectives. Being a mutual organisation, Futurity engages in advocacy on education matters on behalf of our Members and the wider community. Our focus is primarily on parents, teachers, students, and children who experience disadvantage in accessing quality education.

ADVOCACY AND PHILANTHROPY STRATEGIC PRIORITIES

During the 2019/20 financial year, Futurity's Directors set three strategic priorities for our advocacy and philanthropic endeavours, and the organisation embarked on the mission to fulfil them.

ONE – INCENTIVISING ACCESS, AFFORDABILITY, AND CHOICE IN EDUCATION

- **Parents Report Card –** the 2020 edition gathered perspectives of parents, grandparents, and other caregivers about the state of education in Australia. This report is vital to to understanding, analysing, and linking together the myriad of facets of schooling and education in Australia.

- **Measuring the cost of education –** in the 2019/20 financial year, we upgraded the mechanism of reporting and research to better inform consumers about the costs of education.

  Schooling represents a substantial household expense, which varies depending on school sector, location, stage of schooling, and the preferences and choices of parents. Researchers from the Faculty of Education at Monash University analysed our Parents Report Card Survey data and *MySchool* fee and voluntary contributions data to offer Futurity Members and the wider community an evidence base for the long-term cost of education.

- Cost of Education Calculator – a valuable output of the Parents Report Card and cost of education research is the production of a member-friendly education cost calculator, housed on our website. A new calculator, based on recent data, will soon be launched offering more flexible functionality.

TWO – ADVANCING REGIONAL, REMOTE, AND INDIGENOUS EDUCATION

Our advocacy objective here is to help bridge the gap in educational opportunity faced by students in regional and remote areas. We want to advance the education opportunities for disadvantaged students, with a special emphasis on rural, remote, and Indigenous students.

- Key aspects of our endeavours to engage with regional communities are reflected in the Parents Report Card and in the NEiTA Awards. We use the Parents Report Card to report separately on the school education experience of our Members based outside major metropolitan areas. In so doing we pick up both the challenges and benefits of being educated in regional locations.
- Regional and remote schools face the key challenge of attracting and retaining the best teachers. The 2020 Parents Report Card found that 71% of parents in regional areas believe teachers are less than sufficiently recognised, compared to 63% of parents in metropolitan centres. It also revealed higher degrees of satisfaction among regional respondents than city dwellers when it came to how well schools were preparing students for the future of work.
- Melinda Golinski, a primary school teacher from Bunbury Cathedral Grammar School in the southwest of Western Australia, was selected as the *Terry O'Connell Regional and Remote Teacher's Award* winner in 2019. Melinda won a $5,000 professional development grant in recognition of her work supporting female primary teachers in regional areas to develop STEM teaching skills.

THREE – TEACHER QUALITY AND NEiTA

Through our funding and resourcing of the NEiTA Foundation, we actively support improved teacher quality and retention, while promoting teacher professional development and recognition.

The NEiTA Awards recognise and celebrate exceptional educators in early learning centres, primary and secondary schools, and special schools.

- Over the last 26 years, NEiTA has received more than 40,000 nominations, of which 1,050 teachers have received awards. NEiTA has awarded over $1 million in professional development grants, prizes, and endowments.

- We congratulate the 2019 NEiTA Award recipients – 12 teachers in Australia and six in New Zealand – and acknowledge the support of the NEiTA judging panels. Unfortunately, the Australian ceremony, which was due to take place in late March 2020 in Melbourne, was postponed due to the COVID-19 crisis.

- Teachers have met the challenge of lockdowns, school closures, and the need to adopt online teaching for all school ages. To appreciate the vital role of educators during the COVID-19 crisis, NEiTA has refocused its Awards to recognise 'innovation in online teaching' for primary and secondary teachers, and to acknowledge the pivotal role of principals and school heads through the *NEiTA Founders' Principals Award for Leadership.*

For the last 10 years, one NEiTA-winning educator and two Australian secondary school student beneficiaries have been sponsored to attend the week-long International Space Camp in Huntsville, Alabama, USA. Space Camp brings together educators and students from 35 countries across the world to build relationships and challenge themselves as STEM learners and teachers.

Unfortunately, owing to international travel restrictions posed by the spread of COVID-19, we were unable to offer Space Camp in 2020. Futurity is planning an alternative immersive education-based prize.

PHILANTHROPY AND CORPORATE SOCIAL RESPONSIBILITY

ESTABLISHING THE FUTURITY EDUCATION FOUNDATION

During the year we initiated the establishment of the Futurity Education Foundation as a registered charity. Its purpose will be to raise funds and make donations, bequests, and to convey benefits for charitable and philanthropic purposes aligned to advancing the access, affordability, choice, and quality of education.

It will be funded in part by 5% of Futurity's management fees on the new Education Bonds range being donated by Futurity to the Foundation.

THE SMITH FAMILY

In keeping with Futurity's education-related vision and purpose, we have had an active partnership with national charity The Smith Family to support the education needs of disadvantaged Australian children.

- Futurity supports 70 disadvantaged young people to stay in school and to thrive. Through The Smith Family's *Learning for Life* program, we provide financial assistance to the children's families, the support of a family partnership co-ordinator, and access to special programs.

- Futurity also promotes employee engagement with The Smith Family by encouraging employees to use a paid Community Service Day off to support activities like the Toy and Book Christmas Appeal, involving employee volunteers in wrapping Christmas presents, and/or delivering gifts to children.

- In 2020, Futurity provided additional funding to help meet bushfire-related funding shortfalls for the *Learning for Life* program.

UNITED NATIONS GLOBAL COMPACT (UNGC)

In keeping with our long-term investment strategies, Futurity strives to securely meet our long-term commitments for Members' education plans while being cognisant of global challenges including climate change, energy demand, water scarcity, political instability, and poverty. We recognise the need to support universal human rights and environmental sustainability.

In keeping with our corporate social responsibilities, Futurity is a signatory to the UN Global Compact. The 10 core UNGC principles relate specifically to human rights, labour, the environment, and anti-corruption. They tie directly to the 17 UN Sustainability Goals for 2030, particularly via UNGC Principle 7, where we commit "to support a precautionary approach to environmental challenges".

Significantly, quality education is also seen as a foundation for sustainable development. UN Sustainability Goal 4 for 2030 is to "ensure inclusive and equitable quality education and promote lifelong learning opportunities for all," which closely aligns with Futurity's vision and purpose..

In supporting these important UN principles, Futurity is consciously committing our people, business, and investments to the adoption of sustainable and socially responsible policies, strategies, and operations – for a better future for all.

THOUGHT LEADERSHIP AND ADVOCACY IN PRACTICE

An Education Advisory Panel of leading educational practitioners and researchers from each State and Territory in Australia and a representative from New Zealand, who are collectively experts on education – from preschool to university – support our research and submissions to education policymakers.

Two notable submissions were made during the 2019/20 financial year

- To the Council of Australian Government's Education Council Review of the 'Melbourne Declaration' into the goals for the Australian education system, we suggested that the dual goals of excellence and equity in education be well supported by the Declaration recognising the importance of diversity and choice in education providers.

- For our submission to the Education Council's Review of Senior Secondary Pathways, we drew on the Parents Report Card to observe that more than half of the respondent member parents reported being "satisfied "or "very satisfied" with how schools are preparing their children for the future of work.

During the year, as part of the refreshing of advocacy activities in line with mutual value principles, and to provide fresh topical content to Members, we commissioned a series of thought leadership articles. Educational consultant Mary Clarke of DXP Consulting was asked to research and write on four key topics thrown up by the COVID-19 crisis. These articles are being published in the Scholastic newsletter and on neita.com.

MUTUAL VALUE MEASUREMENT (MVM)

In the 2019/20 financial year, Futurity activated the MVM project. We have joined with other mutual organisations led by the Business Council of Co-operatives and Mutuals and Monash Business School in a project to produce standard mutual sector-wide tools showing dimensions of value that help users weigh up value for themselves.

As a first step, we took inventory of the ways Futurity had made a positive impact by looking at our 'mutual value-add' over the 46 years since our inception. These inventory findings will be used to better track performance on our corporate social responsibility objectives.

Three of the MVM frameworks' main mutual value measures that Futurity will be focusing on are:

- **Member relationships:** a key metric of the MVM inventory check is that over 1 million parents and student beneficiaries have benefited from our education products over the last 46 years.

- **Community relationships:** Futurity is part of the fabric of many schools; our NEiTA Awards are unique in accepting nominations from parents, students, and community members.

- **Mutual mindset:** this is reflected in how as a mutual we are always aiming to do the right thing, and to think and act long term. Futurity has a track record of actions taken to support Members who have experienced financial hardship, and to support our commitment to sustainability principles.

Board of Directors and Participating Consultants

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

CRAIG DUNSTAN

CHAIRMAN

B Com, LLB, MBA, F Finsia, MAICD

Craig joined us as a Participating Consultant in 2010, was appointed as a Non-Executive Director in 2011, and appointed as the Chairman of the Board in October 2015.

Craig has extensive experience in the financial services industry in Australia, Asia, and the United States. He is currently Managing Director of Vasco Trustees Limited, Chairman of D H Flinders Corporate Advisory, Non-Executive Director of Federated Investors Australia Services Limited and LaTrobe Health Services Limited and Chair of its Nominations and Remuneration Committee.

Previous roles include Managing Director of ASX-listed MacarthurCook Limited, General Manager Financial Services at Australian Unity Limited, and Deputy Chair of Seaforth TAFE college in NSW.

Craig is the current Chairman of Futurity's Nominations and Remuneration Committee, and a member of the Investment Committee.

NEELESH MEHTA

DEPUTY CHAIRMAN OF THE BOARD

B Com, FCA, FAICD

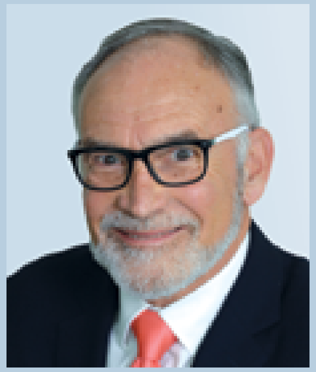
Neelesh is a Non-Executive Director who was appointed to the Board in 2017. He was appointed as the Deputy Chairman of the Board in 2019.

Neelesh has over 25 years' experience across 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.

Neelesh is a Fellow of the Institute of Company Directors, and a Fellow of Chartered Accountants Australia. He is Chairman of We Ride (Australian Cycling Promotion Fund), CFO and board member of Texas Peak Group, and Managing Director of Jaipur Asset Management Pty Ltd.

He also is on the Board of RSPCA Victoria and Chairs their Audit, Risk and Finance Committees. He is 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.

Neelesh is a member of Futurity's Audit Committee.



ALLEN BLEWITT

NON-EXECUTIVE DIRECTOR

BA (Hons), MEd, FAICD, FAIM

Allen joined us in 2012 as a Participating Consultant and was appointed as a Non-Executive Director in 2015. He served as Deputy Chairman of the Board from 2016 to 2019.

Allen is currently a Director of Cambridge Box Hill Language Assessment and Cambridge English (Australia). As an independent consultant, he advises companies, NFPs, and professional associations on governance and business strategy.

He was global CEO of the Association of Chartered Certified Accountants (ACCA) and prior to that served in various senior positions, including Deputy CEO and Director of Education with the Institute of Chartered Accountants (ICAA). He has been a secondary school teacher and university lecturer.

Allen is the current Chairman of Futurity's Education Advisory Panel, the NEiTA Foundation and a member of the Nominations and Remuneration Committee.

TONY BRAIN

NON-EXECUTIVE DIRECTOR

B Com, CA, GAICD, FAIST

Tony started with us 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 Australian Super. This experience has involved a mixture of assurance, advice, and financial and regulatory audit work, particularly within the financial services sector.

Tony 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.

Tony's current Board-related roles also include an appointment to the AMP Superannuation Trustee Boards since October 2018—currently as Interim Chair—and his recent appointments to the Board of Monash Health and Victoria University Council.

