

Annual Report 2021





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Chairman's Report

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



Overwhelmingly, my reflections on the past year are squarely on the pandemic's profound impact on education at all levels. Other than perhaps in distant war years, we have not seen the disruption and

extraordinary pressures on students, parents, teachers, schools, and universities as we have in the past two years. It is difficult to recall times when so many hurdles have been faced by those simply trying to go to school, learn, and pursue their education.

That said, I would like to applaud the agility and resilience we have all shown in addressing the challenges and in building greater self-reliance into our daily lives. As well as dealing with all the uncertainties and pressures of lockdowns, we have had to deal with the impacts to our businesses, our home and work lives and for many, the added stresses on family finances.

FUTURITY'S ROLE

In this environment, delivering on Futurity's education-purposed charter has never been more important. In addition to the normal education funding challenges for our children and grandchildren, we now have new education and vocational training challenges driven by changes in the way we are working.

I am confident Futurity has taken the right directional steps to refresh our relevance as a modern, mutual institution focused on assisting young Australians to achieve their potential through education.

THE YEAR'S KEY FINANCIAL MEASURES

Over the financial year, Futurity performed well with stable management, strong governance, and operations adapting to flexible working conditions.

Over 2020/21, \$200 million was distributed in scholarship, education, and member benefits. At financial year end, Futurity managed \$1 billion in education savings and investments for you, our Members.

This year we achieved a net profit after tax of \$4.8 million.

These profits, together with surplus releases from end-of-life benefit funds contribute to our sound financial position and stability.

It was a year of excellent investment returns achieved for members with financial markets defying the pandemic uncertainties and volatilities with very strong performance generated from Australian and global equity investments.

MEMBER ENGAGEMENT

Your Board recognises that for Futurity to thrive in this rapidly changing and competitive market, we must better understand our Members and their expectations and gain insight into the education preferences and aspirations of future Members.

Increasing the value of membership is an ongoing quest and we wish to better communicate the benefits of being a member of a mutual. This year's report has a section devoted to Futurity as a Member-Owned Mutual (see page 12). This outlines our primary mechanism for delivery of member value - which is "mutual dividends" in their various tangible and intangible forms.

Whilst on this topic, I am pleased to report that Futurity recently became one of the first four mutual organisations in Australia to be accredited under the Business Council of Co-operatives and Mutuals' (BCCM) Mutual Value Measurement (MVM) framework. To achieve this, Futurity devoted considerable resources over the year to collaborate with the BCCM and the Monash Business School by applying the MVM's sector-wide tools to articulate, define, and measure the dimensions of Futurity's mutual organisational value.

ADVOCACY AND PHILANTHROPY

Futurity's vision goes beyond creating the capacity to help our Members access and afford the type of education and lifelong learning opportunities they want. We additionally seek to support families and individuals to achieve broader education objectives with strong and active advocacy, and education-purposed philanthropy.

Our advocacy objective is to be a respected and authoritative voice in the education sector advocating for inclusive and equitable education and for lifelong learning. One of our advocacy initiatives is the National Excellence in Teaching Awards (NEiTA) which we have supported for

over 25 years. I am pleased to report that the 2020 NEiTA virtual awards ceremony was a resounding success and that during the year NEiTA's brand, website, and awards process underwent a major revamp. We aim for NEiTA to be the pre-eminent awards for the teaching profession in Australia and New Zealand.

During the year, we progressed our philanthropy work with the establishment of the Futurity Education Foundation as the group's education-purposed philanthropic arm. Through the Foundation we will continue to support causes such as The Smith Family, who we have supported for 17 years. This year our Members supported 70 disadvantaged young people to stay in school and to thrive through The Smith Family's Learning for Life Program.

In another pleasing development, The Smith Family and NEiTA are joining forces for this year's NEiTA Awards to give two outstanding educators (one primary and one secondary) a \$10,000 grant to recognise their extraordinary contribution to educating students experiencing disadvantage.

SUSTAINABILITY

Corporate sustainability is assuming major prominence in the governance of all forms of business enterprises. Critically, the emphasis has moved on from just having good environmental and socially acceptable investment practices and is taking a whole of organisation approach.

At Futurity, I believe we need to adopt this holistic perspective to corporate sustainability and embrace its full dimensions - environmental, social, and economic. Futurity must deliver long-term value to our Members and stakeholders without compromising people, the planet, or the economy.

So important is this topic that Futurity's Board has recently resolved to establish a Sustainability Committee to lead the way by examining the issue and by mapping out and monitoring Futurity's corporate sustainability performance.

FUTURITY'S CONSTITUTION

At this year's AGM some important changes to Futurity's constitution will be put to Members. These are outlined in the explanatory notes accompanying the Notice of Meeting. In short, the principal changes are to:

- restate Futurity's Objects and Powers by removing certain redundant provisions and aligning them to our core strategic pillars of issuing education-purposed

products and undertaking education-purposed advocacy and charitable activities;

- introduce a mechanism to determine "Available Distributable Surplus" from Futurity's capital. This is to enable the Board from time to time to identify and make excess surplus distributions without infringing "no profits and no assets" distribution rules integral to mutual organisations.

By way of example, such a distribution might be via ex-gratia education benefits given to encourage Members, their dependents, and education beneficiaries to continue, retain, or take up new education savings; and

- incorporate new powers to make By-Laws to facilitate the Board (on a case-by-case basis) adding possible new membership categories called "By-Law Members". They will not have the privileges and voting rights of General Members. An example of a new category might be the education beneficiaries that our Members appoint.

RECOGNITION

I'd like to take this opportunity to acknowledge Allen Blewitt, who is retiring as a Director after seven years. Allen has made a significant contribution as Deputy Chair for six years, as Chair of NEiTA, Chair of our Educational Advisory Panel, and as a member of various board committees. I am very pleased that Allen will continue as NEiTA Chair and as a Participating Consultant. In keeping with our Board's ongoing succession planning objectives, I would also like to welcome Phil Vernon as a new Director and Catherine O'Sullivan as a Participating Consultant. Their new roles will shortly commence and I am confident they will prove to be quality appointments and enhance the Board's skills, experience, and diversity.

With this year's achievements and our sound future prospects, I look forward to working with my colleagues on the Futurity Board, our CEO Ross Higgins, other senior executives, and our dedicated staff to ensure that Futurity continues to provide high quality service to our Members and assists in the education journeys of many more Australians.



Craig Dunstan
Chairman

CEO's Report

ROSS HIGGINS B.EC, LL.B, LL.M



These are indeed extraordinary and challenging times – and amidst all the pandemic trials and tribulations, I am extremely proud of the solid progress we are making in our quest for Futurity to become

in effect a 'new' education-purposed financial institution built on the foundations of ASG.

Following the previous year's successful completion of Futurity's major transformation projects, 2020/21 saw the first year in the market of the Futurity Education Bond range and the opening of our new direct and financial adviser distribution channels. We also developed new flexibility and switching options for members with ASG products, whilst maintaining high member servicing standards. Pleasingly, solid financial and some outstanding investment results were recorded.

FUTURITY'S ROLE IN THE EDUCATION MARKET

In our "normalising" world (whatever that will look like) greater prominence will be placed on the value of education. Indeed, in the resetting Australian and New Zealand economies the jobs of the future will demand new skills, qualifications and ongoing vocational training and career path agility.

For Futurity, as a sole education-purpose institution, our place in the 'new normal' heavily resides with our new education product range. This positions Futurity so well and so uniquely to execute our growth plans in a chronically underserved education products market. Our innovative Family Education Bond with its multiple "discretionary" beneficiaries can lead the way in helping families (including for grandchildren) meet their lifelong education funding goals and aspirations.

A YEAR OF SOLID FINANCIAL RESULTS

Futurity's transformation and restructuring over the past two and half years has made us a leaner, more agile and focused organisation. This is reflected in 2020/21's solid \$4.8 million profit result, which was aided by favourable investment markets.

These profits, together with surplus releases from end-of-life benefit funds, significantly added to Futurity's already well-

capitalised balance sheet and financial strength. Members should take comfort that this year Futurity attained record high capital levels - further strengthening our long-term resourcing to back the management and administration of your education products.

THE ECONOMY & INVESTMENT PERFORMANCE

Fortunately, the "expert" predictions of a severe economic downturn at the outset of the pandemic did not eventuate and our economy only briefly tipped into recession. Unprecedented levels of government support helped shelter Australia from the worst economic impacts and our nation has climbed back close to pre-pandemic activity levels with positive (and pent-up) consumer and business confidence.

In this environment, strong investment performance (especially for equities and property) was achieved and culminated in pleasing investment performance results for your member funds.

For the major ASG pooled risk education products and ASG Pathways managed by Futurity, returns of over 7.0% p.a. (after fees and tax) were achieved. Our investment strategy for these funds through all market cycles and volatile conditions is to maintain prudently diversified portfolios with risk adjusted settings designed to deliver consistent and sound long-term returns.

For the new Futurity Education Bond's investment menu (where members themselves have investment choice) there were some exceptionally good returns after all fees and tax. The three "growth" style diversified Investment Options (which were best supported by new member inflows) delivered solid returns of over 11.5% p.a. Across the entire 22 Options on the menu - three Options achieved impressive returns between 10% p.a. and 15% p.a., five Options shone with results ranging between 15% p.a. and 20% p.a. and five Options exceptionally recorded over 20% p.a.

Of course, with this being a member choice menu, we encourage members to take a long-term investment focus and depending on your circumstances and risk tolerance, to seek professional investment advice.

The Investment Performance Report 2021 on page 14 has more details.

SALES AND DISTRIBUTION

Despite the pandemic's disruptions, we were able to "soft" launch the Futurity Education Bonds range and over its first year encouraging new sales of nearly \$10 million were achieved.

Futurity's first-time shift to distribution via licensed financial advisers had standout positives with this channel's approved product list growing to 29 Dealer Groups representing over 1,300 underlying financial advisers. This is a promising indicator for the future, especially for financial planning clients (and typically grandparents) who want to put in place secure and protected estate planning and intergenerational wealth transfers strategies for education purposes.

In October, Futurity won our Industry's 2020 Education Bond of the Year. This was awarded by Plan For Life (Independent Actuaries & Researchers) to recognise excellence in product design and innovation across life insurance, investment and retirement sectors. Futurity also won our sector's 2020 Customer Service Award.

PRODUCT DEVELOPMENT & MARKETING

During the year, our Marketing team continued rolling out high-quality marketing, media and promotional materials – focusing on building authenticity of our new Futurity brand assets and aligning their values with member and market expectations. Enhancements were also made to Futurity's website and member and adviser portals and in developing user-friendly education cost calculators.

Our plans for the current year are focused on responding to an increasingly digital world and simplicity of purchase to make it easier for members to do business with us online and with mobile technology. This includes developing new 'break-out' products from the flagship Futurity Education Bond range to streamline the "online" purchase journey by new offerings that filter out some financial planning features and with a slimline, easy choice diversified investment menu.

ASG PRODUCTS ENHANCEMENTS & CAMPAIGNS

In December, we gained approvals for our regulator, the Australian Prudential Regulation Authority (APRA), that paved the way for new flexibility and options for many members with ASG products to switch their member benefits into the Futurity Education Bond range.

Our inaugural member Capital Switching Campaign that commenced late in December 2020 yielded nearly \$2.0 million from Members switching to Futurity Education Bonds.

As the financial year neared its close, we concluded

an 18-month consultation process with APRA with 'go ahead' on a project called the "Comprehensive Scheme" project. This has solved how we treat historical, unattached surpluses in many "end-of-life" ASG benefit funds. As an outcome, sizeable surplus funds are now maintained in segregated accounts within our management fund that are available for future application for various member benefitting and other "Approved Purposes".

In the coming months, a new campaign is planned with a first round of Comprehensive Scheme surplus distributions being offered to many past ASG education beneficiaries.

OUR TALENTED AND DEDICATED STAFF

During 2020/21 Victoria went "in and out" of lockdown three times and I am so proud of how our staff coped under prolonged work from home conditions – with many contending with the demands of home-schooling.

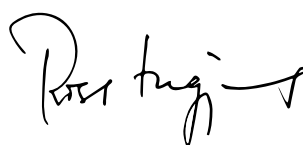
While many businesses cut workforce capacity during the pandemic, Futurity has maintained high staff retention and we currently have 86 staff. Our growth plans envisage expanding the team and developing a flexible work policy that strikes the right balance between the office and remote work in the rapidly changing shape of the workplace.

TO MEMBERS, BOARD AND STAFF

In closing, my sincere thanks and gratitude must first go to you our members for the continuing trust placed in us to look after and grow your education investments.

I also thank our Board of Directors for their ongoing guidance and support, and particularly recognise the valuable and extensive collaboration between the Board's various Committees and Futurity's management team.

All that has been accomplished during a tough year would not have been possible without the hard work of our Group Leadership Team, our managers and dedicated staff. I am proud of what we've achieved together and look forward to the exciting times ahead for Futurity.



Ross Higgins
Chief Executive Officer

ABOUT FUTURITY

Established

47

years ago



70,000+
members

Supported the education journeys of

565,000
children

Total assets
amount to

\$1.15b

We manage and invest

\$1 billion

in education savings
and investments for
our members

Returned over



\$3.4 billion

in education benefits
to members

FUTURITY IN 2021

\$148.38m distributed as member benefits



49,907

member benefit payments



23,081

scholarship benefit payments

\$52.14m distributed as scholarship benefits

93%



Member satisfaction score



137

Average
daily calls

36 secs

Average response time

Provided first time COVID-19
hardship assistance to 67 members

559 members received extra
COVID-19 hardship assistance



Won 2 Plan for Life Excellence Awards



SALES & DISTRIBUTION



Connected with over

1,300

Financial
Advisers

through Approved Product listings

\$10m

in new FUM



Secured

29

Approved Product listings
with FAs

2 distribution channels: through financial advisers and direct online

ADVOCACY & PHILANTHROPY



\$1.2 million

awarded in grants, prizes and endowments via NEiTA

27 years

since the inception of
the NEiTA Awards



17-year

partnership with
The Smith Family



23

outstanding educators

received NEiTA Awards

Education Advisory Panel:

10

foremost
Australasian
educators

2

education-aligned
Foundations



Launched Planning for Education Campaign, Futurity Parents Report Card,
Cost of Education Calculator to create awareness of costs of schooling

FINANCIAL PRODUCTS

2

education bonds:

Individual and
Family



choice of 22
investment options

up to 10

education beneficiaries
with our Family
Education Bond



education beneficiary
with the Individual
Education Bond



41 borrowers assisted during COVID 19



\$23,043

Average
loan size

48

Average age
of customers

2

Loans products:

Tuition Instalment Loan &
Tuition In Advance Loan

PEOPLE & CULTURE

86

employees



21

Our
employees'
countries of
origin

51:35

Gender ratio (♀:♂)

About Futurity

Futurity Investment Group is an independent and mutually structured financial institution that has supported the education journeys of families for close to 50 years.

As Australia's leading issuer of tax-effective, life-event Education Bonds, we seek to enable 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, strong and active education-purposed advocacy, and philanthropy.

With total assets of \$1 billion, Futurity's financial strength and capital reserves enable us to meet our long-term commitments to Members through all investment cycles.

Since Futurity's inception, more than 565,000 children have received education benefits and \$3.4 billion has been paid to our Members and their education beneficiaries. We are regulated and supervised by APRA and are licenced as a friendly society-based life company.

OUR VISION AND PURPOSE

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



Our Purpose is to fulfil this Vision by:

- 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.



FUTURITY'S STRATEGIC DIRECTION

We are following a growth path aimed at fulfilling our Vision and Purpose under three strategic pillars. Success with Futurity's education product lines is the critical financial enabler of our two other long-entrenched strategic pillars – education-purposed advocacy and philanthropy.



EDUCATION PRODUCTS

Our ground-breaking range of Education Bonds enable tax-effective savings and investing to fund education-purposed objectives and they cover a full spectrum of lifelong education courses and expenses.

Futurity's first-of-kind "discretionary" *Family Education Bond* permits up to 10 beneficiaries under the one product and can serve families across multiple generations - whereas an *Individual Education Bond* caters for one nominated education beneficiary to receive the Bond's benefits.

Futurity's Education Loans can assist parents to streamline the high annual cost of school tuition fees into more manageable weekly, fortnightly, or monthly instalments.

ADVOCACY

Advocacy is in Futurity's DNA. Our mantra is to represent the interests of our Members and community through active advocacy to help shape the future of education. We aspire to be a respected and authoritative voice advocating for inclusive and equitable education and for lifelong learning. Our advocacy priorities are to "further access, choice, affordability, and quality in education, advancing regional, remote, and indigenous education and elevating teacher quality and development."

We stay in touch with our Members and the community through regular surveys to publish the *Futurity Parents Report Card*, *Teachers Report Card*, and conduct our *Planning For Education Campaign*, which explores the costs of schooling. We regularly assemble an Education Advisory Panel of leading educational practitioners providing research, guidance and insight.

PHILANTHROPY

Central to Futurity's charter as a "for purpose" organisation is our commitment to education-aligned philanthropy.

The cornerstone of this has been Futurity's 17-year partnership with The Smith Family, a national charity that supports the education needs of disadvantaged Australian children.

Going forward, Futurity will broaden our philanthropic endeavours for education-purposed charitable giving through the *Futurity Education Foundation*.

We believe deploying measured and prudentially sound levels of Futurity's financial resources towards education-purposed philanthropy and backing our education-aligned Foundations are important components of our program to deliver mutual dividends to Members.

Futurity as a Member-Owned Mutual

Over Futurity's long history, we have a steadfast and unwavering commitment to remaining a member-owned and mutually structured organisation – and most importantly to being 'for education purpose only'. The hallmarks of these commitments are:

- adhering to time-honoured friendly society ideals of individuals taking self-responsibility to financially provide by their savings and investment for life-event goals – and in Futurity's case – their education-purposed goals
- seeking to operate profitably – but not to generate shareholder returns - rather directing profits to maintaining capital for our prudential reserve requirements and Futurity's overarching long-term financial soundness and sustainability as a mutual. Profitable operations also supports Futurity's capacity to deliver mutual dividends to Members.
- operating with high corporate governance and corporate sustainability standards - being accountable to our mutual charter, to our Members and to the wider community as an ethical and socially responsible corporate citizen.

Going forward, Futurity will remain true to these commitments and ideals, however our organisation of the future will give greater prominence to individuals and families at all stages of life having education objectives.

MUTUAL VALUE MEASUREMENT FRAMEWORK

Futurity was recently announced as one of the first mutuals in Australia to receive a Mutual Value Measurement (MVM) Accreditation from the Business Council of Co-operatives and Mutuals (BCCM).

In achieving this Accreditation, the BCCM acknowledged "a profound commitment on the part of Futurity to the ongoing promotion of mutual value for its members and its community."

The MVM is a world-first framework with a set of common dimensions for mutuals to measure total value creation (mutual value) in terms of their positive impacts on Members, stakeholders, the community, and the economy.

Futurity has considered these MVM dimensions in light of our corporate Vision and Purpose and to these ends we have quantitative and qualitative metrics for each MVM dimension against which our progress in delivering mutual value can be tracked over time.

MUTUAL DIVIDENDS

Central to our mutual, member-owned structure is Futurity's objective to deliver to our Members 'mutual dividends' beyond the financial benefits attendant with your education savings and investment products. Mutual dividends can take many forms and can be tangible and intangible in value and reflected by:

- offering our new education savings and investment products with added features and lower-end fee levels
- delivering high quality personal service supported by online member portals, tools and reporting
- making ex-gratia surplus distributions to Members, including death, disability, and hardship
- undertaking education-purposed advocacy and philanthropy and by financially backing our aligned Foundations – the long-standing *NEiTA Foundation* and the recently established *Futurity Education Foundation*
- delivering on our corporate sustainability goals and initiatives without compromising people, the planet, or the economy.

Consistently delivering member-valued mutual dividends can set Futurity apart from other member-owned organisations and can be a valuable differentiator from our competitors in the education and investment bond sector.



MEMBER GOALS

The goals we have for our Members and their education beneficiaries are that they:

- will continue to embrace saving and investing in our range of education products to meet their own and their family's lifelong education needs
- receive quality and timely service and engage with us through their preferred channel – in person or online
- value mutual dividends – particularly our advocacy and philanthropic initiatives.

ORGANISATIONAL GOALS

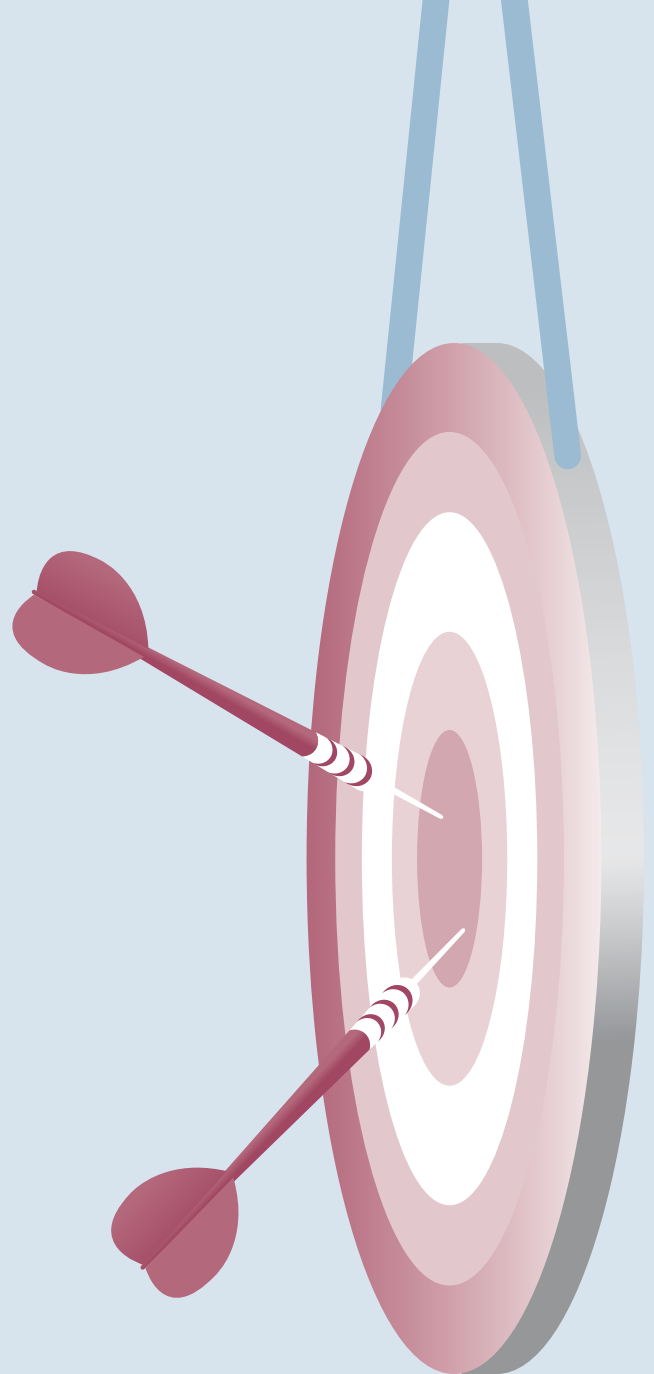
Futurity has overarching organisational goals to:

- maintain and strengthen our position as Australia's leading issuer of tax-effective, life-event education savings and investment products
- maintain and strengthen our capital resources to ensure Futurity's long-term sustainability as a mutual
- strengthen our reputation and broaden our brand recognition
- achieve our corporate sustainability goals.

MANAGEMENT AND STAFF GOALS

Our goals for management and staff are that they:

- are talented, highly engaged, and motivated
- are productive, proactive, and effective
- enjoy and value a positive, accountable, compliant, and risk-aware culture
- carry forward Futurity's core values of care and passion when managing our Members' expectations.



Investment Performance Report 2021

PETER TAUBMAN, HEAD OF INVESTMENTS

The year saw very strong returns generated from growth assets (Australian and global equities, property, and infrastructure) while defensive assets (cash and fixed income) saw lower returns. Growth assets were buoyed by a strong global economic recovery assisted by fiscal stimulus, a focus on future forecast economic expansion, improved sentiment created by increasing COVID-19 vaccination levels, and high amounts of liquidity.

Australian and global equity markets were very strong with the consumer discretionary and information technology sectors performing well as consumer confidence and spending continued to rise post the COVID-19 impacts. Unlisted Australian property and unlisted global infrastructure assets delivered reasonable returns with less volatility than listed equivalents.

Equity markets now trade near to all-time high levels; however, uncertainty is present as illustrated by inflation showing signs of increasing, which could impact investor required rates of return. Central banks continued to

provide monetary policy support to economies as official cash rate levels remained low and monetary policy programs continued to hold longer term interest rates lower. Fixed interest markets saw longer term yields rise then fall into June 2021 which added to their yearly volatility levels.

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 investment outcomes.

With our disciplined approach and investment frameworks we managed risks and participated in the strong performance of growth assets, particularly Australian and global equity markets. We remained focused on diversification within the portfolios and our strategic asset allocation was appropriate for our investment portfolios and assisted in generating the risk adjusted long-term focused investment outcomes.

TOTAL FUNDS UNDER MANAGEMENT

As at 30 June 2021, the total funds under Futurity management amounted to \$1 billion. During the year, we paid \$200 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 meet the costs of their children's education.

It should be noted that 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 receive a tax benefit when we pay our scholarship benefits or education benefit claims which we pass on to recipients. 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 2021.

ASG BENEFIT FUNDS	DECLARED RATE OF RETURN
The Education Fund	7.70%
Supplementary Education Fund	7.65%
Pathway Education Fund*	7.23%
The Education Fund (NZ)	8.85%
Supplementary Education Fund (NZ)	8.50%
Pathway Education Fund (NZ)*	7.17%

*annualised

The following table provides a summary of the returns generated on our Unitised Funds Group benefit funds for the year ended 30 June 2021.

FUTURITY EDUCATION BONDS

	FUND	INVESTMENT MENU	1 YEAR
Futurity Managed and Blended	FM1	Managed & Blended - Balanced Portfolio	7.35%
	FM2	Managed & Blended - Growth Portfolio	11.63%
	FM3	Managed & Blended - Socially Responsible Investing Portfolio	27.66%
Diversified	DP1	Diversified Indexed - Conservative	4.89%
	DP2	Diversified Indexed - Balanced	8.92%
	DP3	Diversified Indexed - Growth	13.94%
	DP4	Diversified Indexed - High Growth	18.42%
	DA1	Diversified Active - Conservative	5.41%
	DA2	Diversified Active - Balanced	9.27%
	DA3	Diversified Active - Growth	13.63%
	DA4	Diversified Active - High Growth	17.05%
Sector-specific	SP1	Sectoral Indexed - Australian Fixed Income	-1.09%
	SP2	Sectoral Indexed - Australian Equities	19.85%
	SP3	Sectoral Indexed - International Equities	24.09%
	SP4	Sectoral Indexed - Emerging Market Equities	20.41%
	SP5	Sectoral Indexed - Property	23.05%
	SP6	Sectoral Indexed - Socially Responsible Investing	18.97%
	SA1	Sectoral Active - Cash	0.04%
	SA2	Sectoral Active - Australian Fixed Income	0.45%
	SA3	Sectoral Active - Australian Equities	9.06%
	SA4	Sectoral Active - International Equities	25.64%
	SA5	Sectoral Active - Emerging Market Equities	17.07%

Our unitised Education Bond investment menu has been active for just over a year. It offers both self-directed investors and financial advisors investment choice and a sensible platform to meet the long-term investment objectives of our Members and investors.

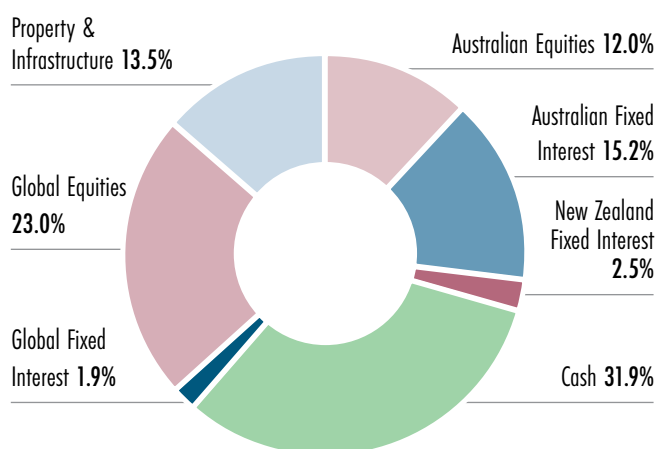
EXPECTATIONS FOR THE YEAR AHEAD

Uncertainty may increase as investment markets adjust to the COVID-19 'new normal' and its associated fiscal and monetary effects. One impact has been an increase in inflation levels due to such a speedy economic recovery. This could lead to higher levels of market volatility in equity markets, which closed near all-time high levels in June 2021.

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 yield volatility possibly increasing 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. The role of diversification remains as important as ever to help reduce overall portfolio risk and volatility.

FUNDS UNDER MANAGEMENT



Our Products

KATE HILL, GROUP EXECUTIVE - FINANCIAL PRODUCTS, MARKETING & DIGITAL

FUTURITY EDUCATION BONDS

Futurity's new range of Education Bonds are groundbreaking, both in structure and features. They can revolutionise the way parents, grandparents and others save and invest to pay for the education of their children, grandchildren and loved ones, and for their own career-related or personal lifelong learning.

Education Bonds are financial products specifically designed for saving and investing to tax-effectively accumulate funds to meet lifelong education expenses. They are a way to achieve financial self-sufficiency to meet education-related expenses—for individuals, families, and others.

Futurity's Education Bonds are suitable for investors seeking an education-purposed, tax-effective investment over a long-term investment timeframe. They do not annually distribute income and are structured to produce investment growth reflected in the unit prices of their 22 investment options. They can be structured to operate for the benefit of multiple generations and to achieve education-purposed estate planning outcomes.

The Bonds offer savings and lump sum investment plans that are directed to tax-effectively establish financial provisioning for a full spectrum of lifelong education courses, both in Australia and overseas. They have the broadest possible education course coverage, including preschool, primary, secondary, university, TAFE, professional development, micro-credential, adult education, and indigenous courses.

Lifelong education benefit claims can be made against the Bond, including for:

- school fees, course and tuition fees, travel expenses, student loan repayments, student union fees
- hidden and add-on expenses, such as for uniforms, books, computers, devices and calculators, musical instruments, performing arts materials, excursions and camps, sports, and other education-related materials
- living-away-from-home education expenses, including accommodation, utilities, and other reasonable outgoings.

FAMILY EDUCATION BONDS

The centrepiece of the range is a first-of-kind discretionary *Family Education Bond*. This is a structurally unique type of investment bond that works like the bond owner's tailored, education-purposed family trust but with off-the-shelf simplicity and the inbuilt tax-effectiveness of a conventional Education Bond.

The *Family Education Bond* gives bond owners discretion to appoint up to 10 education beneficiaries under one *Family Education Bond* with flexibility to make education benefit claims for some or all of them. The Bond can facilitate lifelong education provisioning and intergenerational wealth transfers as it can be set with an investment term of up to 99 years.

Bond owners, such as grandparents wanting to look after large family groups, can establish multiple *Family Education Bonds*. For instance, a separate *Family Education Bond* may be established for the grandchildren of each sibling's branch of a family group.

INDIVIDUAL EDUCATION BONDS

The other bond type in Futurity's range is an *Individual Education Bond*. This Bond has all its benefits earmarked, invested, and accounted only for one individual education beneficiary.

There can be a variety of family and other circumstances leading to preference for using *Individual Education Bonds*. These can include:

- single child families or sponsors (e.g., aunties, godparents) setting up a Bond for a particular child
- in certain family situations, for the alignment of separate *Individual Bonds* to the different ages, education goals, and timeframes of individual children
- in blended families with children from current and previous relationships, multiple *Individual Education Bonds* may be used with a separate Bond established for each child of the blended family unit
- the need to maintain the confidentiality and privacy of different arrangements (e.g., investment amounts) between individual education beneficiaries.

FUTURITY EDUCATION LOANS

In 2019, a range of ASG-branded education loans products was developed and launched exclusively for the education sector. These products, now known as *Futurity Education Loans*, are short-term (continuing credit) unsecured loans to assist parents to flexibly manage school fees. They offer parents with children at private schools the ability to streamline the high annual cost of tuition fees into more manageable weekly, fortnightly, or monthly instalments.

The Futurity education loans product range comprises:

- *Tuition Instalment Loan*
- *Tuition In Advance Loan*.

While both offer the ability to break down annual school fees into instalments over a 12-month period, the *Tuition In Advance Loan* also allows parents to pay a year's fees upfront so they can take advantage of a schools prepayment discount.

As a continuing credit facility, at the successful completion of each loan period parents can reuse the facility for a subsequent school year without requiring a reassessment.

EXTRAS EDUCATION LOANS

In addition to our loan products which help to smooth the payment of school fees, Futurity will soon launch a new loan product called *Extras Education Loan*, which can be used to help fund other education expenses such as electronic devices, musical instruments, and school camps.