Tony also serves as an Independent Member on various Board Committees – Magistrates Court Victoria, Barwon Health and the Alannah & Madeline Foundation. Tony is currently Chairman of Futurity's Risk & Compliance Committee and a member of each of its Audit Committee and Investment Committee. Tony was also appointed as a member of the Company Auditors Disciplinary Board in August 2017.

DR JACQUELINE JENNINGS

NON-EXECUTIVE DIRECTOR

B Met, M Mgt, PhD Mgt, GAICD

Jacqueline joined us as a Participating Consultant in 2011 and was appointed Non-Executive Director in 2012.

Jacqueline has extensive senior executive 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 Coordinating Council, and is a Director of the Darwin Waterfront Corporation Board. She also has experience as a Director of Peoplecare Health Insurance, and was a member of the Finance and Risk Committee within that Board, and a Director of the Non-Health Fund Subsidiary of that company.

Jacqueline is the Chairman of Futurity's Investment Committee and a member of the Risk & Compliance Committee and the Education Advisory Panel.

LEON NASH

NON-EXECUTIVE DIRECTOR

B Bus, MBA, FCPA, FAICD

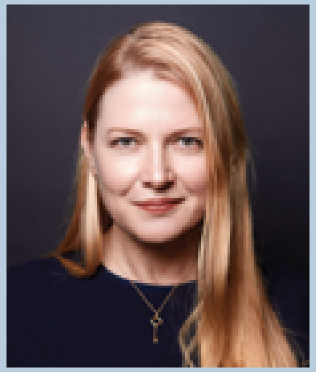
Leon is a Non-Executive Independent Director who was first appointed to the Board in 2006.

Leon 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 previously acted as the Financial Controller (Australia and New Zealand) of a multinational 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.

Leon is currently Chairman of Futurity's Audit Committee and a member of its Nominations aand Remuneration Committee.

Board of Directors and Participating Consultants (continued)



JENNIFER STOREY

NON-EXECUTIVE DIRECTOR

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

Jennifer joined us as a Participating Consultant in 2016 and was appointed Non-Executive Director in August 2018.

Jennifer is a highly successful leader with more than 20 years 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 Futurity-appointed Director of Permission Click Inc.

Jennifer is a member of Futurity's Risk and Compliance Committee.

KIEREN DELL

PARTICIPATING CONSULTANT

B.A (Sydney), LLB (UTS)

Kieren was appointed 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 to date. In 2002, Kieren became the CEO and founder of Majestic Cinemas, which currently operates seven cinema sites in Northern NSW and SE Queensland.

Kieren was a Participating Consultant until 25 October 2019.

PHILLIP VERNON

PARTICIPATING CONSULTANT

B Ec, M Comm, MBA, FAIDC, FCA, FASFA

Phil was appointed as a Participating Consultant in March 2020.

Phil is a senior financial services executive with over 30 years' experience in investments, superannuation, sustainable finance, and corporate governance. He was Managing Director and Chief Executive of Australian Ethical Investment, Australia's leading ethical superannuation and ethical investment company. Prior to that he was a senior executive with Perpetual Limited, one of Australia's leading investment companies.

Phil is a Director of environmental not for profit Beyond Zero Emissions, the Environmental Defender's Office, and Planet Ark Environmental Foundation. He serves on the Steering Committee of industry body the Australian Sustainable Finance Initiative, and has been a Director of the Responsible Investment Association of Australia and of the Australian Securitisation Forum (Chair).

Phil has a Bachelor of Economics, a Master of Commerce, and a Master of Business Administration. He is a Fellow of the Australian Institute of Company Directors, of Chartered Accountants Australia and New Zealand, and of the Australian Superannuation Funds Association.

Board and Participating Consultants' Skills and Experience Matrix

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

Directors' Skills & Experience Matrix	MEMBER 1	MEMBER 2	MEMBER 3	MEMBER 4	MEMBER 5	MEMBER 6	MEMBER 7	MEMBER 8	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

Corporate Governance Statement

Futurity Investment Group Limited ("Futurity") (formerly Australian Scholarships Group Friendly Society Limited) is a Member-owned mutual organisation, which at 30 June 2020 had close to 67,500 members and nearly 110,000 children enrolled.

FUTURITY'S VISION AND PURPOSE

Our core purpose is enabling members to attain financial self-sufficiency to meet lifelong education objectives for themselves and their families. We support families and individuals to achieve these objectives through a ground-breaking range of Education Bonds, by our strong and active advocacy, and education purposed philanthropy.

Our vision is that everyone has access to the education and lifelong learning opportunities needed to fulfil their aspirations.

We support this vision through:

- Providing our members financial products to assist them to save and plan for the lifelong education costs of themselves, their families and others dear to them
- Advocating for a quality education that is affordable, accessible and inclusive across all sectors of society
- Philanthropic activities that break down barriers and enable educational pathways to disadvantaged sectors of our community.

BOARD OF DIRECTORS

The role of the Board is to provide leadership and strategic guidance for Futurity and its related bodies corporate ("the Group" listed under Note 22 on Page 80) in addition to overseeing Management's implementation of Futurity's strategic initiatives. The Board is accountable to Members for the performance of the Group's businesses.

In performing its role, the Board aspires for excellence in corporate governance standards.

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

Futurity'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 Futurity and its Members.

Futurity'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 Futurity, ensuring that the Board consists of Directors with a broad range of skills and relevant experience.

BOARD ROLE AND RESPONSIBILITIES

The key responsibilities of Futurity's Board include:

- Approval of the strategic direction of the Group, of the annual budget and business plan, and monitoring of performance against them for the Group
- Approving and monitoring the effectiveness of compliance and risk management by the 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 Futurity'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 Futurity's Constitution are observed.

DIRECTOR EMERITUS

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

The current Directors Emeriti are:

GARY R BICKERTON, MAICD

As a Founding Member, Gary first joined the Futurity 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 Futurity Investment Group Limited. Gary retired from Futurity'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 Futurity for over 30 years and has been an active member since the early 1980s when he enrolled his children in Futurity. Colin joined the Futurity Board in 1984 and was elected Deputy Chairman in 2009. Colin retired from his position of Deputy Chairman of Futurity 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 Futurity's Board.

During the year the following people served as Board Participating Consultants:

Mr K Dell was a Consultant from 1 July 2019 to 25 October 2019.

Mr P Vernon is an existing Consultant, appointed on 27 March 2020.

MEETINGS OF THE BOARD

Futurity's Board met monthly (other than in January and March) with two strategic planning sessions held in May and a further strategic planning meeting is scheduled for the December quarter 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 Futurity Constitution's eligibility requirements. If a casual vacancy occurs during the year, Futurity'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.

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

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

Futurity 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

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

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

Futurity'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 Futurity, market practice, and its risk profile.

Futurity'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 Futurity to undue risk.

COMMITTEES

Futurity's Board establishes Committees to assist it in its role of overseeing the corporate governance practices of Futurity. Futurity'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 Futurity's Board:

AUDIT COMMITTEE

The members of the Audit Committee as at 30 June 2020 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 Executive Officer, Chief Financial Officer, Internal Audit Manager and Chief Risk Officer to each meeting, along with the External Auditor and Appointed Actuary twice a year. The Committee, amongst other functions, provides a forum for the effective communication between Futurity's Board and Futurity'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 Futurity'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 for employees to submit, confidentially, information about accounting, internal control, compliance, audit and other matters about which the employee has concerns
- Attends to various reporting, audit, and control matters.

INVESTMENT COMMITTEE

The members of the Investment Committee as at 30 June 2020 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 Futurity within the constraints imposed by the approved investment policies and guidelines detailed in the Investment Policy, Risk Management Policy, and any regulations in force
- 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 2020 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 the Head of People and Culture.

The Committee is responsible to Futurity'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 33.

RISK AND COMPLIANCE COMMITTEE

The members of the Risk and Compliance Committee as at 30 June 2020 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 Futurity's Chief Executive Officer, Chief Risk Officer, and members of Futurity's management to meetings.

The Risk and Compliance Committee:

- Provides an institution-wide view of Futurity'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 Strategy
- Reviews and advises the Board on the Futurity Risk Management Framework and its elements, including risk appetite statement, risk management strategy, risk register and ICAAP
- Assesses management's attention to Futurity's various compliance responsibilities.

EDUCATION ADVISORY PANEL

In addition to the Committees, the Futurity 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 Panel are generally external to Futurity 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 2020 were:

Mr A W Blewitt	Non-Executive Independent Director (Chair)
Dr J A Jennings	Non-Executive Independent Director
Mrs C Newton	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 Futurity's financial statements.

Deloitte also conducts audits on Futurity's compliance with APRA's Prudential Standards and Australian Financial Services Licence conditions as specified by ASIC.

INTERNAL AUDIT

Futurity has an Internal Auditor and its Internal Audit Department provides independent and objective assurance and advice on the adequacy and effectiveness of Futurity's governance and risk management (including internal control) processes to support the achievement of objectives within the Board's risk appetite and to facilitate continuous improvement.

APPOINTED ACTUARY

In compliance with the requirements of S93 of the *Life Insurance Act*, Futurity appointed KPMG to provide the role of Appointed Actuary. Mr G Callaghan, Director, Actuarial & Financial Risk is the present incumbent, having succeeded Ms B Cummings, KPMG Executive, on 6 June 2020.

ASSET CONSULTANT

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

Directors' Report

The Directors of the Futurity Investment Group Limited ("Futurity") (formerly Australian Scholarships Group Friendly Society Limited) submit herewith the annual Directors' Report for the financial year ended 30 June 2020.

DIRECTORS

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

Mr C M Dunstan	Chairman
Mr N Mehta	Deputy Chairman
Mr A W Blewitt	Director
Mr T Brain	Director
Dr J A Jennings	Director
Mr L G Nash	Director
Ms J Storey	Director

COMPANY SECRETARY

MR E SILVERII

Joined Futurity in January 2019 and was appointed as the Company Secretary on 29 August 2019.

FUTURITY'S STRATEGIC DIRECTION

Over 2019/20, Futurity underwent major transformational change designed to restore and strengthen its financial sustainability as a mutually structured friendly society.

Central to this was launching in June 2020 a new Futurity Education Bond product range. Other transformational elements delivered over 2019/20 were the Society renaming and rebranding as Futurity, building a new website and member and distribution portals and installing new systems and online services to support the new education savings and investment products.

The prime objective behind the transformation is building a replacement education products business to address Futurity's declining Funds Under Management (FUM). This decline is driven by outmoded ASG pooled risk education products, which for some years have been deep in their maturity phase and closed to accepting new business.

Changes to Futurity's strategy over the period also entailed establishing new distribution channels by moving for the first time to the use of licensed Financial Advisers and to direct sales through online technology-based platforms.

Going forward, the Society is mindful of the importance of delivering high service standards to its existing Members who hold the maturing ASG branded education plans. This FUM will underpin the Society's revenue base over Futurity's regenerative phase.

In the longer term, Futurity's financial services strategy is to continue helping its Members to fund lifelong education-purposed objectives with savings with products aimed at delivering solid investment returns, while protecting Members' capital in down markets.

PRINCIPAL ACTIVITIES

Futurity operates as a friendly society-based life insurance company that is Member-owned and structured as a mutual. Futurity is a current issuer in Australia of education bond savings and investment products and maintains closed scholarship plan Benefit Fund business within Australia and New Zealand.

The principal activities of Futurity and its subsidiaries during the financial year were the provision of savings, investment and credit products to help fund the cost of education. Futurity 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 Futurity to meet its organisational and member objectives.

KEY PERFORMANCE MEASURES

Financially Futurity seeks to maintain its already strong capital base enabling it to continually and comfortably meet its short and long-term commitments to Futurity's Members as well as its regulatory obligations and working capital needs.

Non-financial measures include the provision of high member 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 Futurity for 2019/20 was $0.525 million (2018/19: $1.024 million).

REVIEW OF OPERATIONS

The report of our 46th 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.