Compliant with the *National Consumer Credit Protection Act 2009*, we fully subscribe to our responsible lending obligations to ensure we do the right thing by our customers.

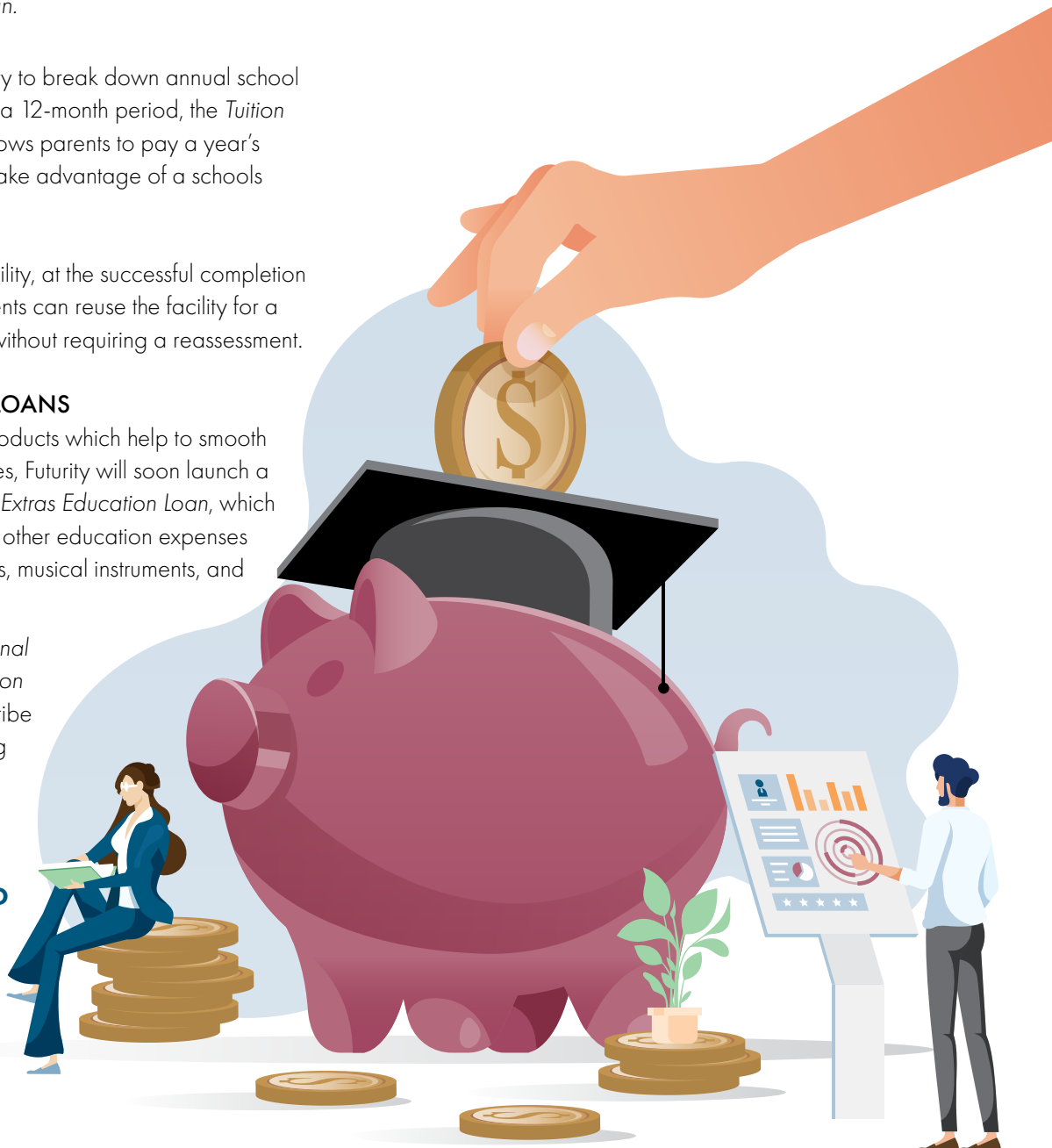
ASG PRODUCTS AND FUNDS

Futurity is mindful of the importance of delivering high service standards

to our existing Members, who hold ASG-branded education products and scholarships.

This large membership base contributes close to \$85m annually to these products. Overwhelmingly, the ASG heritage represents decades of good education stories – and forms solid foundations for us to build the Futurity business.

While the entity has rebranded as Futurity, all existing ASG product entitlements remain unchanged under their ASG branding and Members will continue to have reporting and dedicated portal access under familiar ASG product names.



Our People

STACEY GLEN, GROUP EXECUTIVE – PEOPLE & CULTURE

In the past 12 months, the People & Culture Team has continued focusing on 'Putting People First' and working towards becoming an employer of choice by offering a suite of services to support our employees 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 2020/21, we launched several strategic initiatives focused on employee benefits, health and wellbeing, and learning and development.

HEALTH AND WELLBEING

Our COVID-19 Safety Plan was a tailored response to the workplace challenges resulting from the pandemic. This plan ensured all employees were fully equipped to continue working from home for extended periods and transition in and out of lockdown restrictions seamlessly, with little impact to the business.

The People & Culture Team is passionate about creating a healthy workplace, both in the office and while working from home. A new *Employee Wellbeing and Support Program* was recently launched to support the emotional and mental wellbeing of our people.

EMPLOYEE BENEFITS

Futurity is a key enabler of financial self-sufficiency to meet lifelong education objectives. Our new policies on study assistance and parental leave reflect this purpose. We introduced financial assistance to employees who wish to pursue further education to enhance their career opportunities. We also introduced a leading-edge *Parental Leave Policy*, which is among the most progressive in Australia.

Key features of the policy include:

- paid parental leave for both parents, regardless of their gender
- paid prenatal and pre-adoption leave to enable both parents to attend medical/adoption appointments
- paid parental leave for the birth mother following stillbirth or the death of a child immediately after birth.

By offering access to paid parental leave to both men and women we highlight the importance of equal parenting opportunities regardless of gender, knowing that it supports the career growth of mothers who wish to return to work after child birth, and reinforces Futurity's family friendly culture.

ETHICS AND VALUES

Futurity is committed to the highest ethics and behaviours in the workplace. The new ethics/code of conduct called *Our Ways of Working* was developed to guide employees when dealing with ethical challenges and helps employees to make the right decisions at work.



Advocacy and Philanthropy

DAVID MICHELL, POLICY, RESEARCH AND STAKEHOLDER RELATIONS MANAGER

ADVOCACY STRATEGIC PRIORITIES

Futurity has three strategic priorities, which focus on our advocacy and philanthropic endeavours:

1. INCENTIVISING ACCESS, AFFORDABILITY, QUALITY, AND CHOICE IN EDUCATION

- Futurity's *Parents Report Card* addresses multiple objectives providing a means for Member and community outreach, informing policymakers, and is a vehicle for Futurity's mutual value-adding activities. The 2020 report is a must-read for anyone interested in understanding, analysing, and connecting the many dimensions of schooling and education in Australia.
- The Cost of Schooling is a core factor determining the ability of families to access and exercise choice in education. To provide Futurity Members and the wider community an evidence base for the long-term cost of education, researchers from the Faculty of Education at Monash University analysed our *Parents Report Card Survey* ancillary cost data together with MySchool fee voluntary contributions data to develop the *Cost of Education Calculator*. This helps users estimate the long-term cost of their child's education based on their preferences and assumptions.
- These elements are brought together in the *Planning for Education Campaign* in which Futurity shares data with the community on the average 13-year cost of a child's education in each Australian state across school sectors and major capital cities and regions.
- The COVID-19 pandemic, and resultant school lockdowns, have affected family incomes and children's education in many ways. To learn more, Futurity conducted the *Parents' Experience of Impact of COVID-19 Survey*. Key findings include:
 - Parents spent an extra \$808 per child on ancillary costs during the pandemic
 - One in three parents reported they felt at least some financial pressure due to the pandemic.

2. ADVANCING REGIONAL, REMOTE, AND INDIGENOUS EDUCATION

It is a strategic objective of Futurity's advocacy activity to help bridge the gap in educational opportunity faced by students in regional areas. We seek to advance the

education opportunities for all disadvantaged students, and particularly rural, remote, and Indigenous students.

- We use the *Futurity Parents Report Card* to report on the school education experience of our Members based outside major metropolitan areas. In so doing we pick up both the challenges and opportunities in being educated in regional locations.
- Sometimes the benefits children receive from growing up in regional and remote areas are overlooked. While schools can face challenges in attracting and retaining teachers, many regional schools build excellent reputations. For instance, among our Members responding to the *Parents Report Card Survey*, the representation of parents from inner regions who are "very satisfied" with their child's school was much higher than for parents in major cities. And parents felt regional schools did a better job of preparing their children for the future of work, compared to schools in major cities.
- Some opportunities are only available to children in certain regional areas as evidenced by the work of Shelley DeRuyter from William Ross State High School Annandale, QLD. Shelley was awarded the 2020 Terry O'Connell Regional and Remote Teachers' Award in acknowledgement of the benefits she has brought to her students and the wider community. Shelley was instrumental in developing her school's aquaculture program which is linked to the local economy and two university campuses in Townsville. By engaging with local community professionals (from Far North Queensland to North Queensland) and considering current research she has aligned her science curriculum standards with a contemporary industrial field incorporating everchanging knowledge and skills.
- One of the highlights of the year for Futurity employees was their participation in The Smith Family *Digital Work Inspirations Program* with Wynyard High School near Burnie, Tasmania. The two-day program introduced Year 9 students to the wider world of work and provided alternate role models and a sense of new possibilities achievable with study. For these students, a potential challenge is in their regional location. A key insight, reinforced by conducting these sessions as Zoom videoconferences, was how many modern businesses, including Futurity's, could be conducted remotely from nearly any location.

An illustration on the left side of the page shows two stylized figures, a man and a woman, reaching up towards a large, multi-pointed orange star. The man is on the left, wearing a dark suit and a red scarf, with his right arm raised. The woman is on the right, wearing a purple top and dark pants, also with her right arm raised. They appear to be standing on a large, light orange hand that is reaching up from the bottom of the frame. The background is a light green gradient with some white clouds at the top and green foliage at the bottom.

3. TEACHER QUALITY AND THE NATIONAL EXCELLENCE IN TEACHING AWARDS (NEiTA)

The quality of teaching is a key driver of education outcomes for children and youth. By funding the work of the *NEiTA Foundation*, Futurity supports activities that help to improve teacher quality and retention, while promoting teacher professional recognition and development.

The *NEiTA Awards* recognise and celebrate outstanding educators in early learning centres, primary and secondary schools, and special schools. Over the last 27 years, NEiTA has received more than 40,000 nominations, of which nearly 1,100 educators have received awards. NEiTA has awarded close to \$1.2 million in professional development grants, prizes, and endowments.

During 2020, as schools were shut down and remote learning initiated across the nation, NEiTA Trustees saw this as a critical moment in education, and the lives of students and educators alike. They used the moment to elevate recognition of the profession by conducting a special award season.

The outcome was 23 outstanding new NEiTA award recipients, who were recognised in the 2020 virtual awards ceremonies. The awards presentations, co-hosted by NEiTA Chairman Allen Blewitt and Rae Johnston of SBS/NITV, were broadcast in December 2020 and were joined virtually by people from across Australia and New Zealand. You can view both ceremonies at neita.com.

Also announced at the awards were:

- a new NEiTA logo and brand refresh
- renewal of collaboration with the Australian College of Educators to produce the annual *Teachers Report Card* to help us elevate our advocacy and thought leadership for the profession.

PHILANTHROPY AND CORPORATE SOCIAL RESPONSIBILITY

I. FUTURITY EDUCATION FOUNDATION

A legacy of Futurity's long-term success is its strong capital position. We plan to use this

financial strength to prudently support two education-aligned Foundations – the established *NEiTA Foundation* and the new *Futurity Education Foundation* to help us deliver 'mutual dividends' by supporting better education outcomes for all Members.

The purpose of *Futurity Education Foundation*, soon to be a registered charity, is 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.

II. THE SMITH FAMILY

Futurity is proud to work closely with The Smith Family as a long-term philanthropic partner. Our donations support 70 disadvantaged young people to stay in school and to thrive through TSF's *Learning for Life Program*. Our partnership has deepened over the last financial year through the participation of Futurity employees in volunteering activities organised by The Smith Family.

UNITED NATIONS GLOBAL COMPACT (UNGC)

Futurity strives to securely and responsibly meet the long-term commitments inherent in our member education plans.

We support universal human rights, including the right of all children to have the opportunity for a good education. We believe that quality education is a foundation for sustainable development, supporting the UN Sustainability Goal 4 for 2030 to "ensure inclusive and equitable quality education and promote lifelong learning opportunities for all," which closely aligns with Futurity's Vision and Purpose.

Futurity is a signatory to the UN Global Compact and has UNGC Active status, consciously committing its people, business, and investments to the adoption of sustainable and socially responsible policies, strategies, and operations by supporting these important UN principles.

MUTUAL VALUE MEASUREMENT (MVM)

As we act in line with our business purpose, we are giving expression of our mutual values.

Futurity seeks to create and deliver value across a range of dimensions – financial and non-financial. We have undertaken a Mutual Value Measurement (MVM) exercise

to describe and quantify the breadth of benefits that our mutual structure provides to Members, key stakeholders, and the wider community.

There are six standard dimensions under the MVM Framework against which we have developed quantitative and qualitative measures to track our progress:

1. Commerciality: captures our strong balance sheet that we, as a prudentially-regulated organisation, offer through our long-term maturity products.

2. Shaping Markets: reflects our market leadership in education savings products and our innovative new products. It is the value we add simply by existing as a business.

3. Member relationships: reflects us acting as a mutual when we put Members first. This includes our genuine remediation actions to support Members who experience financial hardship.

4. Community relationships: shown by how Futurity is part of the fabric of many schools. Our *NEiTA Awards* are unique with nominations coming from parents and community members.

5. Ecosystem and reciprocity: we are building an ecosystem of shared values when we act collectively with fellow friendly societies, and others in the mutual sector. The MVM project is the latest example.

6. Mutual mindset: exhibited by how Futurity always aims to do the right thing, and to think and act long term, demonstrated through our commitment to act ethically and sustainably in line with UN Global Compact Principles and Sustainability Goals.

While primarily focused on adding value to our Member and community relationships, our advocacy activities add value across each of the six dimensions.

The value the whole business adds against these dimensions is the 'mutual dividend' we deliver by focusing holistically on supporting better education outcomes for our Members. As a culmination of this exercise, Futurity is one of the first mutual organisations in Australia to receive MVM Accreditation from the Business Council of Co-operatives and Mutuals.

Board of Directors and Participating Consultant

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 Investment Committee.

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

Craig is the 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 The Gawler Cancer Foundation, 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 Committee. He is an invitee to the Governance Committee of Samarinda Ashburton Aged Services, whose Board he served previously. He has previously worked as founder Chairman of We Ride (Australian Cycling Promotion Fund), and on the Board of 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 Chairman of Futurity's Education Advisory Panel, the National Excellence in Teaching Awards (NEiTA) Foundation, and a member of the Nominations & 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. Subsequent to his time at Deloitte, Tony was Head of Risk Management at AustralianSuper for nearly three years.

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 experience as a Director of various Boards of regulated entities.

Tony's current Board-related roles also include appointments to Victoria University Council, Monash Health, and the AMP Superannuation Trustee Boards since October 2018 - currently as Chairman.

Tony also serves as an Independent Member on various Board Committees – Magistrates Court Victoria, Barwon Health, and the Alannah & Madeline Foundation. Tony was also appointed as a Member of the Company Auditors Disciplinary Board in August 2017.

Tony is the Chairman of Futurity's Risk & Compliance Committee, and a member of each of its Audit Committee and Investment Committee.



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 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, 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 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 the Chairman of Futurity's Audit Committee, and a member of its Nominations & Remuneration Committee.

Board of Directors and Participating Consultant (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 Managing Partner of Outside Insights Consulting Pty Ltd, Chief Marketing Officer of Picnic Labs Pty Ltd, and the Futurity-appointed Director of Permission Click Inc.

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

The Participating Consultant from the start of the financial year to the date of this report was:



PHILLIP VERNON

PARTICIPATING CONSULTANT

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

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 Australian Sustainable Finance Initiative, and has been a Director of the Responsible Investment Association of Australia, and the Australian Securitisation Forum (Chair).

Phil has a Bachelor of Economics, Master of Commerce, and Master of Business Administration degrees. 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.