The year was challenging with the unprecedented events surrounding the COVID-19 pandemic. This impacted investment returns, however, our focus on strategic asset allocation, diversification and downside protection of investment portfolios assisted to cushion the investment returns on the management fund and member funds. Post March 2020, some assets recovered ground over the months into 30 June however, defensive asset returns were subdued.

Pleasingly, over the course of the year we have returned more than $224 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.

These are some of the key figures from the year:

	2020 $'000	2019 $'000	Movement %
FUM Benefit Funds	1,085,817	1,216,032	(11%)
Management Fund	96,268	95,958	-
Controlled Entities	2,409	2,108	14%
Total Assets	1,184,494	1,314,098	(10%)

The declared rate of return for Benefit Funds closed to new Members can be found in Note 27 of the Annual Report.

SIGNIFICANT CHANGES IN PRINCIPAL ACTIVITIES

During the 2019/20 financial year, there was no significant change in the principal activities of Futurity.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The long-term impacts caused by the COVID-19 pandemic remain unclear. With recessionary conditions prevailing, the continuing adverse macroeconomic effects from Victoria's prolonged state of lockdown, the closure of state and international borders, and extent of government support measures, consideration has been given to the impact on the Futurity Group as required by AASB 110 Events after the reporting date. Futurity did not identify subsequent events that would require adjustments or amounts or disclosures to be made in the financial statements. Given the evolving nature of COVID-19 and its unknown duration, Futurity will continue to assess and monitor for further impacts.

Apart from the above, the Board is not aware of any matter or circumstance arising since 30 June 2020 which has significantly affected or may significantly affect the financial status or results of Futurity and which has not been separately disclosed in this report.

DIRECTORS' INTERESTS AND BENEFITS

Since the end of the previous financial year and to the date of signing this report, no Director of Futurity has received or become entitled to receive any benefit (other than a benefit included in Note 25: Related Party Disclosures forming part of Futurity'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		Strategy offsite		Investment Committee		Audit Committee		Risk and Compliance Committee		Education Advisory Panel		Nominations and Remuneration Committee	
Directors:	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr A Blewitt	10	10	1	1							2	2	4	4
Mr T Brain	10	10	1	1	8	8	5	5	7	7				
Mr C M Dunstan (Chairman)	10	10	1	1	8	8							4	4
Dr J A Jennings	10	10	1	1	8	8			7	7	2	2		
Mr N Mehta	10	10	1	1			5	5						
Mr L G Nash	10	10	1	1			5	5					4	4
Ms J Storey	10	10	1	1					7	7				
Participating Consultants:														
Mr K Dell	4	4												
Mr P Vernon	3	3	1	1										

- Mr A Blewitt resigned as Deputy Chairman on 25 October 2019.
- Mr N Mehta was appointed as Deputy Chairman from 26 October 2019.
- Mr K Dell ceased as Participating Consultant on 25 October 2019.
- Mr P Vernon joined as a Participating Consultant on 27 March 2020.

CLASS OF MEMBERSHIP IN THE COMPANY

There is one class of membership. Under Rule 23.2 of Futurity'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 Futurity'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, Futurity paid a premium for a contract insuring the Directors, Participating Consultants, Company Secretary and Executive Officers of Futurity 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 Futurity 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

Futurity 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 N Mehta
Deputy Chairman

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Futurity Investment Group Limited
23-35 Hanover Street
Oakleigh, VIC 3166

23 September 2020

Dear Board Members

Auditor's Independence Declaration to Futurity Investment Group 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 Futurity Investment Group Limited.

As lead audit partner for the audit of the financial statements of Futurity Investment Group Limited for the financial year ended 30 June 2020, 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 R 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 Futurity 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) 2020 remuneration information for the year ended 30 June 2020 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 Futurity.

FY 2020 KMP covered in this year's Remuneration Report are listed below:

NAME	POSITION
Non-Executive Director	
Mr C M Dunstan	Chairman
Mr N Mehta	Deputy Chair
Mr A W Blewitt	Director
Mr T Brain	Director
Dr J Jennings	Director
Mr L G Nash	Director
Ms J Storey	Director
Key Management Personnel	
Mr Ross Higgins	Chief Executive Officer
Mr Enzo Silverii	Chief Financial Officer
Mr Dennis Clark	Chief Risk Officer
Mr Damien Otto	Group Executive – Sales & Distribution
Ms Kate Hill	Group Executive – Financial Products, Marketing & Digital

2. REMUNERATION GOVERNANCE

NOMINATIONS AND REMUNERATION COMMITTEE ROLE

The Nomination and Remuneration Committee (the Committee) is responsible to Futurity's Board for advising on certain governance and remuneration matters, having regard to Futurity'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 Futurity'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 Futurity for the purposes of the Nomination and Remuneration Committee Charter are as follows:

- Chief Executive Officer (CEO)
- Company Secretary
- General Counsel
- Senior Executives
- Internal Audit Manager
- Any other person whose activities may affect the financial soundness of Futurity and any other person specified by APRA.

The Committee shall review the remuneration arrangements of all Responsible Persons of Futurity 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 Futurity'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 Futurity 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 Futurity'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 Futurity's diversity and gender pay equity initiatives, and update the Board on the gender proportion of Futurity'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 Futurity. Remuneration is reviewed on an annual basis considering Futurity's performance.

The Futurity 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 2019 AGM, the Members approved a pool of $535,000 for Directors' fees, including committee fees, outside directorships and superannuation guarantee. The approved maximum Committee fees payable being:

Committee	Fee per meeting per Director		Maximum fee per financial year per Director	
Audit	Chair:	$975	Chair:	$6,825
	Member:	$585	Member:	$4,095
Risk and Compliance	Chair:	$975	Chair:	$6,825
	Member:	$585	Member:	$4,095
Nominations and Remuneration	Chair:	$975	Chair:	$6,825
	Member:	$585	Member:	$4,095
Investment	Chair:	$975	Chair:	$9,750
	Member:	$585	Member:	$5,850

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

$820 per member per Panel meeting and $1,365 per Chair per Panel meeting.

The gross salary of Directors is paid from the $535,000 pool. Superannuation guarantee contributions that are required to be paid for all Directors are 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 Futurity 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.

To qualify for the supplementary benefit, a minimum of 10-years continuous service is required. An initial contribution into a Director's Futurity 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 Futurity 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					
2020					
Mr C M Dunstan	89,949	8,580	9,360	-	107,889
Mr A Blewitt	50,607	5,070	5,289	-	60,966
Mr T Brain	45,985	14,375	5,734	-	66,094
Dr J A Jennings	45,985	13,535	5,654	-	65,175
Mr N Mehta	59,817	2,925	5,961	-	68,703
Mr L G Nash	45,985	7,215	5,054	5,000	63,254
Ms J Storey	55,950	4,095	5,704	-	65,750
Total	394,278	55,795	42,757	5,000	497,831
2019					
Mr C M Dunstan	76,700	7,050	7,956	-	91,706
Mr A 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	44,408	1,110	4,741	-	50,258
FORMER NON-EXECUTIVE DIRECTOR					
Ms M K Sasson	3,400	1,665	481	-	5,547
Total	348,531	44,045	37,712	6,000	436,287

*Includes $4,462 (2019: $1,923) and $10,000 (2019: $9,192) for N Mehta and J Storey respectively for directorships in entities in which Futurity has an investment.

CHIEF EXECUTIVE OFFICER AND SENIOR EXECUTIVES

The Chief Executive Officer and senior executives who are employed by Futurity are remunerated in accordance with Futurity's remuneration policy and practices. Their remuneration arrangements are reflective of the executive role they performed for Futurity and are reviewed annually.

In setting an individual's remuneration Futurity considers:

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

Superannuation guarantee contributions are included in post-employment benefits and are paid by Futurity 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 determine 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	Superannuation	Termination payment	Total
		$	$	$	$	$
FY 2020 CEO AND SENIOR EXECUTIVES						
Mr R Higgins	Full year	378,997	96,250	21,003	-	496,250
Mr E Silverii	Full year	229,837	10,000	20,791	-	260,628
Mr D Otto	Full year	248,051	10,000	20,801	-	278,852
Mr D Clark	Full year	246,400	-	-	-	246,400
Ms K Hill	Full year	219,469	5,000	20,926	-	245,395
Other Senior Executives		565,890	15,000	64,488	70,478	715,856
		1,888,644	136,250	148,008	70,478	2,243,381
FY 2019 CEO AND SENIOR EXECUTIVES						
Mr R Higgins	Start 2 Jan 2019	185,356	-	10,266	-	195,622
Mr T Mitchell-Adams	End 21 Dec 2018	171,783	47,671	15,399	129,798	364,651
Mr E Silverii	Start 19 Apr 2019	28,220	-	2,681	-	30,901
Mr B Hawkins	End 18 Apr 2019	216,136	-	18,883	16,094	251,113
Mr D Otto	Full year	224,086	-	20,047	-	244,133
Mr C Schafer	End 28 Feb 2019	149,706	-	16,917	67,120	233,744
Ms B Crook	End 29 Mar 2019	116,319	-	13,023	93,416	222,758
Mr 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	193,847	360,471	2,666,113

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
Mr R Higgins	2 years	4 months' notice
Mr E Silverii	Ongoing	8 weeks' notice
Mr D Otto	Ongoing	8 weeks' notice
Ms K Hill	Ongoing	8 weeks' notice
Mr D Clark	6 months	4 weeks' notice

EMPLOYEE SHARE OPTION PLAN

Futurity does not have an employee share option plan.

KEY MANAGEMENT PAYMENT

Under Futurity'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	
	2020	2019
	$	$
Payments made by Futurity out of the benefit funds to KMP	15,488	18,863

The names of key management personnel of Futurity with payments arising from their memberships are: L G Nash and J Jennings (2019: C M Dunstan, B Hawkins, L G Nash and J Jennings).

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

Futurity Financial Report 2020

Consolidated Statement of Income and Other Comprehensive Income
FOR THE YEAR ENDED 30 JUNE 2020

Continuing Operations	Notes	2020 $'000	2019 $'000
Revenue			
Investment income		29,020	82,832
Funds management and insurance income		20,835	20,954
Other operating revenue		553	759
Total revenue	5	50,408	104,545
Expenses			
Operating expenses		(35,397)	(41,504)
Total expenses	6	(35,397)	(41,504)
Operating profit		15,011	63,041
Policy liability revaluation	29	3,129	(1,266)
Investment income allocated to policyholders	29	(14,308)	(44,843)
Profit before income tax expense		3,832	16,932
Income tax expense	7(a)	(3,307)	(15,908)
Profit/(loss) for the year		525	1,024
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on property revaluation		233	127
Remeasurement of defined benefit obligations		36	26
Income tax relating to items not reclassified subsequently		(70)	(38)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(360)	234
Income tax relating to items reclassified subsequently		108	(70)
Other comprehensive income for the year, net of tax		(53)	279
Total comprehensive income for the year		472	1,303
Profit/(loss) attributable to:			
Members of Futurity Investment Group		525	1,024
Total comprehensive income attributable to:			
Members of Futurity Investment Group		472	1,303

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 2020

	Notes	2020 $'000	2019 $'000
Assets			
Cash and cash equivalents	26 (a)	6,819	6,032
Trade and other receivables	9	7,144	9,006
Life investment contract assets	10	1,078,765	1,208,228
Life insurance contract assets	11	7,052	7,804
Other financial assets - investment assets	12	63,408	65,481
Current tax assets	7(c)	139	2,670
Property, plant and equipment	13	7,850	7,726
Investment property	14	2,100	2,000
Other intangible assets	15	2,616	880
Total assets		1,175,893	1,309,827
Liabilities			
Trade and other payables	16	7,201	8,991
Borrowings		-	1,025
Contract liabilities		1,328	1,768
Deferred tax liabilities	7(d)	6,528	17,475
Employee entitlement	17	2,063	1,926
Life investment contract liabilities	30	1,065,185	1,185,526
Total liabilities		1,082,305	1,216,711
Net assets		93,588	93,116
Equity			
Policyholder equity		6,440	7,040
Reserves		3,913	3,916
Retained earnings		83,235	82,160
Total equity		93,588	93,116