Directors' Skills & 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 collectively to meet Futurity's strategic objectives and was developed following self-assessment by each Director. While identifying some scope for further skills enhancement, the Board has assessed that it currently retains the necessary high-level skills to meet both 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	✓	✓	✓	✓	✓	✓	✓	✓	8
Investment & funds management	✓		✓	✓	✓			✓	5
Education sector knowledge & experience		✓	✓		✓		✓		4
Product innovation & implementation	✓	✓	✓	✓		✓	✓	✓	7
Risk management & compliance oversight	✓	✓	✓	✓	✓	✓	✓	✓	8
Digital strategy & implementation		✓					✓	✓	3
Change management & innovation	✓	✓	✓	✓	✓	✓	✓	✓	8
Senior management/ CEO experience	✓	✓	✓	✓	✓	✓	✓	✓	8
Marketing & communications	✓	✓	✓	✓	✓		✓	✓	7
Business expansion via M&A	✓	✓	✓	✓	✓		✓	✓	7
Parent/ Grandparent member	✓	✓		✓		✓	✓		5
Financial services – accounting/tax	✓		✓		✓	✓		✓	5
Financial services industry	✓	✓	✓		✓		✓	✓	6
Mutual sector & friendly societies	✓	✓	✓	✓			✓		5

Corporate Governance Statement

Futurity Investment Group Limited ("Futurity") (formerly Australian Scholarships Group Friendly Society Limited) is a member-owned mutual organisation.

FUTURITY'S VISION AND PURPOSE

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

Our Purpose is to fulfil this Vision by:

- 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 23 of the Annual Report) in addition to overseeing the 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, the annual budget, and the business plan, and monitoring of performance against them
- 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), 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, Mr. P Vernon served as Board Participating Consultant. He was appointed on 27 March 2020.

MEETINGS OF THE BOARD

Futurity's Board met monthly (other than in January and July). A strategic planning session was held in March 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 must appoint an Interim Director who satisfies these requirements, usually a Board Participating Consultant. This person must then retire and stand for election at the next AGM.

DIRECTORS' RESPONSIBILITIES AND OBLIGATIONS

The responsibilities and obligations of Futurity Directors are extensive and onerous. The Directors of Futurity, as a life company prudentially regulated by APRA, have a primary duty, pursuant to s48 of the *Life Act*, to Futurity Members.

Furthermore, Directors have obligations as outlined in the Futurity Constitution, in common law, under the *Corporations Act* as well as other relevant legislation.

Directors have a duty to Futurity's Members, employees and creditors as well as to ASIC, APRA and the FMA (NZ) to:

- act with care and diligence
- act in good faith and in the best interests of Futurity
- make sure Futurity can pay its debts
- ensure proper financial records are kept

- use any information gained through the Director position properly and ethically.

There are a significant number of laws under which a Director can be found to be personally liable in the event of a contravention e.g. workplace health and safety, privacy law, employment law, and taxation. Contravention of certain duties can lead to criminal and/or civil sanctions as well as disqualification.

AVENUES TO BECOMING A FUTURITY DIRECTOR

There are two pathways to becoming a Futurity Director.

1. MEMBER NOMINATION

In order to make a nomination to become a Director on the Futurity Board, the candidate must first be an "eligible Member". This means that he or she must satisfy qualifying criteria outlined in Rule 11.3 of the Constitution, and importantly be an existing primary Member and a person who can satisfy certain fit and proper requirements that are set by Futurity's regulator, the Australian Prudential Regulation Authority.

Eligible Members must be nominated by two other Members and provide a declaration regarding their eligibility. Nominations must be made when called for by the Board, at least 135 days before the AGM. Nominations close 120 days before the AGM.

Upon the Returning Officer positively assessing the eligible candidate, he or she will be put forward as a candidate for election at the upcoming AGM.

2. PARTICIPATING CONSULTANT

Any person may apply to be a Participating Consultant and thereby attend Futurity board meetings to provide specialist or technical advice to the Board as required from time to time.

Depending upon prevailing skills requirements of the Board, one and sometimes two Participating Consultants may be appointed to support the Board. These appointments are reviewed annually.

One advantage of following the Participating Consultant pathway to a directorship is that in circumstances where a Board position becomes vacant under Rule 11.9 of the

Corporate Governance Statement (continued)

Constitution, he or she may be appointed by the Board to fill the vacancy in accordance with Rule 11.5(1).

A position may be vacated if a Director can no longer act either due to death or incapacity, retires or otherwise no longer satisfies the eligibility requirements. Directors who are appointed to fill a casual vacancy must retire and stand for election at the AGM following his or her appointment. Of note, Directors standing for re-election are often endorsed by the Board.

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 that 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 with market practice, and Futurity's risk profile.

Futurity's remuneration framework is maintained and reviewed annually against market trends and business needs. The Nominations & 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 2021 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, among 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 2021 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 & REMUNERATION COMMITTEE

The members of the Nominations & Remuneration Committee as at 30 June 2021 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 remuneration is contained in the Remuneration Report.

RISK & COMPLIANCE COMMITTEE

The members of the Risk and Compliance Committee as at 30 June 2021 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 & Compliance Committee generally invites the Chief Executive Officer, Chief Risk Officer, and members of Futurity's management to meetings.

The Risk & 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.

Corporate Governance Statement (continued)

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 2021 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
Ms Liliana Mularczyk OAM	New South Wales Representative
Mr Glen Arthur	South Australian Representative
Dr P Roberts	West Australian Representative
Ms C Driver	Queensland Representative
Mrs Kate Smith	Australian Capital Territory
Ms Athena Hammond	Northern Territory 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.

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 2021.

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

The following persons were appointed Company Secretary during the financial year and up to the date of this report:

MR E SILVERII

Joined Futurity in January 2019 and was appointed as Company Secretary on 29 August 2019. Mr Silverii resigned as Company Secretary on 30 April 2021 and was replaced by Ms F O'Neill.

MS F O'NEILL

B.A. (Human Genetics), Lawyer

Appointed as Company Secretary on 1 May 2021.

Ms O'Neill qualified as a lawyer in Ireland in 2006 and was admitted as an Australian Lawyer (Supreme Court of Victoria) in August 2011. Ms O'Neill acted as Assistant Company Secretary upon joining Futurity in October 2016.

FUTURITY'S STRATEGIC DIRECTION

As a high-level statement, Futurity's strategic direction is following a growth trajectory aimed at strengthening the society's financial sustainability as a mutually structured friendly society.

The longer-term strategy objective is for Futurity to become Australia's largest and most highly trusted, "for-purpose"

financial institution focused solely on education savings and investments. The company's more immediate direction, under Futurity's new brand and persona, is centred on building replacement FUM for the maturing "ASG" branded products. This strategy is being pursued under an organic FUM growth path

Whilst Futurity's strategic direction has a prime focus on building its financial services product lines – its sizeable existing FUM and revenue base is the financial enabler of Futurity's commitments to two other long-entrenched strategic pillars. These are to advance education-purposed advocacy and philanthropy through the recently formed *Futurity Education Foundation*.

Over 2020/21, Futurity advanced the launch and marketing of the new Education Bond product range and began rolling out its distribution activities through our financial adviser channel and direct sales through online technology-based platforms. Considerable focus was given to the new brand and website building initiatives and new member and financial adviser portals.

Futurity's forward strategy is also predicated of the importance of delivering high service standards to its existing Members, who hold ASG branded education products and scholarships plans. These Members and their investment funds will underpin the Society's revenue base over Futurity's more immediate phase business plans. Overwhelmingly, the ASG heritage represents decades of good education outcomes – and forms a solid foundation to build the Futurity business, which will continue helping all Members to fund lifelong education-purposed objectives with savings.

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.

Directors' Report (continued)

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 2020/21 was \$4.756 million (2019/20: \$0.525 million).

REVIEW OF OPERATIONS

The report of our 47th 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 saw very strong returns generated from growth assets (Australian and global equities, property, and infrastructure) while defensive assets (cash and fixed income) saw lower returns. Growth assets were buoyed by a strong global economic recovery assisted by fiscal stimulus, a focus on future forecast economic expansion, improved sentiment created by increasing COVID-19 vaccination levels, and high amounts of liquidity. Central banks continued to provide monetary policy support to economies as official cash rate levels remained low and monetary policy programs continued to hold longer term interest rates lower.

Pleasingly, over the course of the year we have returned more than \$200 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:

	2021 \$'000	2020 \$'000	Movement %
FUM Benefit Funds	1,001,117	1,071,625	(6.58)
Management Fund and Controlled Entities	100,274	87,148	15.06
Total FUM	1,101,391	1,158,773	(4.95)

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 2020/21 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. 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 2021 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		Strategic 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 W Blewitt	10	10	1	1							2	2	4	4
Mr T Brain	10	10	1	1	7	7	6	6	8	8				
Mr C M Dunstan (Chairman)	10	10	1	1	7	7							4	4
Dr J A Jennings	10	9	1	1	7	7			8	7	2	2		
Mr N Mehta	10	10	1	1			6	6						
Mr L G Nash	10	10	1	1			6	6					4	4
Ms J Storey	10	10	1	1					8	8				
Participating Consultant														
Mr P Vernon	10	10	1	1										

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

22 September 2021

The Board of Directors
Futurity Investment Group Limited
23-35 Hanover Street
OAKLEIGH VIC 3166

Dear Board Members

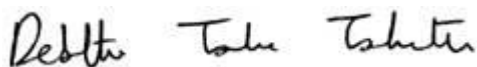
Auditor's Independence Declaration to Futurity Investment Group Limited

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 2021, 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



Neil Brown
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) 2021 remuneration information for the year ended 30 June 2021 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 2021 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 R Higgins	Chief Executive Officer
Mr E Silverii	Chief Financial Officer
Mr D Clark	Chief Risk Officer
Mr D Otto	Group Executive – Sales & Distribution
Ms K Hill	Group Executive – Financial Products, Marketing & Digital

REMUNERATION GOVERNANCE NOMINATIONS & REMUNERATION COMMITTEE ROLE

The Nomination & 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.

Remuneration Report (continued)

b. Review Responsible Person Remuneration

The Responsible Persons of Futurity for the purposes of the Nomination & 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.

2. 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 & Compliance	Chair: \$975	Chair: \$6,825
	Member: \$585	Member: \$4,095
Nominations & 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, for the relevant period were 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 next table.

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 BENEFITS		TOTAL
	Salary*	Committee fees	Superannuation guarantee	Supplementary superannuation	
	\$	\$	\$	\$	\$
NON-EXECUTIVE DIRECTORS					
2021					
Mr C M Dunstan	90,000	7,995	9,310	-	107,305
Mr N Mehta	62,308	3,510	6,253	-	72,070
Mr A W Blewitt	56,000	5,070	5,802	-	66,872
Mr T Brain	46,000	14,820	5,778	-	66,598
Dr J A Jennings	46,000	12,560	5,563	-	64,123
Mr L G Nash	46,000	8,190	5,148	5,000	64,338
Ms J Storey	56,000	4,680	5,765	-	66,445
Total	402,308	56,825	43,618	5,000	507,751
2020					
Mr C M Dunstan	89,949	8,580	9,360	-	107,889
Mr N Mehta	59,817	2,925	5,961	-	68,703
Mr A W 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	-	65,174
Mr L G Nash	45,985	7,215	5,054	5,000	63,254
Ms J Storey	55,950	4,095	5,704	-	65,749
Total	394,278	55,795	42,756	5,000	497,829

*Includes:

- \$ nil (2020: \$4,462) for Mr N Mehta for a directorship in entities in which Futurity has an investment.
- \$10,000 (2020: \$10,000) for Ms J Storey for a directorship in entities in which Futurity has an investment.
- \$10,000 (2020: \$nil) for Mr A Blewitt for NEITA (subsidiary entity) recognition.

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 & 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 BENEFITS		TOTAL
	Salary	Cash bonus	Superannuation	Termination payment	
	\$	\$	\$	\$	\$
CEO AND SENIOR EXECUTIVES					
2021					
Mr R Higgins	392,856	135,000	23,076	-	550,933
Mr E Silverii	238,171	10,000	22,131	-	270,303
Mr D Otto	257,755	-	22,601	-	280,355
Mr D Clark	235,730	-	-	-	235,730
Ms K Hill	227,987	10,000	21,884	-	259,871
Other Senior Executives	632,021	10,000	64,833	7,684	714,537
Total	1,984,520	1,665,000	154,525	7,684	2,311,729
2020					
Mr R Higgins	378,997	96,250	21,003	-	496,250
Mr E Silverii	229,837	10,000	20,791	-	260,628
Mr D Otto	248,051	10,000	20,801	-	278,852
Mr D Clark	246,400	-	-	-	246,400
Ms K Hill	219,469	5,000	20,926	-	245,395
Other Senior Executives	565,890	15,000	64,488	70,478	715,856
Total	1,888,644	136,250	148,009	70,478	2,243,381

There was one additional pay cycle in the 2021 financial year. The 'Salary' amount therefore includes one additional fortnightly payment.

KEY TERMS OF EMPLOYMENT CONTRACTS

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

KMP	Term	Notice period by either the employee or the Company
R Higgins	2 years	4 months' notice
E Silverii	Ongoing	8 weeks' notice
D Otto	Ongoing	8 weeks' notice
K Hill	Ongoing	8 weeks' notice
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	
	2021 \$	2020 \$
Payments made by Futurity out of the benefit funds to KMP	46,802	15,488

The names of key management personnel of Futurity with payments arising from their memberships are: L G Nash (2020: L G Nash and J Jennings).

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 2021

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Parent		Consolidated	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Continuing Operations					
Revenue					
Investment income		127,237	29,898	127,117	29,020
Funds management and insurance income		18,729	20,835	18,729	20,835
Other operating revenue		173	171	459	553
Total revenue	5	146,139	50,904	146,305	50,408
Expenses					
Operating expenses		(34,283)	(34,632)	(34,928)	(35,397)
Total expenses	6	(34,283)	(34,632)	(34,928)	(35,397)
Operating profit		111,856	16,272	111,377	15,011
Policy liability revaluation		214	3,129	214	3,129
Investment income allocated to Segregated Fund		(1,745)	-	(1,743)	-
Investment income allocated to policyholders		(73,816)	(14,308)	(73,818)	(14,308)
Profit before income tax expense		36,509	5,093	36,030	3,832
Income tax expense	7(a)	(31,423)	(3,541)	(31,274)	(3,307)
Profit for the year		5,086	1,552	4,756	525
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Gain on property revaluation		368	164	368	164
Remeasurement of defined benefit obligations		(143)	36	(143)	36
Income tax relating to items not reclassified subsequently		(110)	(49)	(110)	(49)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(12)	(249)	(41)	(291)
Income tax relating to items reclassified subsequently		4	77	11	87
Other comprehensive income for the year, net of tax		106	(22)	85	(53)
Total comprehensive income for the year		5,192	1,531	4,841	472
Profit/(loss) attributable to:					
Members of Futurity Investment Group		5,086	1,552	4,756	525
Total comprehensive income attributable to:					
Members of Futurity Investment Group		5,192	1,531	4,841	472

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

Consolidated Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2021

		Parent		Consolidated	
	Notes	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Assets					
Cash and cash equivalents	26 (a)	15,170	5,916	15,420	6,819
Cash and cash equivalents - Segregated Fund	26 (a)	21,048	-	21,048	-
Trade and other receivables	9	8,191	9,541	5,508	7,144
Life investment contract assets	10	1,023,305	1,078,765	1,023,305	1,078,765
Life insurance contract assets	11	5,549	7,052	5,549	7,052
Other financial assets - investment assets	12	69,923	62,152	71,802	63,408
Current tax assets	7(c)	-	-	-	139
Property, plant and equipment	13	8,057	7,850	8,057	7,850
Investment property	14	2,150	2,100	2,150	2,100
Other intangible assets	15	1,694	2,616	1,694	2,616
Total assets		1,155,087	1,175,992	1,154,533	1,175,893
Liabilities					
Trade and other payables	16	4,572	7,195	4,572	7,201
Contract liabilities		959	1,328	959	1,328
Segregated Fund	17	21,048	-	21,048	-
Current tax liabilities	7(c)	4,049	51	3,820	-
Deferred tax liabilities	7(d)	20,187	6,587	20,208	6,528
Employee entitlement	18	2,535	2,063	2,535	2,063
Life investment contract liabilities	27	995,539	1,065,185	995,539	1,065,185
Total liabilities		1,048,889	1,082,409	1,048,681	1,082,305
Net assets		106,198	93,583	105,852	93,588
Equity					
Policyholder equity		5,579	6,440	5,579	6,440
Reserves		4,149	4,036	4,135	3,913
Retained earnings		96,470	83,107	96,138	83,105
Total equity		106,198	93,583	105,852	93,458