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 2020

	Policyholder equity $'000	General reserve $'000	Foreign exchange translation reserve $'000	Revaluation reserve $'000	Total reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 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/(expense)	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
Transfers from benefit funds	-	-	-	-	-	700	700
Transfer to management fund	(700)	-	-	-	-	-	(700)
Profit for the year	150	-	-	-	-	375	525
Other comprehensive income/(expense)	(50)	36	(202)	163	(3)	-	(53)
Total comprehensive profit/(loss) for the year	100	36	(202)	163	(3)	375	472
Balance at 30 June 2020	6,440	(22)	(146)	4,081	3,913	83,235	93,588

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Life investment contracts - contributions received		99,669	112,177
Life investment contracts - withdrawals		(224,659)	(248,108)
Life investment contracts - fees received		15,469	16,136
Life insurance contracts - premium received		13,541	490
Life insurance contracts - policy claims paid		(293)	(177)
Investment income received		7,064	26,717
Management fees paid		(15,463)	(16,001)
Payments to suppliers and employees		(29,909)	(23,358)
Payments to members and scholarship grants		(969)	(1,399)
Income tax payments		(11,821)	(13,912)
Net cash used in operating activities	26 (b)	(147,371)	(147,435)
Cash flows from investing activities			
Payment for investment securities		(149,421)	(225,596)
Proceeds from sale of investment securities		299,696	368,869
Payments for property, plant and equipment		(127)	(141)
Proceeds from disposal of property, plant and equipment		4	21
Payments for intangible assets		(2,325)	(115)
Net cash generated by investing activities		147,827	143,038
Cash flows from financing activities			
Transfers from benefit funds		700	700
Transfers to management fund		(700)	(700)
Payment to lease liability		(106)	-
Payment of Interest on lease liability		(3)	-
Net cash used in financing activities		(109)	-
Increase in cash and cash equivalents		347	(4,397)
Cash and cash equivalents at the beginning of the financial year		11,585	15,982
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	-
Cash and cash equivalents at the end of the financial year	28 (a)	11,932	11,585

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

1. GENERAL INFORMATION

The Futurity Investment Group Limited ("Futurity", "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 Futurity Investment Group Limited and its subsidiaries, referred to in these consolidated financial statements collectively as "the Group".

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

23-35 Hanover St
Oakleigh VIC 3150

A description of the nature of the Group's principal activities is included in the Directors' Report on page 28 which is not part of these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

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

AASB 16 – LEASES

In the current year, the Group has applied AASB 16 that is effective for annual periods that begin on or after 1 January 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 July 2019.

The Group has applied AASB 16 using the modified retrospective approach.

(a) Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the definition of a lease and related guidance set out in AASB 16 to all contracts entered into or changed on or after 1 July 2019. In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i) Former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 17, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Group:

- Recognises 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
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are 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 incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'operating expenses' in profit or loss.

(c) Impact on Lessor Accounting

AASB 16 does not change substantially how a lessor accounts for leases. Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

(d) Financial impact of the initial application of AASB 16

IMPACT ON ASSETS AND LIABILITIES

	2019 $'000
Intangible assets	
Right-of-use assets	138
Additions	15
Total	153
Trade and other payables	
Lease liability	153

IMPACT ON PROFIT/(LOSS) FOR THE YEAR

	2020 $'000
Increase in depreciation of right-of-use asset	102
Increase in finance cost	4
Increase in profit for the year	106

IMPACT ON CASH FLOWS

	2020 $'000
Decrease in cash outflows from operating activities	(109)
Increase in cash outflows from financing activities	
Payment to lease liability	105
Payment of interest on lease liability	4

The lease liability recognised at 1 July 2019 can be reconciled to the operating lease commitments as disclosed at 30 June 2019 as follows:

	$'000
Operating lease commitments at 30 June 2019	273
- Leases expired during the year	(96)
- Changes of lease during the year	(34)
- Lease addition during the year	15
- Effect of discounting at the incremental borrowing rate	(5)
- Lease liability at 1 July 2019	153

AASB INTERPRETATION 23 – UNCERTAINTY OVER INCOME TAX TREATMENTS
AASB 2017-4 – AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – UNCERTAINTY OVER INCOME TAX TREATMENTS

The Group has adopted AASB Interpretation 23 and AASB 2017-4 for the first time in the current year. AASB Interpretation 23 and AASB 2017-4 set out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- Determine whether uncertain tax positions are assessed separately or as a group
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its incoming tax filings.

The adoption of AASB Interpretation 23 and AASB 2017-4 do not have material impact to the Group, as the Group's accounting tax position is consistent with the tax treatment used or planned to be used in its income tax filings.

STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

The Group 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 2023:

- AASB 17 – *Insurance Contracts*

AASB 17 – INSURANCE CONTRACTS

AASB 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

AASB 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Group is not yet able to reasonably estimate the impact of the adoption of this standard on its financial statements.

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 23 September 2020.

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, the Group 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 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 Futurity and entities controlled by Futurity, including subsidiaries, is referred to as 'the Group'. Control is achieved where Futurity:

- 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.

Futurity 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 Group.

3.4 ACCOUNTING FOR BENEFIT FUNDS

Classification and presentation

Under AASB 1038 *'Life insurance contracts'*, the benefits issued by Futurity 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 Futurity 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 Futurity 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, the Group'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 Futurity's Actuary. Once declared by Futurity's Board of Directors the amounts are credited to members' accounts.

Declared rate of return
Life investment contract liabilities as they appear in Note 27 include rate of return for the year ended 30 June 2020, which have been approved by the Group's Actuary and declared by the Board of Directors.

3.5 REVENUE RECOGNITION
The Group 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 the Group expects to be entitled in a contract with a customer and excludes amount collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Contract liabilities
Contract liabilities represent the Group'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
The Group 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 the performance obligations of the contract have already been satisfied.

Investment income
The Group'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 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 the Group 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.

Futurity'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.

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

Service fee income
Service fee income from credit product is recognised using the effective interest method as the credit product is measured subsequently at amortised cost.

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
Futurity 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.

Futurity presents the first two components of defined benefit costs in profit or loss in the line item employee 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 Futurity'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 Futurity 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 Futurity.

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, Futurity 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 the Group 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 the Group.

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 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 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 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 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
- 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
- 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
- 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 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 has applied the simplified approach in AASB 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect the current conditions and estimates of future economic conditions.

Impact of COVID-19 on impairment testing

The Group has considered the impacts of the COVID-19 pandemic on its annual impairment testing of financial assets with specific attention given to:

- the impact of the current economic and market conditions associated with COVID-19
- the Group's view of the likely longer-term impacts of the economic and market conditions associated with COVID-19 on revenue and growth rate
- the impact of increased volatility in financial markets.

These considerations were significant factors that resulted in the $1.6 million impairment in the value of the Group's investment in the Good Education Group.

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

3.14 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 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 Futurity'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 Futurity's Appointed Actuary, Mr Gerard Callaghan (Bachelor of Business Science, FIAA, Accredited member of the Institute of Actuaries of Australia) of KPMG Actuarial Pty Ltd. This report covers benefit fund liabilities and prudential reserves. The effective date of the report is 30 June 2020. 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 Futurity'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, LPS 110, LPS 112, LPS 114, LPS 115, LPS 118, LPS320, LPS340, LRS001 and LRS 110.1.

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 2020.

	Notes	2020 $'000	2019 $'000
5. REVENUE			
Investment income			
Distributions income		49,700	46,327
Interest income		22,466	17,673
Net (losses)/gains of financial assets held at fair value through profit and loss		(41,522)	18,832
Impairment on financial assets		(1,624)	-
Funds management and insurance income			
Premium revenue - life investment contracts		4,496	3,861
Premium revenue - life insurance contracts		430	534
Revenue from benefit funds		15,909	16,559
Other operating revenue		553	759
		50,408	104,545
6. EXPENSES			
(a) Personnel			
Salaries and related costs		10,930	13,993
Superannuation costs		1,038	1,340
Other		324	773
Total personnel expenses		12,292	16,106
(b) Premises			
Rent		127	329
Depreciation		257	264
Other		246	272
Total premises expenses		630	865
(c) Technology			
Depreciation and amortisation		484	766
Licences and outsources services		1,306	883
Other		9	134
Total technology expenses		1,799	1,783
(d) Life investment and insurance contracts			
Policy expenses		4,496	3,861
Claims expenses		131	176
Investment management expenses		11,387	12,140
Total life investment and insurance contracts expenses		16,014	16,177
(e) Communication, marketing and other expenses			
Advertising and marketing		703	1,339
Communication expenses		1,101	823
Legal and professional fees		986	2,186
Freight, stationery, postage and telephone		247	221
Auditors' remuneration		390	340
Member and scholarship grants		970	1,399
Other		265	265
Total communication, marketing and other expenses		4,662	6,573
Total operating expenses		35,397	41,504

	2020 $'000	2019 $'000
7. INCOME TAX		
(a) Income tax recognised in profit or loss		
Current tax	14,303	9,452
Deferred tax	(10,996)	6,456
Total income tax expense recognised in the current year	3,307	15,908
The income tax expenses for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	3,832	16,932
Income tax expense calculated	1,150	5,080
Effect of income that is exempt from taxation	(1,901)	(3,643)
Effect of expenses that are not deductible in determining taxable profit	3,883	14,471
Other - apportionment deduction adjustment	165	(17)
	3,297	15,891
Adjustments recognised in the current year in relation to the current tax of prior years	10	17
	3,307	15,908

The tax rate used in the 2020 and 2019 reconciliation is the corporate tax rate of 30 per cent, under Australian tax law, payable by tax-consolidated group, Futurity Investment Group Limited. 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 (2019: 28 per cent) under New Zealand tax law.

	2020 $'000	2019 $'000
(b) Income tax recognised in other comprehensive income		
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Property revaluations	(49)	(37)
Total income tax recognised in other comprehensive income	(49)	(37)
(c) Current tax assets and liabilities		
Current tax assets/(liabilities):		
Income tax payable attributable to:		
Parent entity	(5,853)	(3,225)
Entities in the tax-consolidated group	189	38
Tax credits & instalments	5,802	5,850
Exchange difference of foreign subsidiary	1	7
	139	2,670
Current tax balances are presented in the consolidated balance sheet as follows:		
Current tax assets	139	2,670
(d) Deferred tax balances		
Deferred tax balances are presented in the consolidated balance sheet as follows:		
Deferred tax liabilities	6,528	17,475

7. INCOME TAX (CONTINUED)

Taxable and deductible temporary difference arise from the following:

2020	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	(16,397)	-	10,028	-	(6,369)
Property, plant and equipment	(1,679)	-	-	(49)	(1,728)
Investment property	(433)	-	(30)	-	(463)
Exchange difference of foreign subsidiary	(29)	-	22	-	(7)
	(18,538)	-	10,020	(49)	(8,567)
Gross deferred tax assets:					
Trade and other receivables	14	-	32	-	46
Financial assets at fair value through profit or loss	128	-	1,016	-	1,144
Contract liabilities	499	-	(132)	-	367
Provisions	422	-	60	-	482
	1,063	-	976	-	2,039
	(17,475)	-	10,996	(49)	(6,528)

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)

8. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

Risk Management is a fundamental element of the Group'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 the Group's ability to achieve its business objectives. The Group's Risk Management Framework outlines the core minimum requirements that the Group must follow in the management of risks at the Group. Effective risk management requires a coordinated framework across the entire organisation.

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

The Group'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 Futurity 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 the Group's management to help the Group 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 the Group's risk management strategy. Management is responsible for assisting with identifying, assessing, managing and reporting risks within the business.

The 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 Futurity 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 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 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 Futurity's benefit funds, a 10 per cent change in the unit price of investments in unlisted trusts would lead to a $94.91 million change (2019: $104.195 million change) in investment income which would be offset by an investment income/loss allocated to policyholders. Therefore, the net financial position of Futurity's benefit funds would remain unchanged before and after a 10 per cent change in price.

As the majority of the 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 Futurity was exposed to at reporting date:

		Profit		Total Equity	
	Change in Variable	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Pricing Risk	+/(-) 10%	+/-6156	+/-5,583	+/-6156	+/-5,583

The Group's sensitivity to price risk has increased by 8.02 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 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

Futurity 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	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Foreign currency risk	+/(-) 10%	+/-211	+/-213	-	-

Global exposure

As part of the diversification of its investment portfolio, the Group has investments in associates and unlisted trusts that are hedged and unhedged. Only unhedged funds expose the Group to foreign currency risk. However, not all unhedged trusts provide information about which securities are held in which currency and so information about overall exposures at balance date have been used in this sensitivity analysis. Overall 55 per cent of unhedged investments are exposed to the US dollar, 21 per cent are exposed to the Euro, 8 per cent are exposed to the Japanese Yen and 16 per cent to other currencies. As all investments are denominated in Australian dollars movement in underlying currencies are reflected in the unit price.

It should be noted that in relation to Futurity's benefit funds, changes in the underlying currencies sufficient to result in a 10 per cent change in the unit price would lead to a $12.32 million change (2019: $14.541 million change) in investment income which would be offset by an equivalent amount being allocated to policyholders. Therefore, the net financial position of Futurity'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	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Foreign currency risk	+/(-) 10%	+/-799	+/-457	+/-799	+/-457

(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 Group's main interest rate risk arises from cash and cash equivalents.

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

The Group'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 Futurity's benefit funds, a 100 basis points change in interest rate would lead to a $0.99 million increase (2019: $1.370 million increase) or a $0.99 million decrease (2019: $1.370 million decrease) in investment income which would be by an offset investment income/loss allocated to policyholders. Therefore, the net financial position of Futurity'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 Management Fund was exposed to at reporting date:

		Profit		Total Equity	
	Change in Variable	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Interest rate risk	+/(-) 1%	+/-17	+/-82	+/-17	+/-82

The 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 Group's overall corporate governance structure in terms of the Risk Management Framework. It ensures that the 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 the Group is required to comply with are met.

The Group's investments are managed with a view to ensuring each fund of Futurity 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 the Group'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

	2020 $'000	2019 $'000
Financial Assets		
Fair value through profit or loss (FVTPL)	1,118,278	1,252,832
Loans and receivables (amortised cost)	33,632	32,133
Cash and cash equivalents	11,931	11,585
Financial Liabilities		
Life investment contract liabilities	1,065,185	1,185,526
Other liabilities	8,529	11,784

Impact of COVID-19 on capital risk management

While the Group continues to maintain a strong capital position evidenced by holding capital at 2.36 times (2019: 2.46 times) the Prescribed Capital Requirements, it maintains an active monitoring and reporting regime ensuring all requirements and obligations are met at all times.

(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 Group. The 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 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 Group measures credit risk on a fair value basis.

The 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.

Futurity 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 $1.156 billion (2019: $ 1.287 billion).

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

The 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 Futurity's benefit funds plus a buffer for unforeseen demands. Management ensures that an appropriate level of liquid assets is maintained for the operations of Futurity's subsidiaries.

The 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 Futurity'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 Futurity for each fund.

The following tables detail the Group's exposure to liquidity risk as at 30 June 2020:

8. FINANCIAL INSTRUMENTS (CONTINUED)

Consolidated - 2020		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	0.25	2,408	-	-	-	-	-	2,408
Receivables		24,089	-	-	-	-	-	24,089
Fair value through profit or loss:								
Unlisted trust		949,080	-	-	-	-	-	949,080
Other securities	0.88	99,349	-	-	-	-	-	99,349
Mortgage loans	3.12	9	-	-	-	134	3,697	3,839
Life insurance contract assets:								
Cash and cash equivalents		2,705	-	-	-	-	-	2,705
Receivables		-	-	-	-	-	-	-
Fair value through profit or loss:								
Other securities	0.73	3,859	-	-	-	-	-	3,859
Management Fund and subsidiaries								
Cash and cash equivalents	0.25	6,819	-	-	-	-	-	6,819
Receivables		9,543	-	-	-	-	-	9,543
Fair value through profit or loss:								
Unlisted trust		61,565	-	-	-	-	-	61,565
Other securities		-	-	-	-	-	-	-
Mortgage loans	3.19	-	-	-	-	-	139	139
Investment in other companies		1,704	-	-	-	-	-	1,704
Total financial assets		1,161,129	-	-	-	134	3,836	1,165,098
Financial liabilities:								
Trade payables		7,201	-	-	-	-	-	7,201
Contract liabilities		1,328	-	-	-	-	-	1,328
Life investment contract liabilities		1,065,185	-	-	-	-	-	1,065,185
Total financial liabilities		1,073,714	-	-	-	-	-	1,073,714

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 company		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

(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)

2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Life insurance contract assets:				
Fair value through profit or loss:				
Other securities	3,859	-	-	3,859
Life investment contract assets:				
Fair value through profit or loss:				
Unlisted trusts	271,430	554,158	123,493	949,080
Other securities	99,349	-	-	99,349
Mortgage loans	-	-	3,839	3,839
Other financial investment assets:				
Fair value through profit or loss:				
Unlisted trusts	18,628	41,680	-	60,308
Other securities	-	-	-	-
Mortgage loans	-	-	139	139
Investment in other companies	-	-	1,704	1,704
Total	393,265	595,838	129,175	1,118,278

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

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 company	-	-	3,004	3,004
Total	475,823	639,597	137,412	1,252,832

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 - 2020	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	-	129,886	4,376	134,262
Total gains or losses:				
in profit or loss	-	-	120	120
change in fair value of financial assets designated at fair value	-	(6,478)	-	(6,478)
Purchases/drawdowns	-	85		85
Mortgage repayments/settlements	-	-	(657)	(657)
Closing balance	-	123,493	3,839	127,332
Other financial investment assets:				
Opening balance	3,004	-	146	3,150
Total gains or losses:				
in profit or loss	-	-	5	5
change in fair value of financial assets designated at fair value	(1,300)			(1,300)
Purchases	-	-	-	-
Mortgage repayments/settlements	-	-	(12)	(12)
Closing balance	1,704	-	139	1,843

Consolidated - 2019	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	-	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

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 $0.99 million (2019: decrease/increase by $1.37 million).

9. TRADE AND OTHER RECEIVABLES AT AMORTISED COST

	2020 $'000	2019 $'000
Trade receivables	3,612	3,628
Receivables from credit product	2,150	3,052
Allowance for doubtful debts	(153)	(47)
Receivables from investment assets	1,418	1,045
Seed capital	-	1,025
GST receivable	1	2
Sundry debtors	116	301
	7,144	9,006

10. LIFE INVESTMENT CONTRACT ASSETS AT FAIR VALUE

	2020 $'000	2019 $'000
Cash and cash equivalents	2,408	2,470
Distributions from investment assets	23,939	22,139
Receivables from management fund	150	313
Unlisted trusts	949,080	1,041,955
Fixed income securities	2,817	2,779
Certificates of deposit	96,532	134,196
Mortgage loans	3,839	4,376
	1,078,765	1,208,228

11. LIFE INSURANCE CONTRACT ASSETS AT FAIR VALUE

	2020 $'000	2019 $'000
Cash and cash equivalents	2,705	3,083
Receivables from management fund	489	675
Certificates of deposit	3,858	4,046
	7,052	7,804

12. OTHER FINANCIAL ASSETS - INVESTMENT ASSETS AT FAIR VALUE

	2020 $'000	2019 $'000
Unlisted trusts	61,565	55,831
Certificate of deposit	-	6,500
Mortgage loans	139	146
Investment in other companies	1,704	3,004
	63,408	65,481

13. PROPERTY, PLANT AND EQUIPMENT

	2020 $'000	2019 $'000
Carrying amounts of:		
Freehold land	6,636	6,472
Buildings	864	925
Plant and equipment	299	329
	7,799	7,726

	Freehold land at fair value $'000	Buildings at fair value $'000	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Right of use asset at cost $'000	Total $'000
Gross carrying amount						
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 1 July 2019	6,472	2,092	-	1,201	-	9,765
Additions	-	-	-	127	107	234
Disposals	-	(1)	-	(230)	-	(231)
Net revaluation increments	164	-	-	-	-	164
Net foreign currency exchange differences	-	-	-	-	-	-
Balance at 30 June 2020	6,636	2,091	-	1,098	107	9,932
Accumulated depreciation/amortisation and impairment						
Balance at 1 July 2018	-	(1,103)	(5)	(1,075)	-	(2,183)
Additions	-	-	-	-	-	-
Disposals	-	13	5	389	-	407
Depreciation expense	-	(77)	-	(186)	-	(263)
Net foreign currency exchange differences	-	-	-	-	-	-
Balance at 1 July 2019	-	(1,167)	-	(872)	-	(2,039)
Additions	-	-	-	-	-	-
Disposals	-	1	-	211	-	212
Depreciation expense	-	(61)	-	(138)	(56)	(255)
Net foreign currency exchange differences	-	-	-	-	-	-
Balance at 30 June 2020	-	(1,227)	-	(799)	(56)	(2,082)
Net book value						
As at 30 June 2019	6,472	925	-	329	-	7,726
As at 30 June 2020	6,636	864	-	299	51	7,850

13. 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 2020 and 30 June 2019 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 2020 are as follows:

Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value as at 30/06/20 $'000
Freehold land	-	-	6,636	6,636
Buildings	-	-	864	864

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:

	2020 $'000	2019 $'000
Freehold land	875	875
Buildings	657	718
	1,532	1,593

14. INVESTMENT PROPERTY

	2020	2019
Fair value		
Completed investment property	2,100	2,000
Balance at beginning of financial year	2,000	1,150
Gain on property revaluations	100	850
Balance at end of financial year	2,100	2,000

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 2020 and 30 June 2019 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 2020 and 30 June 2019 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 2020 are as follows:

Consolidated	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value as at 30/06/20 $'000
Commercial property located in Oakleigh	-	-	2,100	2,100

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

15. OTHER INTANGIBLE ASSETS

	Computer Software $'000	Software Licences $'000	Product Development $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2018	4,605	480	-	5,085
Additions	115	-	-	115
Disposals	(229)	(140)	-	(369)
Balance at 1 July 2019	4,491	340	-	4,831
Additions	2,079	-	161	2,240
Disposals	(1,156)	(12)		(1,168)
Balance at 30 June 2020	5,414	328	161	5,903
Accumulated amortisation and impairment				
Balance at 1 July 2018	(3,260)	(265)	-	(3,525)
Amortisation expense	(720)	(47)	-	(767)
Disposals	208	133	-	341
Balance at 1 July 2019	(3,772)	(179)	-	(3,951)
Amortisation expense	(441)	(43)	-	(484)
Disposals	1,139	9	-	1,148
Balance at 30 June 2020	(3,074)	(213)	-	(3,287)
Net book value				
As at 30 June 2019	719	161	-	880
As at 30 June 2020	2,340	115	161	2,616

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

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

16. TRADE AND OTHER PAYABLES AT AMORTISED COST

	2020 $'000	2019 $'000
Trade payables	1,427	4,216
Accruals	1,469	1,238
Lease liability	52	-
Amounts due to benefit funds	4,253	3,537
	7,201	8,991

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

17. EMPLOYEE ENTITLEMENT

	2020 $'000	2019 $'000
Employee benefits	2,063	1,926
	2,063	1,926

18. SUPPLEMENTARY BENEFIT PLAN

The Supplementary Benefit Plan ("the Plan") provides that Futurity 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 provisions of the IOOF Employer Super Trust Deed and regulated by APRA under the *Superannuation Industry (Supervision) Act 1993* (SIS).

Under a separate agreement between Futurity and its eligible employees, Futurity 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, Futurity will pay additional contributions to top up the Plan's accumulation benefits to the agreed defined benefits, grossing up to allow for the contributions 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 have been no changes to membership numbers since the previous 30 June 2019 valuation.