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 2021

	Policyholder equity	General reserve	Foreign exchange translation reserve	Revaluation reserve	Total reserve	Retained earnings	Total equity
Parent	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	7,040	(58)	148	3,918	4,008	81,004	92,052
Transfers from benefit funds	-	-	-	-	-	700	700
Transfers to management fund	(700)	-	-	-	-	-	(700)
Profit for the year	150	-	-	-	-	1,403	1,553
Other comprehensive income/(expense)	(50)	36	(123)	115	28	-	(22)
Total comprehensive profit/(loss) for the year	100	36	(123)	115	28	1,403	1,531
Balance at 30 June 2020	6,440	(22)	25	4,033	4,036	83,107	93,583
Transfers from benefit funds	-	-	-	-	-	600	600
Transfers from comprehensive scheme	-	-	-	-	-	7,423	7,423
Transfers to management fund	(600)	-	-	-	-	-	(600)
Profit/(loss) for the year	(254)	-	-	-	-	5,340	5,086
Other comprehensive income/(expense)	(7)	(143)	(1)	257	113	-	106
Total comprehensive profit/(loss) for the year	(261)	(143)	(1)	257	113	5,340	5,192
Balance at 30 June 2021	5,579	(165)	24	4,290	4,149	96,470	106,198
Consolidated							
Balance at 1 July 2019	7,040	(58)	186	3,918	4,046	82,030	93,116
Transfers from benefit funds	-	-	-	-	-	700	700
Transfers to management fund	(700)	-	-	-	-	-	(700)
Profit for the year	150	-	-	-	-	375	525
Other comprehensive income/(expense)	(50)	36	(154)	115	(3)	-	(53)
Total comprehensive profit/(loss) for the year	100	36	(154)	115	(3)	375	472
Balance at 30 June 2020	6,440	(22)	32	4,033	4,043	83,105	93,588
Transfers from benefit funds	-	-	-	-	-	600	600
Transfers from comprehensive scheme	-	-	-	-	-	7,423	7,423
Transfers to management fund	(600)	-	-	-	-	-	(600)
Profit/(loss) for the year	(254)	-	-	-	-	5,010	4,756
Other comprehensive income/(expense)	(7)	(143)	(22)	257	92	-	85
Total comprehensive profit/(loss) for the year	(261)	(143)	(22)	257	92	5,010	4,841
Balance at 30 June 2021	5,579	(165)	10	4,290	4,135	96,138	105,852

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2021

		Parent		Consolidated	
	Notes	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash flows from operating activities					
Life investment contracts - contributions received		89,299	99,669	89,299	99,669
Life investment contracts - withdrawals		(196,941)	(224,659)	(196,941)	(224,659)
Life investment contracts - fees received		14,410	15,469	14,410	15,469
Life insurance contracts - premium received		173	171	9,819	13,541
Life insurance contracts - policy claims paid		(1,032)	(293)	(1,032)	(293)
Investment income received		13,707	7,898	13,430	7,064
Management fees paid		(14,242)	(15,463)	(14,241)	(15,463)
Payments to suppliers and employees		(22,264)	(18,322)	(31,992)	(29,909)
Payments to Members and scholarship grants		-	(969)	-	(969)
Income tax payments		(13,936)	(11,839)	(13,765)	(11,821)
Net cash used in operating activities	26 (b)	(130,826)	(148,338)	(131,013)	(147,371)
Cash flows from investing activities					
Payment for investment securities		(195,884)	(148,121)	(196,350)	(149,421)
Proceeds from sale of investment securities		364,206	299,696	364,206	299,696
Payments for property, plant and equipment		(295)	(127)	(295)	(127)
Proceeds from disposal of property, plant and equipment		-	4	-	4
Payments for intangible assets		(70)	(2,325)	(70)	(2,325)
Net cash generated by investing activities		167,957	149,127	167,491	147,827
Cash flows from financing activities					
Transfers from benefit funds		600	700	600	700
Transfers to management fund		(600)	(700)	(600)	(700)
Payment to lease liability		(205)	(59)	(205)	(106)
Payment of interest on lease liability		(7)	(3)	(7)	(3)
Net cash used in financing activities		(212)	(62)	(212)	(109)
Increase in cash and cash equivalents		36,919	727	36,266	347
Cash and cash equivalents at the beginning of the financial year		11,029	10,302	11,932	11,585
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	26(a)	47,948	11,029	48,198	11,932

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

1. GENERAL INFORMATION

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 Parent's and Group's principal activities is included in the Directors' Report 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

The Parent and the Group have applied the required amendments to Standards and Interpretations that are relevant to its operations and effective for the current reporting period.

The Parent and the Group have implemented IFRS Interpretation Committee (IFRIC) decision that deals specifically with configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements as published in April 2021. The application of this standard does not have a material impact on the financial statements.

STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

The Parent and the Group have not applied the following new and revised AASBs that have been issued but are not yet effective:

Effective for annual periods beginning on or after 1 January 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.

Having conducted a full review of the applicability of AASB 17, Futurity established that the Standard does have application and this Standard will not have a material impact on the financial statements when adopted.

The insurance contracts are grouped into distinct categories:

Category	AASB 17 Applicability
Unit Linked Contracts	No - No insurance risk
Pooled Risk Funds	Yes - Discretionary participating
Insurance Funds	Yes - Insurance risk present

POOLED RISK FUNDS

Within this category there are two types of contracts, those that have insurance and those that do not. For those with insurance, the investment component is distinct. Consequently, and as permitted under the Standard, AASB 9 is to be applied to account for the separate investment component.

INSURANCE FUNDS

There are two funds providing insurance benefits. By all appropriate measures, including the relative size of revenues, claims, profit and assets, these funds are immaterial both now and into the future.

A change in the measurement of insurance contracts from AASB 1038 to AASB 9 will have little or no impact in the measurement outcomes for profit, liability or capital.

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 22 September 2021.

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 Parent and the Group consider 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.

The fair value hierarchy classification is based on a look-through approach to the fair value hierarchy classification of the underlying investments of the unlisted trusts.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

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 2021, which have been approved by the Parent and the Group's Actuary and declared by the Board of Directors.

3.5 REVENUE RECOGNITION

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

Contract liabilities

Contract liabilities represent the Parent and 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 Parent and the Group do not recognise assets relating to the cost of obtaining a contract or the cost incurred to fulfil a contract that are directly related to the contracts, provided that the performance obligations of the contract have already been satisfied.

Investment income

The Parent and the Group's main sources of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the AASB 15 Revenue from Contracts with Customers.

Dividend income from investments is recognised when the Parent and 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 Parent and 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 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

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 statement of financial position in the period in which they occur.

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

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

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income.

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

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

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 Parent and the Group review 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 Parent and the Group estimate 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 statement of financial position 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 irrevocable 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 FVTOCI 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.

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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
- 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

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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 (iii) 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 (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
- 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 JUDGMENTS, 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 2021. 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

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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 11.45 per cent of contributions. For the Contingency Fund this is 90.00 per cent of contributions. The Benefit Fund Rules allow for surplus to be transferred to the Management Fund or to be used for the enhancement of member benefits. It is therefore appropriate to treat surplus, net of the Management Fund capital in the benefit fund, as policyholder equity, or unallocated benefit funds.

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

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

Capital Base Valuation

The Capital Base represents the assets available for capital purposes.

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

- the net assets of the fund as shown in the accounts; less
- policy liabilities of the fund; less
- all regulatory adjustments to the net assets of the benefit fund (e.g. Deferred Tax Assets).

Deferred Tax Assets

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

Prescribed Capital Amount Valuation

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

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

- asset risks (including interest rates, inflation, currency, equity, property, credit spreads and default)
- insurance risks (including mortality and expenses)
- concentration risks
- operational risks.

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

The requirements of these standards have been met for the benefit funds as at 30 June 2021.

	Notes	Parent		Consolidated	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
5 REVENUE					
Investment income					
Distributions income		51,172	50,535	51,172	49,700
Interest income		5,564	22,466	5,287	22,466
Net (losses)/gains of financial assets held at fair value through profit and loss		70,501	(41,479)	70,658	(41,522)
Impairment on financial assets		-	(1,624)	-	(1,624)
Funds management and insurance income					
Premium revenue - life investment contracts		3,606	4,496	3,606	4,496
Premium revenue - life insurance contracts		344	430	344	430
Revenue from benefit funds		14,779	15,909	14,779	15,909
Other operating revenue		173	171	459	553
		146,139	50,904	146,305	50,408
6 EXPENSES					
a) Personnel					
Salaries and related costs		9,814	10,442	10,301	10,930
Superannuation costs		968	1,002	1,012	1,038
Other		116	325	115	324
Total personnel expenses		10,898	11,769	11,428	12,292
b) Premises					
Rent		25	88	25	127
Depreciation		570	257	570	257
Other		235	245	238	246
Total premises expenses		830	590	833	630
c) Technology					
Depreciation and amortisation		620	469	620	484
Licences and outsources services		2,173	1,197	2,378	1,306
Other		19	9	19	9
Total technology expenses		2,812	1,675	3,017	1,799
d) Life investment and insurance contracts					
Policy expenses		3,606	4,496	3,606	4,496
Claims expenses		579	131	579	131
Investment management expenses		10,600	11,387	10,600	11,387
Total life investment and insurance contracts expenses		14,785	16,014	14,785	16,014
e) Communication, marketing and other expenses					
Advertising and marketing		1,644	535	1,837	703
Communication expenses		319	1,099	320	1,101
Legal and professional fees		1,780	959	1,783	986
Freight, stationery, postage and telephone		367	515	184	247
Auditors' remuneration		332	390	332	390
Member and scholarship grants		20	970	20	970
Other		496	116	389	265
Total communication, marketing and other expenses		4,958	4,584	4,865	4,662
Total operating expenses		34,283	34,632	34,928	35,397

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	Parent		Consolidated	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
7 INCOME TAX				
a) Income tax recognised in profit or loss				
Current tax	24,895	14,490	17,705	14,303
Deferred tax	6,528	(10,949)	13,569	(10,996)
Total income tax expense recognised in the current year	31,423	3,541	31,274	3,307

The income tax expenses for the year can be reconciled to the accounting profit as follows:

Profit before tax from continuing operations	36,509	5,093	36,030	3,832
Income tax expense calculated	10,953	1,528	10,809	1,150
Effect of income that is exempt from taxation	(2,262)	(2,045)	(2,267)	(1,901)
Effect of expenses that are not deductible in determining taxable profit	22,847	3,883	22,847	3,883
Other - apportionment deduction adjustment	34	165	34	165
	31,572	3,531	31,423	3,297
Adjustments recognised in the current year in relation to the current tax of prior years	(149)	10	(149)	10
	31,423	3,541	31,274	3,307

The tax rate used in the 2021 and 2020 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 (2020: 28 per cent) under New Zealand tax law.

b) Income tax recognised in other comprehensive income

Deferred tax

Arising on income and expenses recognised in other comprehensive income:				
Property revaluations	(111)	(49)	(111)	(49)
Total income tax recognised in other comprehensive income	(111)	(49)	(111)	(49)

c) Current tax assets and liabilities

Current tax assets/(liabilities):

Income tax payable attributable to:				
Parent entity	(9,187)	(5,853)	(9,187)	(5,853)
Entities in the tax-consolidated group	-	-	228	189
Tax credits & instalments	5,138	5,802	5,138	5,802
Exchange difference of foreign subsidiary	-	-	1	1
	(4,049)	(51)	(3,820)	139

Current tax balances are presented in the consolidated statement of financial position as follows:

Current tax assets	-	-	-	139
Current tax liabilities	(4,049)	(51)	(3,820)	

d) Deferred tax balances

Deferred tax balances are presented in the consolidated statement of financial position as follows:

Deferred tax liabilities	(20,187)	(6,587)	(20,208)	(6,528)
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7 INCOME TAX (CONTINUED)

Taxable and deductible temporary difference arise from the following:

	Opening balance	Recognised in profit or loss and other comprehensive income	Recognised directly in equity	Closing balance
	\$'000	\$'000	\$'000	\$'000
Parent				
2021				
Gross deferred tax liabilities:				
Financial assets at fair value through profit or loss	(6,369)	(13,807)	-	(20,176)
Property, plant and equipment	(1,728)	-	(111)	(1,839)
Investment property	(463)	(15)	-	(478)
Exchange difference of foreign subsidiary	(7)	2	-	(5)
Total gross deferred tax liabilities	(8,567)	(13,820)	(111)	(22,498)
Gross deferred tax assets:				
Trade and other receivables	-	-	-	-
Financial assets at fair value through profit or loss	1,131	34	-	1,165
Contract liabilities	367	(107)	-	260
Provisions	482	404	-	886
Total gross deferred tax assets	1,980	331	-	2,311
Total net deferred tax liabilities	(6,587)	(13,489)	(111)	(20,187)
Consolidated				
2021				
Gross deferred tax liabilities:				
Financial assets at fair value through profit or loss	(6,369)	(13,860)	-	(20,229)
Property, plant and equipment	(1,728)	-	(111)	(1,839)
Investment property	(463)	(15)	-	(478)
Exchange difference of foreign subsidiary	(7)	2	-	(5)
Total gross deferred tax liabilities	(8,567)	(13,873)	(111)	(22,551)
Gross deferred tax assets:				
Trade and other receivables	46	(14)	-	32
Financial assets at fair value through profit or loss	1,144	21	-	1,165
Contract liabilities	367	(107)	-	260
Provisions	482	404	-	886
Total gross deferred tax assets	2,039	304	-	2,343
Total net deferred tax liabilities	(6,528)	(13,569)	(111)	(20,208)
Parent				
2020				
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	(28)	21	-	(7)
Total gross deferred tax liabilities	(18,537)	10,019	(49)	(8,567)
Gross deferred tax assets:				
Trade and other receivables	1	(1)	-	-
Financial assets at fair value through profit or loss	128	1,003	-	1,131
Contract liabilities	499	(132)	-	367
Provisions	422	60	-	482
Total gross deferred tax assets	1,050	930	-	1,980
Total net deferred tax (liabilities)/assets	(17,487)	10,949	(49)	(6,587)
Consolidated				
2020				
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)
Total gross deferred tax liabilities	(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
Total gross deferred tax assets	1,063	976	-	2,039
Total net deferred tax (liabilities)/assets	(17,475)	10,996	(49)	(6,528)

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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 staff 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 & Compliance 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 statement of financial position 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 \$96.22 million change (2020: \$94.91 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:

	Change in variable	Profit		Total Equity	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Pricing risk	+ / (-) 10%	+/-6,809	+/-6,156	+/-6,809	+/-6,156

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.

	Change in variable	Profit		Total Equity	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Foreign currency risk	+ / (-) 10%	+/-206	+/-211	-	-

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 49 per cent of unhedged investments are exposed to the US dollar, 20 per cent are exposed to the Euro, 8 per cent are exposed to the Japanese Yen and 23 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 \$9.81 million change (2020: \$12.32 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.

	Change in variable	Profit		Total Equity	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Foreign currency risk	+ / (-) 10%	+/-558	+/-799	+/-558	+/-799

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(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 \$0.28 million increase (2020: \$0.99 million increase) or a \$0.28 million decrease (2020: \$0.99 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:

	Change in variable	Profit		Total Equity	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Interest rate risk	+ / (-) 1%	+ / -17	+ / -17	+ / -17	+ / -17

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

	Parent		Consolidated	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Financial assets				
Fair value through profit or loss (FVTPL)	1,066,987	1,118,278	1,068,866	1,119,534
Loans and receivables (amortised cost)	28,251	34,119	25,569	31,722
Cash and cash equivalents	47,947	11,029	48,197	11,932
Financial liabilities				
Life investment contract liabilities	995,539	1,065,185	995,539	1,065,185
Other liabilities	26,579	8,523	26,579	8,529

Impact of COVID-19 on capital risk management

While the Group continues to maintain a strong capital position evidenced by holding capital at 3.05 times (2020: 2.36 times) the Prescribed Capital Requirements, it maintains an active monitoring and reporting regime ensuring all requirements and obligations are met at all times.

The COVID-19 pandemic will likely affect fair value measurements. The fair value should reflect market participant views and market data at the measurement date under current market conditions.

(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 statement of financial position and disclosed as \$1.094 billion (2020: \$1.156 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 2021.