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

Reconciliation of Net Defined Benefit Liability/(Asset)

Financial year ending	2020 $'000	2019 $'000
Net defined benefit liability/(asset) at start of the year	762	747
(+) Expense recognised in Statement of Comprehensive Income	153	158
(+) Remeasurements of net defined liability/asset recognised in OCI	(36)	58
(-) Employer contributions	106	201
Net defined benefit liability/(assets) at the end of year	773	762

Reconciliation of Fair Value of Plan Assets

Financial year ending	2020 $'000	2019 $'000
Fair value of plan assets at the beginning of the year	691	662
(+) Expected return on assets	19	27
(+) Return on assets, over and above expected return	(9)	12
(+) Employer contributions	106	201
(-) Benefits paid	-	181
(-) Taxes, premiums & expenses paid	26	30
Fair value of plan assets at end of the year	781	691

Reconciliation of Defined Benefit Obligation (DBO)

Financial year ending	2020 $'000	2019 $'000
Present value of defined benefit obligations at beginning of the year	1,453	1,409
(+) Current service cost	134	136
(+) Interest expense	38	49
(+) Actuarial (gains)/losses arising from changes in financial assumptions	(68)	154
(+) Actuarial (gains)/losses arising from liability experience	23	(84)
(-) Benefits paid	-	181
(-) Taxes, premiums &expenses paid	26	30
Present value of defined benefit obligations at the end of year	1,554	1,453

Fair value of Plan assets

As 30 June 2020, the Plan's assets were invested in the following asset classes:

As at	2020	2019
Australian Equity	13%	17%
International Equity	20%	14%
Fixed Income	33%	24%
Property	10%	8%
Alternatives/Other	13%	10%
Cash	11%	27%

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

Sensitivity Analysis

The key actuarial assumptions adopted for the valuations are:

- The discount rate of 2.7% p.a.
- The salary growth rate of nil for the first three years and 2.5% p.a. thereafter.

The impact on the 30 June 2020 DBO of variations in these assumptions is shown below.

The tables are intended 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 (%)
2.20%	1,635	+81	+5%
2.70%	1,554		
3.20%	1,477	(77)	-5%

Salary growth (% p.a.)	DBO ($'000)	Sensitivity ($'000)	Sensitivity (%)
2.00%	1,606	52	+3%
2.50%	1,554		
3.00%^	1,603	+49	+3%

^Salary growth starting 1 July 2023. Salary growth prior to that is maintained at 0%.

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 2020 valuation, the weighted average duration of the DBO is approximately 11 years.

Funding arrangements

In accordance with previous actuarial recommendations, the Group contributes to the Plan to target individual funding levels of 95% of each member's vested defined benefit. The Group limits its contributions to the amount available to each member within the concessional contributions cap (currently $25,000 p.a.) after allowance for the Group'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 $133,000 for 2020-2021. This amount includes an estimated $12,000 for insurance premiums and administration fees, based on the rates advised by IOOF.

19. COMMITMENTS

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
(a) Capital commitments	-	1,000
Investment in other companies	-	1,000

(b) Lease commitments

Non-cancellable operating lease commitments are disclosed in Note 20 to the consolidated financial statements.

20. LEASES

The Group leases several assets, mainly buildings. The average lease terms is 2.5 years. The Group has no options to purchase the leased assets at the end of the lease terms. The Group's obligation are secured by the lessors' title to the leased assets for such leases.

The right-of-use assets is presented in Note 13.

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Amounts recognised in profit and loss		
Depreciation expenses on right-of-use assets	101,954	-
Interest expenses on lease liabilities	3,977	-

On 1 October 2019, the existing lease with Auckland location was surrendered after making a surrender payment of $33,622, which was included in calculating the depreciation and the cash outflow from financing activities.

On 4 November 2019, the Group entered into a 13 months lease to rent property in Adelaide as a result, a lease liability and right-of-use asset has been recognised as at 30 June 2020.

On 5 May 2020, the Group entered into a 12 months lease to rent property at Rialto Towers, Melbourne, which had not commenced by the year-end and as a result, a lease liability and right-of-use asset has not been recognised as at 30 June 2020.

21. REMUNERATION OF AUDITORS

	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Deloitte and related network firms		
Audit of the financial reports:		
- Futurity Investment Group Limited	213,968	198,000
- Futurity's Benefit Funds (New Zealand)	59,382	61,600
	273,350	259,600
Statutory assurance services required by legislation to be provided by the auditor		
- Futurity Investment Group Limited		
APRA Return (Audit)	19,800	19,800
LPS 310 Report (Review)	46,750	46,750
AFSL Form FS71 (Audit)	11,880	11,880
- Futurity's Benefit Funds (New Zealand)		
Reporting to New Zealand Supervisor	9,020	9,020
	87,450	87,450
Other assurance and agreed-upon procedures under other legislation or contractual arrangements		
- Futurity Investment Group Limited		
Comprehensive Scheme Agreed Upon Procedures	29,700	-
	29,700	-
Total *	390,500	347,050

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

22. DETAILS OF CONTROLLED ENTITIES

		OWNERSHIP INTEREST	
		2020 %	2019 %
Parent Entity			
Futurity Investment Group Limited			
Controlled Entities:			
ASG Education Funding Solutions Pty Ltd	(i), (iii)	100	100
ASG Education Programmes (NZ) Limited	(i), (vi)	100	100
Futurity Education Funding Pty Ltd	(i)	100	100
Futurity Custodians Pty Ltd	(i), (iii)	100	100
- ASG Educational Products Pty Ltd	(i), (iv)	-	100
- Marcom Projects Pty Ltd	(i), (iv)	-	100
NEiTA Foundation Trust	(ii)	-	-

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

(i) Controlled entities of Futurity. The book value of the investment in Futurity Education 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 Futurity Custodians Pty Ltd is nil.

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

(iii) S.A.F.E Holdings Pty Ltd changed its name to Futurity Custodians Pty Ltd on 28 November 2019. Little Big Funding Pty Ltd changed its name to Futurity Education Funding Pty Ltd on 16 June 2020.

(iv) The Group deregistered two of its controlled entities, ASG Educational Products Pty Ltd and Marcom Projects Pty Ltd on 12 September 2019 and 19 December 2019, respectively. These are dormant entities that are no longer required.

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

(vi) Futurity provided financial support to ASG Education Programmes (NZ) Limited amounting to $0.077 million (2019: $0.24 million), in the form of a management subsidy on its operating expenses.

23. EVENTS SINCE THE END OF THE FINANCIAL YEAR

The long-term impacts caused by the COVID-19 pandemic remain unclear. With recessionary conditions prevailing, the continuing adverse macro-economic effects from Victoria's prolonged state of lockdown, the closure of state and international borders and extent of government support measures, consideration has been given to the impact on the Group as required by AASB 110 Events after the reporting date. The Group did not identify subsequent events that would require adjustments or amounts or disclosures to be made in the financial statements. Given the evolving nature of COVID - 19 and its unknown duration, the Group will continue to assess and monitor for further impacts.

Apart from the above, there is no any matter or circumstance arising since 30 June 2020 which has significantly affected or may significantly affect the financial status or results of the Group and which has not been separately disclosed in this report.

24. 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.

	Benefit Funds	Management Fund	Parent Entity	Benefit Funds	Management Fund	Parent Entity
	2020 $'000	2020 $'000	2020 $'000	2019 $'000	2019 $'000	2019 $'000
Financial performance						
Total Revenue including tax benefit	34,567	19,997	54,564	82,469	28,499	110,968
Total expenses including tax expenses	34,417	18,594	53,011	82,131	25,014	107,145
Profit/(loss) for the year	150	1,403	1,553	338	3,485	3,823
Other comprehensive income	(50)	26	(24)	85	197	282
Total comprehensive income for the year	100	1,429	1,529	423	3,682	4,105
Financial position						
Assets						
Current assets	29,691	21,551	51,242	28,680	19,870	48,550
Non-current assets	1,056,126	74,717	1,130,843	1,187,352	76,088	1,263,440
Total assets	1,085,817	96,268	1,182,085	1,216,032	95,958	1,311,990
Liabilities						
Current liabilities	8,174	6,493	14,667	7,425	7,573	14,998
Non-current liabilities	1,071,203	2,632	1,073,835	1,201,568	3,372	1,204,940
Total liabilities	1,079,377	9,125	1,088,502	1,208,993	10,945	1,219,938
Equity						
Policyholder equity	6,487	-	6,487	7,032	-	7,032
Retained earnings	-	83,107	83,107	-	81,027	81,027
Reserves	-47	4,036	3,989	7	3,986	3,993
Total equity	6,440	87,143	93,583	7,039	85,013	92,052

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.

Contingent liabilities of the Parent entity

The Parent entity did not have any contingent liabilities as at 30 June 2020 and 2019.

Commitments entered into by the Parent entity

The Parent entity did not have any commitments as at 30 June 2020 and 2019, other than those disclosed in Note 19.

25. 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.

A persistency bonus of $37,695 (2019: $41,321) was paid under a Termination of Marketing Agreement with IPSV Services Pty Ltd dated 1 May 2012, of which Harry Tyler and the estate of Terry O'Connell (both part directors of Futurity) are the beneficiaries.

Transactions with Subsidiaries

As at 30 June 2020, there was a loan balance owing to Futurity from:

- Futurity Education Funding Pty Ltd $2.92 million (2019: $3.35 million).
- Futurity Custodians Pty Ltd $1.30 mil (2019: nil)

During the financial year, the following transactions took place on normal commercial terms and conditions between Futurity 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.

(d) Intra-group transactions

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

26. 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	2020 $'000	2019 $'000
Management fund and controlled entities:			
Cash on hand		1	1
Cash at bank		6,803	5,995
Term deposit		15	36
		6,819	6,032
Life investment contracts			
Deposits at call		2,408	2,470
	10	2,408	2,470
Life insurance contracts			
Deposits at call		2,705	3,083
	11	2,705	3,083
Total		11,932	11,585

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

	2020 $'000	2019 $'000
Profit from ordinary activities after related income tax	525	1,024
Non-cash flows in profit from ordinary activities:		
Gain on disposal of investments	(22,016)	(7,588)
Investment income allocated to policyholders	14,308	44,843
Revaluation (increase) / decrease on investment	42,604	(19,993)
Reinvestment of fee rebate	(1,320)	(1,575)
Reinvestment of dividend distribution	(38,438)	(40,145)
Other movements in policyholder liabilities	(132,623)	(139,060)
Depreciation and amortisation of non-current assets	739	1,030
Profit on sale of property plant and equipments	31	18
Increase/(decrease) in current tax liability	2,531	(4,452)
Increase/(decrease) in deferred tax balances	(10,976)	6,493
Movement in general reserve	59	195
(Increase)/decrease in assets:		
Receivables	226	15,028
Inventories	-	4
Other current assets	-	96
Increase/(decrease) in liabilities:		
Contract liabilities	(440)	(423)
Payables	(2,718)	(2,589)
Provisions	137	(341)
Net cash from operating activities	(147,371)	(147,435)

27. LIFE INVESTMENT CONTRACT BUSINESS

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

	2020 $'000	2019 $'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	1,065,185	1,185,526
(b) Reconciliations of changes in policy liabilities		
Life investment contract liabilities		
Balance at the beginning of the financial year	1,185,526	1,275,254
Liability component of contributions	95,163	107,783
Withdrawals	(224,658)	(248,109)
Transfer from policyholder equity	-	-
Policy liability revaluation	(3,129)	1,266
Proposed allocation of current year's surplus	14,310	44,843
Foreign translation movement	(2,027)	4,489
Balance at the end of the financial year	1,065,185	1,185,526

27. LIFE INVESTMENT CONTRACT BUSINESS

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

2020	Revenue		Expenses		Profit for the year	
	Premium $'000	Investment $'000	Fees $'000	Investment income paid $'000	Before tax $'000	After tax $'000
Futurity Managed & Blended						
Managed & Blended - Balanced Portfolio	-	(9)	1	(7)	(3)	-
Managed & Blended - Growth Portfolio	-	(13)	1	(10)	(4)	-
Managed & Blended - Socially Responsible Investing Portfolio	-	18	-	13	5	-
Diversified Indexed						
Diversified Indexed - Conservative	-	(1)	-	(1)	-	-
Diversified Indexed - Balanced	-	(1)	-	(1)	-	-
Diversified Indexed - Growth	-	(1)	-	(1)	-	-
Diversified Indexed - High Growth	-	(2)	-	(1)	(1)	-
Diversified Active						
Diversified Active - Conservative	-	(1)	-	(1)	-	-
Diversified Active - Balanced	-	(1)	-	(1)	-	-
Diversified Active - Growth	-	(2)	-	(1)	(1)	-
Diversified Active - High Growth	-	(2)	-	(1)	(1)	-
Sector-Specific Indexed						
Sectoral Indexed - Australian Fixed Income	-	-	-	-	-	-
Sectoral Indexed - Australian Equities	-	(3)	-	(2)	(1)	-
Sectoral Indexed - International Equities	-	(2)	-	(1)	(1)	-
Sectoral Indexed - Emerging Market Equities	-	(2)	-	(1)	(1)	-
Sectoral Indexed - Property	-	(5)	-	(3)	(2)	-
Sectoral Indexed - Socially Responsible Investing	-	(2)	-	(2)	-	-
Sector-Specific Active						
Sectoral Active - Cash	-	-	-	-	-	-
Sectoral Active - Australian Fixed Income	-	-	-	-	-	-
Sectoral Active - Australian Equities	-	(2)	-	(1)	(1)	-
Sectoral Active - International Equities	-	(3)	-	(2)	(1)	-
Sectoral Active - Emerging Market Equities	-	(3)	-	(2)	(1)	-
Total Life Investment Contract Business - Futurity	-	(37)	2	(26)	(13)	-

27. LIFE INVESTMENT CONTRACT BUSINESS

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

2020	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	12	1,654	427	1,239	-	-	3.10
Children's Bursary Fund (NZ)	2	255	48	209	-	-	4.90
Children's Bursary Fund No. 2	85	1,687	545	721	506	-	1.10
Children's Bursary Fund No. 2 (NZ)	31	853	176	446	262	-	2.50
Children's Scholarships Fund	18	1,928	459	1,487	-	-	3.50
Children's Scholarships Fund (NZ)	2	250	47	205	-	-	5.00
Children's Scholarships Fund No. 2	106	1,409	503	590	422	-	1.10
Children's Scholarships Fund No. 2 (NZ)	36	674	151	351	208	-	2.50
Flexible Insurance Fund	-	-	-	-	-	-	-
HECS Equity Enhanced Fund	-	37	7	30	-	-	4.05
Higher Education Cost Saver Fund (Balanced)	-	434	81	353	-	-	4.30
Higher Education Cost Saver Fund (Fixed)	-	3	2	1	-	-	0.50
Malaysian Flexible Insurance Fund	-	-	-	-	-	-	-
Part B Flexible Insurance Fund	-	21	6	9	6	-	0.50
Pathway Education Fund	1,381	1,511	2,625	-192	459	-	0.05
Pathway Education Fund (NZ)	38	132	87	49	34	-	2.38
Scholarships Benefit Fund (Balanced)	-	1,356	295	1,061	-	-	3.55
Scholarships Benefit Fund (Fixed)	-	51	37	14	-	-	0.50
Scholarships Benefit Fund (Malaysia)	-	-	-	-	-	-	-
Scholarships Benefit Fund (NZ)	-	133	65	68	-	-	1.25
Secondary Scholarship Benefit Fund (Balanced)	-	12	6	6	-	-	0.85
Secondary Scholarship Benefit Fund (Fixed)	-	-	-	-	-	-	-
Secondary Scholarship Benefit Fund (NZ)	-	-	-	-	-	-	-
Students' Education Fund	-	154	24	130	-	-	4.85
Students' Education Fund (NZ)	-	-1	-	-1	-	-	(0.55)
Students' Education Fund No. 2	-	502	81	270	151	-	2.25
Students' Education Fund No. 2 (NZ)	-	86	12	42	32	-	2.80
Supplementary Education Program	599	6,744	4,429	872	2,042	-	0.25
Supplementary Education Program (NZ)	29	487	173	196	147	-	2.00
Tertiary Education Cost Saver (NZ)	-	9	10	-1	-	-	1.00
Tertiary Support Fund	-	17	3	9	5	-	1.70
The Education Fund	1,629	8,259	4,793	2,596	2,499	-	0.75
The Education Fund (NZ)	108	953	328	446	287	-	2.25
Total Life Investment Contract Business - ASG	4,076	29,610	15,420	11,206	7,060	-	

Australian Educational Allowance Fund

Futurity 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.

27. LIFE INVESTMENT CONTRACT BUSINESS

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

2019	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	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	-	3.61
Pathway Education Fund (NZ)	33	153	86	64	36	-	3.14
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 - ASG	3,860	77,947	15,966	46,110	19,731	-	

Australian Educational Allowance Fund

Futurity 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.

27. LIFE INVESTMENT CONTRACT BUSINESS

Life investment contract business by benefit fund - Balance Sheet

2020	Assets		Liabilities		Equity
	Investments $'000	Other $'000	Life investment $'000	Other $'000	$'000
Futurity Managed & Blended					
Managed & Blended - Balanced Portfolio	402	13	413	2	-
Managed & Blended - Growth Portfolio	398	20	414	4	-
Managed & Blended - Socially Responsible Investing Portfolio	91	3	89	5	-
Diversified Indexed					
Diversified Indexed - Conservative	19	-	19	-	-
Diversified Indexed - Balanced	18	1	19	-	-
Diversified Indexed - Growth	17	2	19	-	-
Diversified Indexed - High Growth	18	1	19	-	-
Diversified Active					
Diversified Active - Conservative	18	1	19	-	-
Diversified Active - Balanced	17	2	19	-	-
Diversified Active - Growth	17	2	19	-	-
Diversified Active - High Growth	18	1	19	-	-
Sector-Specific Indexed					
Sectoral Indexed - Australian Fixed Income	20	-	20	-	-
Sectoral Indexed - Australian Equities	17	1	18	-	-
Sectoral Indexed - International Equities	18	1	19	-	-
Sectoral Indexed - Emerging Market Equities	18	1	19	-	-
Sectoral Indexed - Property	15	2	17	-	-
Sectoral Indexed - Socially Responsible Investing	18	1	19	-	-
Sector-Specific Active					
Sectoral Active - Cash	20	-	20	-	-
Sectoral Active - Australian Fixed Income	20	-	20	-	-
Sectoral Active - Australian Equities	18	1	19	-	-
Sectoral Active - International Equities	17	1	18	-	-
Sectoral Active - Emerging Market Equities	17	1	18	-	-
Total Life Investment Contract Business - Futurity	1,231	55	1,275	11	-

27. LIFE INVESTMENT CONTRACT BUSINESS

Life investment contract business by benefit fund - Balance Sheet

2020	Assets		Liabilities		Equity
	Investments $'000	Other $'000	Life investment $'000	Other $'000	$'000
Assurance Benefit Fund	11	-	11	-	-
Children's Bursary Fund	25,599	807	26,375	31	-
Children's Bursary Fund (NZ)	2,950	-	2,920	30	-
Children's Bursary Fund No. 2	57,640	1,859	59,374	125	-
Children's Bursary Fund No. 2 (NZ)	19,414	18	19,196	236	-
Children's Scholarships Fund	27,154	856	27,998	12	-
Children's Scholarships Fund (NZ)	2,778	-	2,768	10	-
Children's Scholarships Fund No. 2	49,394	1,574	50,840	128	-
Children's Scholarships Fund No. 2 (NZ)	15,267	15	15,117	165	-
Flexible Insurance Fund	-	-	-	-	-
HECS Equity Enhanced Fund	413	18	431	-	-
Higher Education Cost Saver Fund (Balanced)	5,777	196	5,973	-	-
Higher Education Cost Saver Fund (Fixed)	292	-	291	1	-
Malaysian Flexible Insurance Fund	-	-	-	-	-
Part B Flexible Insurance Fund	1,907	9	1,910	6	-
Pathway Education Fund	104,215	2,726	104,985	1,956	-
Pathway Education Fund (NZ)	2,622	50	2,628	44	-
Scholarships Benefit Fund (Balanced)	23,751	792	24,543	-	-
Scholarships Benefit Fund (Fixed)	4,002	-	4,002	-	-
Scholarships Benefit Fund (Malaysia)	38	2	40	-	-
Scholarships Benefit Fund (NZ)	5,434	13	5,447	-	-
Secondary Scholarship Benefit Fund (Balanced)	644	23	667	-	-
Secondary Scholarship Benefit Fund (Fixed)	15	-	15	-	-
Secondary Scholarship Benefit Fund (NZ)	37	-	37	-	-
Students' Education Fund	613	19	632	-	-
Students' Education Fund (NZ)	22	-	22	-	-
Students' Education Fund No. 2	3,639	3,770	7,405	4	-
Students' Education Fund No. 2 (NZ)	1,303	153	1,442	14	-
Supplementary Education Program	322,688	7,522	323,046	7,164	-
Supplementary Education Program (NZ)	12,352	10	12,091	271	-
Tertiary Education Cost Saver (NZ)	591	-	591	-	-
Tertiary Support Fund	403	22	425	-	-
The Education Fund	338,957	7,697	339,678	6,976	-
The Education Fund (NZ)	23,523	18	23,010	531	-
Total Life Investment Contract Business	1,053,445	28,169	1,063,910	17,704	-

27. LIFE INVESTMENT CONTRACT BUSINESS

Life investment contract business by benefit fund - Balance Sheet

2019	Assets		Liabilities		Equity
	Investments $'000	Other $'000	Life investment $'000	Other $'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	-

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

	Note	Family Protection Fund		Contingency Fund		Total Life Insurance Contracts Business	
		2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Income							
Investment income		26	55	42	73	68	128
Revenue - life insurance contracts		320	397	110	137	430	534
Total income		346	452	152	210	498	662
Operating Expenses							
Claims expense - life insurance contracts		29	64	35	112	64	176
Investment management expenses		57	34	74	36	131	70
Other operating expenses		-	-	1	1	1	1
Total expenses		86	98	110	149	196	247
Operating profit		260	354	42	61	302	415
Profit before income tax		260	354	42	61	302	415
Income tax expense/(benefit) (Note 7)		(94)	(132)	(59)	55	(153)	(77)
Total comprehensive income for the year		166	222	(17)	116	149	338
Unallocated surplus at the beginning of the financial year		3,355	3,629	3,683	3,765	7,038	7,394
Transfers to Management Fund		(500)	(500)	(200)	(200)	(700)	(700)
Retained profit		3,021	3,351	3,466	3,681	6,487	7,032

LIFE INSURANCE CONTRACTS BUSINESS BY BENEFIT FUND – BALANCE SHEET

	Family Protection Fund 2020	Family Protection Fund 2019	Contingency Fund 2020	Contingency Fund 2019	Total 2020	Total 2019
Assets						
Cash and cash equivalents	1,879	2,258	826	825	2,705	3,083
Investment assets	1,216	1,233	2,642	2,813	3,858	4,046
Other assets	490	490	-	186	490	676
Total assets	3,585	3,981	3,468	3,824	7,053	7,805
Liabilities						
Other liabilities	590	625	23	141	613	766
Total liabilities	590	625	23	141	613	766
Net assets	2,995	3,356	3,445	3,683	6,440	7,039
Equity						
Policyholder equity	3,021	3,351	3,466	3,681	6,487	7,032
Foreign currency translation reserve	(26)	5	(21)	2	(47)	7
Total equity	2,995	3,356	3,445	3,683	6,440	7,039
Capital Adequacy Position						
Net Assets (Common Equity Tier 1 Capital)	2,995	3,356	3,445	3,683	6,440	7,039
Less Regulatory adjustments to Tier 1 Capital	-	-	-	-	-	-
Net Assets after regulatory adjustments	2,995	3,356	3,445	3,683	6,440	7,039
Tier 2 Capital	-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital	-	-	-	-	-	-
Capital Base	2,995	3,356	3,445	3,683	6,440	7,039
Prescribed Capital Amount (net of management actions)	692	783	13	17	705	800
which comprises:					-	-
Asset risk	8	9	13	17	21	26
Insurance risk	690	781	-	-	690	781
Aggregation benefit	(6)	(7)	-	-	(6)	(7)
Capital adequacy multiple	4	4	265	217	9	9

Futurity 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 2020 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 $0.104 million for the Family Protection Fund and $0.292 million for the Contingency Fund as at 30 June 2020.