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8 FINANCIAL INSTRUMENTS (CONTINUED)

2021

Fixed maturity dates

	Weighted average effective interest rate %	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	5+ years \$'000	Total \$'000
Financial assets:								
Life investment contract assets:								
Cash and cash equivalents	0.10	9,880	-	-	-	-	-	9,880
Receivables		20,061	-	-	-	-	-	20,061
Fair value through profit or loss:								
Unlisted trust		962,216	-	-	-	-	-	962,216
Other securities	0.23	27,539	-	-	-	-	-	27,539
Mortgage loans	4.50	2,588	-	-	-	-	1,021	3,609
Life insurance contract assets:								
Cash and cash equivalents		1,849	-	-	-	-	-	1,849
Receivables		-	-	-	-	-	-	-
Fair value through profit or loss:								
Other securities	0.14	3,700	-	-	-	-	-	3,700
Management Fund								
Cash and cash equivalents	0.25	15,170	-	-	-	-	-	15,170
Cash and cash equivalents - Segregated Fund		21,048	-	-	-	-	-	21,048
Receivables		8,190	-	-	-	-	-	8,190
Fair value through profit or loss:								
Unlisted trust		68,090	-	-	-	-	-	68,090
Other securities	0.60	-	-	-	-	-	-	-
Mortgage loans	3.04	-	-	-	-	-	128	128
Investment in other companies		1,705	-	-	-	-	-	1,705
Parent - total financial assets		1,142,036	-	-	-	-	1,149	1,143,185
Subsidiaries								
Cash and cash equivalents	0.25	250	-	-	-	-	-	250
Receivables		(2,682)	-	-	-	-	-	(2,682)
Fair value through profit or loss:								
Unlisted trust		1,413	-	-	-	-	-	1,413
Other securities	0.60	466	-	-	-	-	-	466
Consolidated - total financial assets		1,141,483	-	-	-	-	1,149	1,142,632
Financial liabilities:								
Trade payables		4,572	-	-	-	-	-	4,572
Contract liabilities		959	-	-	-	-	-	959
Segregated Fund		21,048	-	-	-	-	-	21,048
Life investment contract liabilities		995,539	-	-	-	-	-	995,539
Parent - total financial liabilities		1,022,118	-	-	-	-	-	1,022,118
Subsidiaries - trade payables		-	-	-	-	-	-	-
Consolidated - total financial liabilities		1,022,118	-	-	-	-	-	1,022,118

8 FINANCIAL INSTRUMENTS (CONTINUED)

2020

	Weighted average effective interest rate %	Fixed maturity dates						Total \$'000
		Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	
		\$'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	-	-	-	133	3,697	3,839
Life insurance contract assets:								
Cash and cash equivalents		2,705	-	-	-	-	-	2,705
Receivables		489	-	-	-	-	-	489
Fair value through profit or loss:								
Other securities	0.73	3,858	-	-	-	-	-	3,858
Management Fund								
Cash and cash equivalents	0.25	5,916	-	-	-	-	-	5,916
Receivables		9,541	-	-	-	-	-	9,541
Fair value through profit or loss:								
Unlisted trust		60,309	-	-	-	-	-	60,309
Other securities		-	-	-	-	-	-	-
Mortgage loans	3.19	-	-	-	-	-	139	139
Investment in other company		1,704	-	-	-	-	-	1,704
Parent - total financial assets		1,159,457	-	-	-	133	3,836	1,163,426
Subsidiaries								
Cash and cash equivalents	0.25	903	-	-	-	-	-	903
Receivables		(2,397)	-	-	-	-	-	(2,397)
Fair value through profit or loss:								
Unlisted trust		1,256	-	-	-	-	-	1,256
Consolidated - total financial assets		1,159,219	-	-	-	133	3,836	1,163,188
Financial liabilities:								
Trade payables		7,195	-	-	-	-	-	7,195
Contract liabilities		1,328	-	-	-	-	-	1,328
Life investment contract liabilities		1,065,185	-	-	-	-	-	1,065,185
Parent - total financial liabilities		1,073,708	-	-	-	-	-	1,073,708
Subsidiaries - trade payables		6	-	-	-	-	-	6
Consolidated - total financial liabilities		1,073,714	-	-	-	-	-	1,073,714

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

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 statement of financial position

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

8 FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2021				
Life insurance contract assets:				
Fair value through profit or loss:				
Other securities	3,700	-	-	3,700
Life investment contract assets:				
Fair value through profit or loss:				
Unlisted trusts	243,801	578,142	140,273	962,216
Other securities	27,539	-	-	27,539
Mortgage loans	-	-	3,610	3,610
Management Fund other financial investment assets				
Fair value through profit or loss:				
Unlisted trusts	19,500	48,590	-	68,090
Other securities	466	-	-	466
Mortgage loans	-	-	128	128
Investment in other companies	-	-	1,704	1,704
Total parent	295,006	626,732	145,75	1,067,453
Subsidiaries other financial investment assets				
Fair value through profit or loss:				
Unlisted trusts	-	1,413	-	1,413
Total consolidated	295,006	628,145	145,715	1,068,866

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

2020				
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	949,081
Other securities	99,349	-	-	99,349
Mortgage loans	-	-	3,839	3,839
Management Fund other financial investment assets				
Fair value through profit or loss:				
Unlisted trusts	18,629	42,936	-	61,565
Other securities	-	-	-	-
Mortgage loans	-	-	139	139
Investment in other company	-	-	1,705	1,705
Total parent	393,266	595,838	129,176	1,118,280
Subsidiaries other financial investment assets				
Fair value through profit or loss:				
Unlisted trusts	-	1,256	-	1,256
Total Consolidated	393,266	597,094	129,176	1,119,536

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

Notes to the Consolidated Financial Statements

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8 FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of Level 3 fair value measurements of financial assets

Consolidated - 2021

	Fair value through profit or loss			Total \$'000
	Investment in other companies \$'000	Unlisted Property trust \$'000	Mortgage Loans \$'000	
Life investment contract assets:				
Opening balance	-	123,493	3,839	127,332
Total gains or losses:				
in profit or loss	-	-	53	53
change in fair value of financial assets designated at fair value	-	15,318	-	15,318
Purchases/drawdowns	-	1,462	-	1,462
Mortgage repayments/settlements	-	-	(282)	(282)
Closing balance	-	140,273	3,610	143,883
Other financial investment assets:				
Opening balance	1,704	-	140	1,844
Total gains or losses:				
in profit or loss	-	-	3	3
change in fair value of financial assets designated at fair value	-	-	-	-
Purchases	-	-	-	-
Mortgage repayments/settlements	-	-	(15)	(15)
Closing balance	1,704	-	128	1,832
Total gains or losses:	1,704	140,273	3,738	145,715
Consolidated - 2020				
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	-	-	6	6
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	-	140	1,844
Total	1,704	123,493	3,979	129,176

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 \$0.28 million (2020: decrease/increase by \$0.99 million).

Parent		Consolidated	
2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000

9 TRADE AND OTHER RECEIVABLES AT AMORTISED COST

Trade receivables	1,444	3,612	1,361	3,612
Receivables from credit product	-	-	1,774	2,150
Allowance for doubtful debts	-	-	(44)	(153)
Receivables from subsidiaries	4,330	4,220	-	-
Receivables from investment assets	1,270	1,418	1,270	1,418
Receivables from Segregated Fund	1,111	-	1,111	-
GST receivable	-	1	-	1
Sundry debtors	36	290	36	116
	8,191	9,541	5,508	7,144

10 LIFE INVESTMENT CONTRACT ASSETS AT FAIR VALUE

Cash and cash equivalents	9,880	2,408	9,880	2,408
Distributions from investment assets	19,790	23,939	19,790	23,939
Receivables from management fund	271	150	271	150
Unlisted trusts	962,216	949,080	962,216	949,080
Fixed income securities	2,560	2,817	2,560	2,817
Certificates of deposit	24,978	96,532	24,978	96,532
Mortgage loans	3,610	3,839	3,610	3,839
	1,023,305	1,078,765	1,023,305	1,078,765

11 LIFE INSURANCE CONTRACT ASSETS AT FAIR VALUE

Cash and cash equivalents	1,849	2,705	1,849	2,705
Receivables from management fund	-	489	-	489
Certificates of deposit	3,700	3,858	3,700	3,858
	5,549	7,052	5,549	7,052

12 OTHER FINANCIAL ASSETS - INVESTMENT ASSETS AT FAIR VALUE

Unlisted trusts	68,090	60,309	69,503	61,565
Certificate of deposit	-	-	466	-
Mortgage loans	128	139	128	139
Investment in other companies	1,705	1,704	1,705	1,704
	69,923	62,152	71,802	63,408

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13 PROPERTY, PLANT AND EQUIPMENT

	Parent		Consolidated	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Carrying amounts of:				
Freehold land	7,004	6,636	7,004	6,636
Buildings	696	864	696	864
Plant and equipment	314	299	314	299
Right of use asset	43	51	43	51
	8,057	7,850	8,057	7,850

	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
Parent and Consolidated						
Gross carrying amount						
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
Balance at 1 July 2020	6,636	2,091	-	1,098	107	9,932
Additions	-	-	17	278	190	485
Disposals	-	(18)	(17)	(182)	-	(217)
Net revaluation increments	368	-	-	-	-	368
Balance at 30 June 2021	7,004	2,073	-	1,194	297	10,568
Accumulated depreciation/amortisation and impairment						
Balance at 1 July 2019	-	(1,167)	-	(872)	-	(2,039)
Additions	-	-	-	-	-	-
Disposals	-	1	-	211	-	212
Depreciation expense	-	(61)	-	(138)	(56)	(255)
Balance at 1 July 2020	-	(1,227)	-	(799)	(56)	(2,082)
Additions	-	-	-	-	-	-
Disposals	-	18	17	111	-	146
Depreciation expense	-	(168)	(17)	(192)	(198)	(575)
Balance at 30 June 2021	-	(1,377)	-	(880)	(254)	(2,511)
Net book value						
As at 30 June 2020	6,636	864	-	299	51	7,850
As at 30 June 2021	7,004	696	-	314	43	8,057

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

Buildings	40 years
Plant and equipment	5 - 10 years

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 2021 and 30 June 2020 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 2021 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 30/06/21
	\$'000	\$'000	\$'000	\$'000
Parent and Consolidated				
Freehold land	-	-	7,004	7,004
Buildings	-	-	696	696

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

Valuations technique:

Direct Sales Comparison Approach

Direct sales comparison approach was used to value the commercial property in Oakleigh, VIC. From the evidence analysed, value rates broadly range between \$2,400 and \$9,600 p.s.m. The subject property could sell on an overall building rate of \$4,750 p.s.m., indicating the rounded value shown below.

Land area - 1,637 sq.m at \$4,750 p.s.m = \$7.7 M

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

	Parent		Consolidated	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Freehold land	875	875	875	875
Buildings	489	657	489	657
	1,364	1,532	1,364	1,532

14 INVESTMENT PROPERTY

Fair value

Completed investment property	2,100	2,100	2,100	2,100
Balance at beginning of financial year	2,100	2,000	2,100	2,000
Gain on property revaluations	50	100	50	100
Balance at end of financial year	2,150	2,100	2,150	2,100

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 2021 and 30 June 2020 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 2021 and 30 June 2020 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 2021 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 30/06/21
	\$'000	\$'000	\$'000	\$'000
Parent and Consolidated				
Commercial property located in Oakleigh	-	-	2,150	2,150

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

Valuations technique:

Direct Sales Comparison Approach

Direct sales comparison approach was used to value the commercial property in Oakleigh, VIC. From the evidence analysed, value rates broadly range between \$2,400 and \$5,700 p.s.m. The subject property could sell on an overall building rate of \$4,000 p.s.m., indicating the rounded value shown below.

Land area - 535 sq.m at \$4,000 p.s.m = \$2.1 M

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

15 OTHER INTANGIBLE ASSETS

	Computer Software \$'000	Software Licences \$'000	Product Development \$'000	Total \$'000
Parent and Consolidated				
Gross carrying amount				
Balance at 1 July 2019	4,491	340	-	4,831
Additions	2,079	-	161	2,240
Disposals	(1,156)	(12)	-	(1,168)
Balance at 1 July 2020	5,414	328	161	5,903
Additions	59	-	11	70
Disposals	(735)	(17)	-	(752)
Software-as-a-Service (SaaS) write offs	(155)	-	-	(155)
Balance at 30 June 2021	4,583	311	172	5,066
Accumulated amortisation and impairment				
Balance at 1 July 2019	(3,772)	(179)	-	(3,951)
Amortisation expense	(441)	(43)	-	(484)
Disposals	1,139	9	-	1,148
Balance at 1 July 2020	(3,074)	(213)	-	(3,287)
Amortisation expense	(598)	(108)	(34)	(740)
Disposals	645	10	-	655
Balance at 30 June 2021	(3,027)	(311)	(34)	(3,372)
Net book value				
As at 30 June 2020	2,340	115	161	2,616
As at 30 June 2021	1,556	-	138	1,694

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

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

16 TRADE AND OTHER PAYABLES AT AMORTISED COST

	Parent		Consolidated	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade payables	1,034	1,421	1,034	1,427
Accruals	2,255	1,469	2,255	1,469
Lease liability	44	52	44	52
Amounts due to benefit funds	1,239	4,253	1,239	4,253
	4,572	7,195	4,572	7,201

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

17 SEGREGATED FUND

Futurity activated the Comprehensive Scheme (which established a framework for the distribution of surpluses arising in benefit funds) in FY 2021 following detailed discussion with APRA and advice from the Appointed Actuary.

These surpluses are being managed by the operation of the Segregated Fund which is a discreet component of the Management Fund.

The net assets of the Segregated Fund is excluded from the Capital Base in determining Futurity's capital position.

Initial transfer	22,281
Distributions	(1,233)
Closing balance	21,048

18 EMPLOYEE ENTITLEMENT

	Parent		Consolidated	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Employee benefits	2,535	2,063	2,535	2,063
	2,535	2,063	2,535	2,063

19. 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 2020 valuation.

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

Reconciliation of Net Defined Benefit Liability/(Asset)

Financial year ending	2021 \$'000	2020 \$'000
Net defined benefit liability/(asset) at start of the year	773	762
(+) Expense recognised in Statement of Comprehensive Income	149	153
(+) Remeasurements of net defined liability/asset recognised in OCI	143	(36)
(-) Employer contributions	49	106
Net defined benefit liability/(assets) at the end of year	1,016	773

Reconciliation of Fair Value of Plan Assets

Financial year ending	2021 \$'000	2020 \$'000
Fair value of plan assets at the beginning of the year	781	691
(+) Expected return on assets	20	19
(+) Return on assets, over and above expected return	87	(9)
(+) Employer contributions	49	106
(-) Benefits paid	-	-
(-) Taxes, premiums & expenses paid	26	26
Fair value of plan assets at end of the year	911	781

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Reconciliation of Defined Benefit Obligation (DBO)

Financial year ending	2021 \$'000	2020 \$'000
Present value of defined benefit obligations at beginning of the year	1,554	1,453
(+) Current service cost	131	134
(+) Interest expense	38	38
(+) Actuarial (gains)/losses arising from changes in financial assumptions	77	(68)
(+) Actuarial (gains)/losses arising from liability experience	153	23
(-) Benefits paid	-	-
(-) Taxes, premiums & expenses paid	26	26
Present value of defined benefit obligations at the end of year	1,927	1,554

Fair value of Plan assets

As 30 June 2021, the Plan's assets were invested in the following asset classes:

As at	2021	2020
Australian Equity	16%	13%
International Equity	21%	20%
Fixed Income	29%	33%
Property	10%	10%
Alternatives/Other	13%	13%
Cash	10%	11%

These asset allocations take into account the Plan's investment in the IOOF Multimix Moderate Trust, and its cash holdings.

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

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

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 2021 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%	2,022	+95	+5%
2.70%	1,927		
3.20%	1,839	(88)	-5%

Salary growth (% p.a.)	DBO (\$'000)	Sensitivity (\$'000)	Sensitivity (%)
2.00%	1,849	(78)	-4%
2.50%	1,927		
3.00%	2,011	+84	+4%

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 2021 valuation, the weighted average duration of the DBO is approximately 10 years.

Funding arrangements

In accordance with previous actuarial recommendations, Futurity 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 (\$27,500 p.a. for 2021-22, indexed in \$2,500 increments thereafter) 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 \$203,000 for 2021-2022. This amount includes an estimated \$13,000 for insurance premiums and administration fees, based on the rates advised by IOOF.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

20 COMMITMENTS

	CONSOLIDATED	
	2021 \$'000	2020 \$'000
a) Capital commitments		
Investment in other companies	-	-
b) Lease commitments		
Non-cancellable operating lease commitments are disclosed in Note 21 to the consolidated financial statements.		

21 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.

	Parent		Consolidated	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Amounts recognised in profit and loss				
Depreciation expenses on right-of-use assets	199	102	199	102
Interest expenses on lease liabilities	7	4	7	4

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 and further extension to 30 November 2021 to rent property in Adelaide. As a result, a lease liability and right-of-use asset has been recognised as at 30 June 2021 and 30 June 2020.

On 12 June 2020, the Group entered into a 12 months lease and a further extension to 30 September 2021 to rent property in Melbourne as a result, a lease liability and right-of-use asset has been recognised as at 30 June 2021.

22 REMUNERATION OF AUDITORS

	Parent		Consolidated	
	2021 \$	2020 \$	2021 \$	2020 \$
Deloitte and related network firms				
Audit of the financial reports:				
- Futurity Investment Group Limited	194,410	197,468	194,410	197,468
- Futurity's Benefit Funds (New Zealand)	60,570	59,382	60,570	59,382
- NEiTA Foundation	-	-	16,830	16,500
- AFS Licensee	8,800	-	8,800	-
	263,780	256,850	280,610	273,350

Statutory assurance services required by legislation to be provided by the auditor

- Futurity Investment Group Limited				
APRA Return (Audit)	20,196	19,800	20,196	19,800
LPS 310 Report (Review)	47,685	46,750	47,685	46,750
AFSL Form FS71 (Audit)	14,318	11,880	14,318	11,880
- Futurity's Benefit Funds (New Zealand)				
Reporting to New Zealand Supervisor	9,200	9,020	9,200	9,020
	91,399	87,450	91,399	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
	-	29,700	-	29,700

Total *	355,179	374,000	372,009	390,500
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*The auditor of Futurity is Deloitte Touche Tohmatsu and costs incurred include the non-recoverable component of GST.

23 DETAILS OF CONTROLLED ENTITIES

		OWNERSHIP INTEREST	
		2021 %	2020 %
Parent Entity			
Futurity Investment Group Limited			
Controlled Entities:			
ASG Education Funding Solutions Pty Ltd	(i), (iii)	100	100
ASG Education Programmes (NZ) Limited	(i), (iv)	100	100
Futurity Education Funding Pty Ltd	(i)	100	100
Futurity Custodians Pty Ltd	(i), (iii)	100	100
NEiTA Foundation Trust	(ii)	-	-
Futurity Education Foundation Limited	(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) Futurity provided financial support to ASG Education Programmes (NZ) Limited amounting to \$3k (2020: \$77k), in the form of a management subsidy on its operating expenses.

24 EVENTS SINCE THE END OF THE FINANCIAL YEAR

The long-term impacts caused by the COVID-19 pandemic remain unclear. 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 2021 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

25. RELATED PARTY DISCLOSURES

(a) Ownership interests in related parties

Information in relation to ownership interests in controlled entities is provided in Note 23 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 favourable than those available on similar transactions to other parties.

A persistency bonus of \$36,424 (2020: \$37,695) 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 past Directors of Futurity) are the beneficiaries.

Transactions with Subsidiaries

As at 30 June 2021, there was a loan balance owing to Futurity from:

- Futurity Education Funding Pty Ltd \$3.03 million (2020: \$2.92 million).
- Futurity Custodians Pty Ltd \$1.30 million (2020: 1.30 million)

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 Statement of Financial Position as follows:

Notes	Parent		Consolidated	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Management fund and controlled entities:				
Cash on hand	1	1	1	1
Cash at bank	15,169	5,900	15,419	6,803
Cash at bank - Segregated Fund	21,048	-	21,048	-
Term deposit	-	15	-	15
	36,218	5,916	36,468	6,819
Life investment contracts				
Deposits at call	9,880	2,408	9,880	2,408
	10	9,880	9,880	2,408
Life insurance contracts				
Deposits at call	1,849	2,705	1,849	2,705
	11	1,849	1,849	2,705
Total	47,947	11,029	48,197	11,932

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

Profit from ordinary activities after related income tax	5,086	1,552	4,756	525
Non-cash flows in profit from ordinary activities:				
Gain on disposal of investments	(19,095)	(22,016)	(19,095)	(22,016)
Investment income allocated to policyholders	73,816	14,308	73,816	14,308
Revaluation (increase) / decrease on investment	(51,772)	42,531	(51,910)	42,604
Reinvestment of fee rebate	(920)	(1,320)	(920)	(1,320)
Reinvestment of dividend distribution	(45,458)	(38,438)	(45,458)	(38,438)
Other movements in policyholder liabilities	(143,094)	(132,623)	(143,094)	(132,623)
Depreciation and amortisation of non-current assets	1,210	726	1,315	739
Movement in bad debts and doubtful debts	-	-	(105)	-
Property, plant and equipments and intangible assets disposals/write-offs	145	31	145	31
Increase/(decrease) in current tax liability	3,999	2,667	3,961	2,531
Increase/(decrease) in deferred tax balances	13,599	(10,899)	13,660	(10,976)
Movement in general reserve	113	91	93	59
(Increase)/decrease in assets:				
Receivables	5,381	(2,932)	5,666	226
Increase/(decrease) in liabilities:				
Contract liabilities	(369)	(440)	(369)	(440)
Payables	5,012	(1,713)	5,005	(2,718)
Segregated Fund	21,048	-	21,048	-
Provisions	473	137	473	137
Net cash from operating activities	(130,826)	(148,338)	(131,013)	(147,371)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

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.

	2021 \$'000	2020 \$'000
a) Analysis of policy liabilities		
Total policy liabilities comprising life investment contract liabilities and the amount expected to be realised on demand by the Members	995,539	1,065,185
b) Reconciliations of changes in policy liabilities		
Life investment contract liabilities		
Balance at the beginning of the financial year	1,065,185	1,185,526
Liability component of contributions	85,349	95,163
Withdrawals - paid to policyholders	(200,049)	(224,658)
Withdrawals - transferred to Segregated Fund	(19,960)	-
Withdrawals - transferred to Management Fund	(8,219)	-
Policy liability revaluation	(214)	(3,129)
Proposed allocation of current year's surplus	73,816	14,310
Foreign translation movement	(369)	(2,027)
Balance at the end of the financial year	995,539	1,065,185

27 LIFE INVESTMENT CONTRACT BUSINESS

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

	Revenue		Expenses		Profit for the year	
	Premium	Investment	Fees	Investment income paid	Before tax	After tax
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2021						
Futurity Managed & Blended						
Managed & Blended - Balanced Portfolio	-	98	10	65	23	-
Managed & Blended - Growth Portfolio	-	103	7	74	22	-
Managed & Blended - Socially Responsible Investing Portfolio	-	64	2	40	22	-
Diversified Indexed						
Diversified Indexed - Conservative	-	3	-	2	1	-
Diversified Indexed - Balanced	-	35	2	23	10	-
Diversified Indexed - Growth	-	47	2	31	14	-
Diversified Indexed - High Growth	-	56	2	38	16	-
Diversified Active						
Diversified Active - Conservative	-	2	-	2	-	-
Diversified Active - Balanced	-	4	-	3	1	-
Diversified Active - Growth	-	17	1	11	5	-
Diversified Active - High Growth	-	18	1	13	4	-
Sector-Specific Indexed						
Sectoral Indexed - Australian Fixed Income	-	-	-	-	-	-
Sectoral Indexed - Australian Equities	-	45	1	33	11	-
Sectoral Indexed - International Equities	-	37	1	24	12	-
Sectoral Indexed - Emerging Market Equities	-	9	-	7	2	-
Sectoral Indexed - Property	-	21	1	16	4	-
Sectoral Indexed - Socially Responsible Investing	-	22	1	17	4	-
Sector-Specific Active						
Sectoral Active - Cash	-	-	-	-	-	-
Sectoral Active - Australian Fixed Income	-	3	1	1	1	-
Sectoral Active - Australian Equities	-	3	-	3	-	-
Sectoral Active - International Equities	-	35	1	19	15	-
Sectoral Active - Emerging Market Equities	-	6	-	5	1	-
Total Life Investment Contract Business - Futurity	-	628	33	427	168	-

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

27 LIFE INVESTMENT CONTRACT BUSINESS

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

	Revenue		Expenses			Profit/(loss) for the year		
	Premium	Investment	Fees	Investment income allocated to policyholders and policy liability revaluations	Investment income allocated to Segregated Fund	Before tax	After tax	Declared Rate of Return
2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Assurance Benefit Fund	-	-	-	-	-	-	-	-
Children's Bursary Fund	-	1,834	214	1,569	51	-	-	7.15
Children's Bursary Fund (NZ)	-	274	24	240	10	-	-	10.20
Children's Bursary Fund No. 2	46	4,819	421	2,982	17	1,446	-	5.70
Children's Bursary Fund No. 2 (NZ)	24	2,267	152	1,462	1	676	-	8.30
Children's Scholarships Fund	-	1,951	229	1,656	66	-	-	7.15
Children's Scholarships Fund (NZ)	-	253	22	212	19	-	-	10.00
Children's Scholarships Fund No. 2	51	4,100	370	2,547	5	1,230	-	5.70
Children's Scholarships Fund No. 2 (NZ)	26	1,609	127	1,029	-	478	-	7.45
Flexible Insurance Fund	-	-	-	-	-	-	-	-
HECS Equity Enhanced Fund	-	54	3	41	10	-	-	13.90
Higher Education Cost Saver Fund (Balanced)	-	449	50	228	171	-	-	7.30
Higher Education Cost Saver Fund (Fixed)	-	1	-	-	1	-	-	1.25
Malaysian Flexible Insurance Fund	-	-	-	-	-	-	-	-
Part B Flexible Insurance Fund	-	4	5	(2)	0	1	-	-
Pathway Education Fund	1,364	14,082	2,883	8,336	-	4,226	-	7.23
Pathway Education Fund (NZ)	50	346	87	205	-	104	-	7.17
Scholarships Benefit Fund (Balanced)	-	2,324	218	828	1,278	-	-	9.35
Scholarships Benefit Fund (Fixed)	-	12	22	(10)	0	-	-	1.50
Scholarships Benefit Fund (Malaysia)	-	-	-	-	-	-	-	1.00
Scholarships Benefit Fund (NZ)	-	37	48	(11)	0	-	-	1.75
Secondary Scholarship Benefit Fund (Balanced)	-	221	7	214	-	-	-	32.50
Secondary Scholarship Benefit Fund (Fixed)	-	-	-	-	-	-	-	-
Secondary Scholarship Benefit Fund (NZ)	-	-	-	-	-	-	-	0.50
Students' Education Fund	-	114	5	5	104	-	-	-
Students' Education Fund (NZ)	-	-	-	-	-	-	-	-
Students' Education Fund No. 2	-	331	26	200	6	99	-	5.20
Students' Education Fund No. 2 (NZ)	-	94	7	54	2	31	-	5.80
Supplementary Education Program	426	38,888	4,150	23,492	-	11,672	-	7.65
Supplementary Education Program (NZ)	24	1,696	178	1,033	-	509	-	8.50
Tertiary Education Cost Saver (NZ)	-	-	-	-	-	-	-	0.00
Tertiary Support Fund	-	28	2	16	2	8	-	4.65
The Education Fund	1,491	39,905	4,542	24,877	-	11,977	-	7.70
The Education Fund (NZ)	104	3,141	330	1,974	-	941	-	8.85
Total Life Investment Contract Business - ASG	3,606	118,834	14,122	73,177	1,743	35,141	-	

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

	Revenue		Expenses		Profit for the year	
	Premium	Investment	Fees	Investment income paid	Before tax	After tax
2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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)	0	-
Diversified Indexed - Balanced	-	(1)	-	(1)	0	-
Diversified Indexed - Growth	-	(1)	-	(1)	0	-
Diversified Indexed - High Growth	-	(2)	-	(1)	(1)	-
Diversified Active						
Diversified Active - Conservative	-	(1)	-	(1)	0	-
Diversified Active - Balanced	-	(1)	-	(1)	0	-
Diversified Active - Growth	-	(2)	-	(1)	(1)	-
Diversified Active - High Growth	-	(2)	-	(1)	(1)	-
Sector-Specific Indexed						
Sectoral Indexed - Australian Fixed Income	-	0	-	0	0	-
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)	0	-
Sector-Specific Active						
Sectoral Active - Cash	-	0	-	0	0	-
Sectoral Active - Australian Fixed Income	-	0	-	0	0	-
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)	-

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27 LIFE INVESTMENT CONTRACT BUSINESS

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

	Revenue		Expenses		Profit for the year		Declared Rate of Return %
	Premium	Investment	Fees	Investment income paid	Before tax	After tax	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2020							
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)	-	-	-	1	-	-	-
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 Financial Position

	Assets		Liabilities		Equity
	Investments \$'000	Other \$'000	Life investment \$'000	Other \$'000	\$'000
2021					
Futurity Managed & Blended					
Managed & Blended - Balanced Portfolio	1,459	27	1,464	22	-
Managed & Blended - Growth Portfolio	947	25	954	18	-
Managed & Blended - Socially Responsible Investing Portfolio	454	8	436	26	-
Diversified Indexed					
Diversified Indexed - Conservative	622	11	632	1	-
Diversified Indexed - Balanced	718	17	724	11	-
Diversified Indexed - Growth	1,129	30	1,144	15	-
Diversified Indexed - High Growth	1,164	39	1,188	15	-
Diversified Active					
Diversified Active - Conservative	23	1	24	-	-
Diversified Active - Balanced	54	3	57	-	-
Diversified Active - Growth	366	23	384	5	-
Diversified Active - High Growth	159	7	162	4	-
Sector-Specific Indexed					
Sectoral Indexed - Australian Fixed Income	79	1	80	-	-
Sectoral Indexed - Australian Equities	546	3	540	9	-
Sectoral Indexed - International Equities	432	21	442	11	-
Sectoral Indexed - Emerging Market Equities	123	1	123	1	-
Sectoral Indexed - Property	166	5	169	2	-
Sectoral Indexed - Socially Responsible Investing	201	1	198	4	-
Sector-Specific Active					
Sectoral Active - Cash	956	-	956	-	-
Sectoral Active - Australian Fixed Income	214	-	213	1	-
Sectoral Active - Australian Equities	34	1	35	-	-
Sectoral Active - International Equities	332	89	407	14	-
Sectoral Active - Emerging Market Equities	72	6	78	-	-
Total Life Investment Contract Business - Futurity	10,250	319	10,410	159	-

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

27 LIFE INVESTMENT CONTRACT BUSINESS

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

	Assets		Liabilities		Equity
	Investments \$'000	Other \$'000	Life investment \$'000	Other \$'000	\$'000
2021					
Assurance Benefit Fund	11	-	11	-	-
Children's Bursary Fund	11,759	298	12,057	-	-
Children's Bursary Fund (NZ)	1,510	16	1,526	-	-
Children's Bursary Fund No. 2	41,102	1,673	42,775	-	-
Children's Bursary Fund No. 2 (NZ)	16,338	118	16,133	323	-
Children's Scholarships Fund	13,107	312	13,419	-	-
Children's Scholarships Fund (NZ)	1,228	21	1,249	-	-
Children's Scholarships Fund No. 2	34,450	1,263	35,713	-	-
Children's Scholarships Fund No. 2 (NZ)	12,660	79	12,545	194	-
Flexible Insurance Fund	-	-	-	-	-
HECS Equity Enhanced Fund	140	20	160	-	-
Higher Education Cost Saver Fund (Balanced)	1,858	40	1,898	-	-
Higher Education Cost Saver Fund (Fixed)	41	-	41	-	-
Malaysian Flexible Insurance Fund	-	-	-	-	-
Part B Flexible Insurance Fund	1,867	-	1,865	2	-
Pathway Education Fund	129,926	2,372	128,864	3,434	-
Pathway Education Fund (NZ)	3,232	61	3,193	100	-
Scholarships Benefit Fund (Balanced)	6,720	156	6,876	-	-
Scholarships Benefit Fund (Fixed)	133	1	126	8	-
Scholarships Benefit Fund (Malaysia)	40	-	40	-	-
Scholarships Benefit Fund (NZ)	1,327	194	1,521	-	-
Secondary Scholarship Benefit Fund (Balanced)	849	17	866	-	-
Secondary Scholarship Benefit Fund (Fixed)	15	-	15	-	-
Secondary Scholarship Benefit Fund (NZ)	37	-	37	-	-
Students' Education Fund	21	-	6	15	-
Students' Education Fund (NZ)	1	2	-	3	-
Students' Education Fund No. 2	1,632	-	1,631	1	-
Students' Education Fund No. 2 (NZ)	675	55	730	-	-
Supplementary Education Program	331,193	6,206	325,871	11,528	-
Supplementary Education Program (NZ)	13,636	103	13,218	521	-
Tertiary Education Cost Saver (NZ)	195	13	208	-	-
Tertiary Support Fund	193	20	213	-	-
The Education Fund	342,329	6,515	338,336	10,508	-
The Education Fund (NZ)	24,770	187	23,986	971	-
Total Life Investment Contract Business	992,995	19,742	985,129	27,608	-