29. STATEMENT OF COMPREHENSIVE INCOME BY BUSINESS TYPE

	Note	Total Life Investment Contracts Business 2020 $'000	Total Life Insurance Contracts Business 2020 $'000	Total Management Fund 2020 $'000	Total Controlled Entities (After Elimination) 2020 $'000	Total Consolidated 2020 $'000
Revenue						
Investment income		47,244	68	3,223	(835)	49,700
Gain on disposal of investments		22,241	-	225	-	22,466
Change in fair value of financial assets designated as at fair value through profit or loss		(39,912)	-	(3,191)	(44)	(43,147)
Revenue from life investment contracts		4,496	-	-	-	4,496
Revenue from benefit funds		-	-	15,909	-	15,909
Premium revenue – life insurance contracts		-	430	-	-	430
Other revenue		-	-	171	383	554
Total revenue		34,069	498	16,337	(496)	50,408
Operating expenses						
(a) **Personnel**						
Salaries and related costs		-	-	10,442	488	10,930
Superannuation costs		-	-	1,003	36	1,039
Other		-	-	328	-	328
Total personnel expenses		-	-	11,773	524	12,297
(b) **Premises**						
Rent		-	-	84	40	124
Depreciation		-	-	257	-	257
Other		-	-	245	-	245
Total premises expenses		-	-	586	40	626
(c) **Technology**						
Depreciation and amortisation		-	-	469	15	484
Licences and outsources services		-	-	1,576	109	1,685
Other		-	-	9	-	9
Total technology expenses		-	-	2,054	124	2,178
(d) **Life investment and insurance contracts**						
Policy expenses		4,496	-	-	-	4,496
Claims expenses		-	131	-	-	131
Investment management expenses		11,324	63	-	-	11,387
Total life investment and insurance contracts expenses		15,820	194	-	-	16,014
(e) **Communication, marketing and other expenses**						
Advertising and marketing		-	-	535	167	702
Communication expenses		-	-	720	3	723
Legal and professional fees		-	-	959	27	986
Freight, stationery, postage and telephone		-	-	515	(268)	247
Auditors' remuneration		-	-	390	-	390
Member and scholarship grants		-	-	969	-	969
Other		22	1	93	149	265
Total communication, marketing and other expenses		22	1	4,181	78	4,282
Total operating expenses		15,842	195	18,594	766	35,397
Policy liability revaluation		3,129	-	-	-	3,129
Investment income paid or allocated to policyholders		(14,308)	-	-	-	(14,308)
Profit/(loss) before income tax		7,048	303	(2,257)	(1,262)	3,832
Income tax expense/(benefit)	7	(7,048)	(153)	3,660	234	(3,307)
Profit/(loss) for the year		-	150	1,403	(1,028)	525

29. STATEMENT OF COMPREHENSIVE INCOME 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
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						
(a) **Personnel**						
Salaries and related costs		-	-	13,650	343	13,993
Superannuation costs		-	-	1,324	15	1,339
Other		-	-	765	8	773
Total personnel expenses		-	-	15,739	366	16,105
(b) **Premises**						
Rent		-	-	285	44	329
Depreciation		-	-	264	-	264
Other		-	-	256	16	272
Total premises expenses		-	-	805	60	865
(c) **Technology**						
Depreciation and amortisation		-	-	766	-	766
Licences and outsources services		-	-	883	-	883
Other		-	-	134	-	134
Total technology expenses		-	-	1,783	-	1,783
(d) **Life investment and insurance contracts**						
Policy expenses		3,861	-	-	-	3,861
Claims expenses		-	176	-	-	176
Investment management expenses		12,069	70	-	-	12,139
Total life investment and insurance contracts expenses		15,930	246	-	-	16,176
(e) **Communication, marketing and other expenses**						
Advertising and marketing		-	-	1,192	147	1,339
Communication expenses		-	-	746	77	823
Legal and professional fees		-	-	2,167	18	2,185
Freight, stationery, postage and telephone		-	-	723	(501)	222
Auditors' remuneration		-	-	340	-	340
Member and scholarship grants		-	-	1,399	-	1,399
Interest expenses		-	-	-	109	109
Other		37	1	120	-	158
Total communication, marketing and other expenses		37	1	6,687	(150)	6,575
Total operating 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)
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

30. BALANCE SHEET BY BUSINESS TYPE

	Note	Total Life Investment Contracts Business 2020 $'000	Total Life Insurance Contracts Business 2020 $'000	Total Management Fund 2020 $'000	Total Controlled Entities (After Elimination) 2020 $'000	Total Consolidated 2020 $'000
Assets						
Cash and cash equivalents		2,408	2,705	5,916	903	11,932
Trade and other receivables		24,089	489	9,543	-	34,121
Other financial assets (investment assets)		-	-	62,151	1,257	63,408
Life investment contract assets		1,052,268	-	-	-	1,052,268
Life insurance contract assets		-	3,858	-	-	3,858
Current tax assets	(b)	-	-	6,092	190	6,282
Property, plant and equipment		-	-	7,850	-	7,850
Investment property		-	-	2,100	-	2,100
Deferred tax assets	(c)	-	-	-	59	59
Other intangible assets		-	-	2,616	-	2,616
Total assets		1,078,765	7,052	96,268	2,409	1,184,494
Liabilities						
Payables and other liabilities		1,538	493	5,165	2,404	9,600
Contract liabilities		-	-	1,328	-	1,328
Current tax payables	(b)	6,024	119	-	-	6,143
Employee entitlement		-	-	2,063	-	2,063
Deferred tax liabilities	(c)	6,018	-	569	-	6,587
Life investment contract liabilities	(a)	1,065,185	-	-	-	1,065,185
Total liabilities		1,078,765	612	9,125	2,404	1,090,906
Net assets		-	6,440	87,143	5	93,588
Equity						
Policyholder equity		-	6,487	-	-	6,487
Retained earnings		-	-	83,107	(2)	83,105
Reserves		-	(47)	4,036	7	3,996
Total equity		-	6,440	87,143	5	93,588
(a) Life investment contract liabilities						
Balance at the beginning of the financial year		1,185,526	-	-	-	1,185,526
Liability component of contributions		95,163	-	-	-	95,163
Withdrawals		(224,658)	-	-	-	(224,658)
Policy liability revaluation		(3,129)	-	-	-	(3,129)
Proposed allocation of current year's surplus		14,310	-	-	-	14,310
Foreign translation movement		(2,027)	-	-	-	(2,027)
Balance at the end of the financial year		1,065,185	-	-	-	1,065,185
(b) Presented in the Consolidated Balance Sheet as follows:						
Current tax assets		(6,024)	(119)	6,092	190	139
(c) Presented in the Consolidated Balance Sheet as follows:						
Deferred tax liabilities		(6,018)	-	(569)	59	(6,528)

(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.

30. 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
Current tax assets	(b)	-	-	6,873	54	6,927
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	(b)	1,025	-	-	-	1,025
Contract liabilities		-	-	1,768	-	1,768
Current tax payables		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						
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)
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:						
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:						
Deferred tax (liabilities)/assets		(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.

30. BALANCE SHEET BY BUSINESS TYPE

	Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
	2020 $'000	2020 $'000	2020 $'000	2020 $'000	2020 $'000
(e) Capital Adequacy Position					
Net Assets (Common Equity Tier 1 Capital)	-	6,440	87,143	5	93,588
Less Regulatory adjustments to Tier 1 Capital					
Deferred tax assets	-	-	-	-	-
Seed capital	-	-	-	-	-
Intangibles	-	-	2,667	-	2,667
Investment in subsidiaries	-	-	2,920	-	2,920
Others	-	-	892	-	892
Capital Base	-	6,440	80,664	5	87,109
Tier 2 Capital	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital	-	-	-	-	-
Capital Base	-	6,440	80,664	5	87,109
Asset risk	-	21	22,785	-	22,806
Insurance risk	-	690	-	-	690
Aggregation benefit	-	(6)	-	-	(6)
Operational risk	-	-	2,676	-	2,676
Combined stress scenario	-	-	8,668	-	8,668
Prescribed Capital Amount ("PCR")	-	705	34,129	-	34,834
Excess Assets over PCR	-	5,735	46,535	5	52,270
Capital Base / PCR	-	9	2	-	3
	2019 $'000	2019 $'000	2019 $'000	2019 $'000	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
Capital Base	-	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
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
Prescribed Capital Amount ("PCR")	-	800	31,374	-	32,174
Excess Assets over PCR	-	6,239	45,884	1,064	52,123
Capital Base / PCR	-	9	2	-	2

Futurity 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. Futurity 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.

31. 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
	2020 $'000	2020 $'000	2020 $'000	2020 $'000	2020 $'000
Cash flows from operating activities					
Fees received	-	-	15,469	-	15,469
Contributions received	99,239	430	-	-	99,669
Premium received	-	-	171	13,370	13,541
Investment income received	7,805	68	25	(834)	7,064
Management fees paid	(15,400)	(63)	-	-	(15,463)
Payments to suppliers and employees	(22)	(1)	(18,298)	(11,587)	(29,909)
Payments to members and scholarship grants	-	-	(969)	-	(969)
Life investment contracts - withdrawals	(224,659)	-	-	-	(224,659)
Life insurance contracts - policy claims paid	-	(293)	-	-	(293)
Intercompany (payments) / receipts	(1,025)	-	1,025	-	-
Income tax payments	(15,193)	(145)	3,496	21	(11,821)
Net cash provided by/(used in) operating activities	(149,255)	(4)	918	970	(147,371)
Cash flows from investing activities					
Payment for investment securities	(127,909)	(8,815)	(11,397)	(1,300)	(149,421)
Proceeds on sale of investment securities	277,103	9,141	13,452	-	299,696
Proceeds from sale of plant & equipment	-	-	4	-	4
Payments for property, plant and equipment	-	-	(127)	-	(127)
Payments for intangible assets	-	-	(2,325)	-	(2,325)
Net cash provided by/(used in) investing activities	149,194	326	(393)	(1,300)	147,827
Cash flows from financing activities					
Transfers from benefit funds	-	-	700	-	700
Transfers to management fund	-	(700)	-	-	(700)
Payment to lease liability			(59)	(47)	(106)
Payment of Interest on lease liability			(3)	-	(3)
Net cash (used in)/provided by financing activities	-	(700)	638	(47)	(109)
Net increase/(decrease) in cash held	(61)	(378)	1,163	(377)	347
Cash at the beginning of the financial year	2,469	3,083	4,753	1,280	11,585
Effects of exchange rate changes on the balance of cash held in foreign currencies					-
Cash at the end of the financial year	2,408	2,705	5,916	903	11,932

31. 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 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'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 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

Directors' Declaration

The Directors declare that:

(a) In the Directors' opinion, there are reasonable grounds to believe that Futurity Investment Group Limited 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 Futurity Investment Group Limited.

(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 N Mehta
Deputy Chairman

Melbourne, 23 September 2020

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Independent Auditor's Report to the Members of Futurity Investment Group Limited

Opinion

We have audited the financial report of Futurity Investment Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of income and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2020 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, 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 Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

- 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, 23 September 2020

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