27 LIFE INVESTMENT CONTRACT BUSINESS

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

	Assets		Liabilities		Equity
	Investments \$'000	Other \$'000	Life investment \$'000	Other \$'000	\$'000
2020					
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	-

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

27 LIFE INVESTMENT CONTRACT BUSINESS

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

	Assets		Liabilities		Equity
	Investments \$'000	Other \$'000	Life investment \$'000	Other \$'000	\$'000
2020					
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	-

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

	Family Protection Fund		Contingency Fund		Total Life Insurance Contracts Business	
Note	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Income						
Investment income	4	26	8	42	12	68
Revenue - life insurance contracts	257	320	87	110	344	430
Total income	261	346	95	152	356	498
Operating Expenses						
Claims expense - life insurance contracts	512	29	32	35	544	64
Investment management expenses	48	57	41	74	89	131
Other operating expenses	-	-	1	1	1	1
Total expenses	560	86	74	110	634	196
Operating profit	(299)	260	21	42	(278)	302
Profit before income tax	(299)	260	21	42	(278)	302
Income tax expense/(benefit) (Note 7)	(61)	94	39	59	(22)	153
Total comprehensive income for the year	(238)	166	(18)	(17)	(256)	149
Unallocated surplus at the beginning of the financial year	3,021	3,355	3,466	3,683	6,487	7,038
Transfers to Management Fund	(400)	(500)	(200)	(200)	(600)	(700)
Retained profit	2,383	3,021	3,248	3,466	5,631	6,487

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

Assets						
Cash and cash equivalents	1,077	1,879	772	826	1,849	2,705
Investment assets	1,212	1,216	2,488	2,642	3,700	3,858
Other assets	64	490	-	-	64	490
Total assets	2,353	3,585	3,260	3,468	5,613	7,053
Liabilities						
Other liabilities	2	590	33	23	35	613
Total liabilities	2	590	33	23	35	613
Net assets	2,351	2,995	3,227	3,445	5,578	6,440
Equity						
Policyholder equity	2,383	3,021	3,248	3,466	5,631	6,487
Foreign currency translation reserve	(32)	(26)	(21)	(21)	(53)	(47)
Total equity	2,351	2,995	3,227	3,445	5,578	6,440
Capital Adequacy Position						
Net Assets (Common Equity Tier 1 Capital)	2,351	2,995	3,227	3,445	5,578	6,440
Less Regulatory adjustments to Tier 1 Capital	-	-	-	-	-	-
Net Assets after regulatory adjustments	2,351	2,995	3,227	3,445	5,578	6,440
Tier 2 Capital	-	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital	-	-	-	-	-	-
Capital Base	2,351	2,995	3,227	3,445	5,578	6,440
Prescribed Capital Amount (net of management actions)	631	692	180	13	811	705
which comprises:						
Asset risk	227	8	180	13	407	21
Insurance risk	545	690	-	-	545	690
Aggregation benefit	(141)	(6)	-	-	(141)	(6)
Capital adequacy multiple	4	4	18	265	7	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 2021 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 \$0.092 million for the Family Protection Fund and \$0.226 million for the Contingency Fund as at 30 June 2021.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

29 STATEMENT OF COMPREHENSIVE INCOME BY BUSINESS TYPE

	Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Parent	Total Controlled Entities (After Elimination)	Total Consolidated
Note	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000
Revenue						
Investment income	52,622	13	4,101	56,736	(277)	56,459
Gain on disposal of investments	20,152	-	1,059	21,211	-	21,211
Change in fair value of financial assets designated as at fair value through profit or loss	46,687	-	2,603	49,290	157	49,447
Revenue from life investment contracts	3,606	-	-	3,606	-	3,606
Revenue from benefit funds	-	-	14,779	14,779	-	14,779
Premium revenue — life insurance contracts	-	344	-	344	-	344
Other revenue	-	-	173	173	286	459
Total revenue	123,067	357	22,715	146,139	166	146,305
Operating expenses						
a) Personnel						
Salaries and related costs	-	-	9,814	9,814	486	10,300
Superannuation costs	-	-	968	968	44	1,012
Other	-	-	116	116	-	116
Total personnel expenses	-	-	10,898	10,898	530	11,428
b) Premises						
Outgoings	-	-	25	25	-	25
Depreciation	-	-	570	570	-	570
Other	-	-	235	235	3	238
Total premises expenses	-	-	830	830	3	833
c) Technology						
Depreciation and amortisation	-	-	620	620	-	620
Licences and outsources services	-	-	2,173	2,173	205	2,378
Other	-	-	19	19	-	19
Total technology expenses	-	-	2,812	2,812	205	3,017
d) Life investment and insurance contracts						
Policy expenses	3,606	-	-	3,606	-	3,606
Claims expenses	-	579	-	579	-	579
Investment management expenses	10,546	54	-	10,600	-	10,600
Total life investment and insurance contracts expenses	14,152	633	-	14,785	-	14,785
e) Communication, marketing and other expenses						
Advertising and marketing	-	-	1,644	1,644	193	1,837
Communication expenses	-	-	319	319	1	320
Legal and professional fees	-	-	1,780	1,780	3	1,783
Freight, stationery, postage and telephone	-	-	367	367	(183)	184
Auditors' remuneration	-	-	332	332	-	332
Member and scholarship grants	-	-	20	20	-	20
Other	3	1	492	496	(107)	389
Total communication, marketing and other expenses	3	1	4,954	4,958	(93)	4,865
Total operating expenses	14,155	633	19,495	34,283	645	34,928
Policy liability revaluation	214	-	-	214	-	214
Investment income paid or allocated to Segregated Fund	(1,745)	-	-	(1,745)	-	(1,745)
Investment income paid or allocated to policyholders	(73,816)	-	-	(73,816)	-	(73,816)
Profit/(loss) before income tax	33,565	(277)	3,221	36,509	(479)	36,030
Income tax (expense)/benefit	(33,565)	21	2,121	(31,423)	149	(31,274)
Profit/(loss) for the year	-	(256)	5,342	5,086	(330)	4,756

29 STATEMENT OF COMPREHENSIVE INCOME BY BUSINESS TYPE

	Total Life Investment Contracts Business	"Total Life Insurance Contracts Business"	Total Management Fund	Total Parent	Total Controlled Entities (After Elimination)	Total Consolidated
Note	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000
Revenue						
Investment income	47,244	68	3,223	50,535	(835)	49,700
Gain on disposal of investments	22,241	-	225	22,466	-	22,466
Change in fair value of financial assets designated as at fair value through profit or loss	(39,912)	-	(3,191)	(43,103)	(44)	(43,147)
Revenue from life investment contracts	4,496	-	-	4,496	-	4,496
Revenue from benefit funds	-	-	15,909	15,909	-	15,909
Premium revenue — life insurance contracts	-	430	-	430	-	430
Other revenue	-	-	171	171	383	554
Total revenue	34,069	498	16,337	50,904	(496)	50,408
Operating expenses						
a) Personnel						
Salaries and related costs	-	-	10,442	10,442	488	10,930
Superannuation costs	-	-	1,003	1,003	36	1,039
Other	-	-	328	328	-	328
Total personnel expenses	-	-	11,773	11,773	524	12,297
b) Premises						
Rent	-	-	84	84	40	124
Depreciation	-	-	257	257	-	257
Other	-	-	245	245	-	245
Total premises expenses	-	-	586	586	40	626
c) Technology						
Depreciation and amortisation	-	-	469	469	15	484
Licences and outsources services	-	-	1,576	1,576	109	1,685
Other	-	-	9	9	-	9
Total technology expenses	-	-	2,054	2,054	124	2,178
d) Life investment and insurance contracts						
Policy expenses	4,496	-	-	4,496	-	4,496
Claims expenses	-	131	-	131	-	131
Investment management expenses	11,324	63	-	11,387	-	11,387
Total life investment and insurance contracts expenses	15,820	194	-	16,014	-	16,014
e) Communication, marketing and other expenses						
Advertising and marketing	-	-	536	536	166	702
Communication expenses	-	-	720	720	3	723
Legal and professional fees	-	-	959	959	27	986
Freight, stationery, postage and telephone	-	-	515	515	(268)	247
Auditors' remuneration	-	-	390	390	-	390
Member and scholarship grants	-	-	969	969	-	969
Other	22	1	93	116	149	265
Total communication, marketing and other expenses	22	1	4,182	4,205	77	4,282
Total operating expenses	15,842	195	18,595	34,632	765	35,397
Policy liability revaluation	3,129	-	-	3,129	-	3,129
Investment income paid or allocated to policyholders	(14,308)	-	-	(14,308)	-	(14,308)
Profit/(loss) before income tax	7,048	303	(2,258)	5,093	(1,261)	3,832
Income tax (expense)/benefit	(7,048)	(153)	3,660	(3,541)	234	(3,307)
Profit/(loss) for the year	-	150	1,402	1,552	(1,027)	525

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

30 STATEMENT OF FINANCIAL POSITION BY BUSINESS TYPE

	Notes	Total Life Investment Contracts Business 2021 \$'000	Total Life Insurance Contracts Business 2021 \$'000	Total Management Fund 2021 \$'000	Total Controlled Entities (After Elimination) 2021 \$'000	Total Consolidated 2021 \$'000
Assets						
Cash and cash equivalents		9,880	1,849	15,170	250	27,149
Cash and cash equivalents - Segregated Fund		-	-	21,048	-	21,048
Trade and other receivables		20,061	-	8,190	(2,682)	25,569
Other financial assets (investment assets)		-	-	69,923	1,879	71,802
Life investment contract assets		993,364	-	-	-	993,364
Life insurance contract assets		-	3,700	-	-	3,700
Current tax assets	(a)	-	34	3,322	229	3,585
Property, plant and equipment		-	-	8,057	-	8,057
Investment property		-	-	2,150	-	2,150
Deferred tax assets	(b)	-	-	-	-	-
Other intangible assets		-	-	1,694	-	1,694
Total assets		1,023,305	5,583	129,554	(324)	1,158,118
Liabilities						
Payables and other liabilities		1,250	5	3,317	-	4,572
Contract liabilities		-	-	959	-	959
Segregated Fund		-	-	21,048	-	21,048
Current tax liabilities	(a)	7,405	-	-	-	7,405
Employee entitlement		-	-	2,535	-	2,535
Deferred tax liabilities	(b)	19,111	-	1,076	21	20,208
Life investment contract liabilities		995,539	-	-	-	995,539
Total liabilities		1,023,305	5	28,935	21	1,052,266
Net assets		-	5,578	100,619	(345)	105,852
Equity						
Policyholder equity		-	5,631	-	-	5,631
Retained earnings		-	-	96,470	(333)	96,137
Reserves		-	(53)	4,149	(12)	4,084
Total equity		-	5,578	100,619	(345)	105,852
Presented in the Consolidated Statement of Financial Position as follows:						
a) Current tax assets/(liabilities)		(7,405)	34	3,322	229	(3,820)
b) Deferred tax liabilities		(19,111)	-	(1,076)	(21)	(20,208)

c) 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 STATEMENT OF FINANCIAL POSITION BY BUSINESS TYPE

		Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
	Note	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	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	(a)	-	-	6,092	190	6,282
Property, plant and equipment		-	-	7,850	-	7,850
Investment property		-	-	2,100	-	2,100
Deferred tax assets	(b)	-	-	-	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	(a)	6,024	119	-	-	6,143
Employee entitlement		-	-	2,063	-	2,063
Deferred tax liabilities	(b)	6,018	-	569	-	6,587
Life investment contract liabilities		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
Presented in the Consolidated Statement of Financial Position as follows:						
a) Current tax assets		(6,024)	(119)	6,092	190	139
b) Deferred tax (liabilities)/assets		(6,018)	-	(569)	59	(6,528)

- c) 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

30 STATEMENT OF FINANCIAL POSITION BY BUSINESS TYPE

	Total Life Investment Contracts Business	Total Life Insurance Contracts Business	Total Management Fund	Total Controlled Entities (After Elimination)	Total Consolidated
	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000
e) Capital Adequacy Position					
Net Assets (Common Equity Tier 1 Capital)	-	5,578	100,619	(345)	105,852
Less Regulatory adjustments to Tier 1 Capital					
Intangibles	-	-	1,762	-	1,762
Investment in subsidiaries	-	-	3,030	-	3,030
Capital Base	-	5,578	95,827	(345)	101,060
Tier 2 Capital	-	-	-	-	-
Less Regulatory adjustments to Tier 2 Capital	-	-	-	-	-
Capital Base	-	5,578	95,827	(345)	101,060
Prescribed Capital Amount (net management action) which comprises:					
Asset risk	-	407	19,750	-	20,157
Insurance risk	-	545	2,617	-	3,162
Aggregation benefit	-	(141)	(1,932)	-	(2,073)
Operational risk	-	-	2,537	-	2,537
Combined stress scenario	-	-	8,464	-	8,464
Prescribed Capital Amount ("PCR")	-	811	31,436	-	32,247
Excess Assets over PCR	-	4,767	64,391	(345)	69,158
Capital Base / PCR	-	7	3	-	3
	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000
Net Assets (Common Equity Tier 1 Capital)	-	6,440	87,143	5	93,588
Less Regulatory adjustments to Tier 1 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
Prescribed Capital Amount (net management action) which comprises:					
Asset risk	-	21	22,785	-	22,806
Insurance risk	-	690	-	-	690
Aggregation benefit	-	(6)	-	-	(6)
Operational risk	-	-	2,676	-	2,676
Combined stress adjustment	-	-	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

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 accounts; less
- policy liabilities of the fund; less
- all regulatory adjustments to the net 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
	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000
Cash flows from operating activities					
Fees received	-	-	14,410	-	14,410
Contributions received	88,955	344	-	-	89,299
Premium received	-	-	173	9,646	9,819
Investment income received	11,014	13	2,681	(278)	13,430
Management fees paid	(14,153)	(88)	-	-	(14,241)
Payments to suppliers and employees	(3)	(1)	(22,264)	(9,724)	(31,992)
Payments to Members and scholarship grants	-	-	-	-	-
Life investment contracts - withdrawals	(196,941)	-	-	-	(196,941)
Transferred to segregation fund	(31,287)	-	31,287	-	-
Life insurance contracts - policy claims paid	-	(1,032)	-	-	(1,032)
Intercompany (payments) / receipts	-	-	-	-	-
Income tax payments	(19,091)	(131)	5,288	169	(13,765)
Net cash provided by/(used in) operating activities	(161,506)	(895)	31,575	(187)	(131,013)
Cash flows from investing activities					
Payment for investment securities	(168,217)	(12,396)	(15,271)	(466)	(196,350)
Proceeds on sale of investment securities	337,195	13,036	13,975	-	364,206
Proceeds from sale of plant & equipment	-	-	-	-	-
Payments for property, plant and equipment	-	-	(295)	-	(295)
Payments for intangible assets	-	-	(70)	-	(70)
Net cash provided by/(used in) investing activities	168,978	640	(1,661)	(466)	167,491
Cash flows from financing activities					
Transfers from benefit funds	-	-	600	-	600
Transfers to management fund	-	(600)	-	-	(600)
Payment to lease liability	-	-	(205)	-	(205)
Payment of Interest on lease liability	-	-	(7)	-	(7)
Net cash (used in)/provided by financing activities	-	(600)	388	-	(212)
Net increase/(decrease) in cash held	7,472	(855)	30,302	(653)	36,266
Cash at the beginning of the financial year	2,408	2,705	5,916	903	11,932
Effects of exchange rate changes on the balance of cash held in foreign currencies					-
Cash at the end of the financial year	9,880	1,850	36,218	250	48,198

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

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)	(29,908)
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)	3,495	21	(11,822)
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 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

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2021

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 Directors' 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, 22 September 2021

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

Opinion

We have audited the financial reports of Futurity Investment Group Limited (the "Company") and its subsidiaries (the "Group") which comprise the Group and the Company's statements of financial position as at 30 June 2021, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements 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 reports of the Group and the Company are in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group and the Company's financial position as at 30 June 2021 and of their financial performance for the year then ended; and
- 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 Reports* 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 reports 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 (the "directors"), 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 and Company's annual report for the year ended 30 June 2021, but does not include the financial reports and our auditor's report thereon.

Our opinion on the financial reports 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 reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports 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 Reports

The directors of the Company are responsible for the preparation of the financial reports that give 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 reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the ability of the Group and the Company to continue as a going concerns, 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 the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are 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 the financial reports.

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 reports, 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 or the Company'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 or the Company'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 reports 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 or the Company to cease to continue as a going concerns.
- Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent 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 Group 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.

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to be "Neil Brown", with a stylized, sweeping underline.

Neil Brown
Partner
Chartered Accountants

Melbourne, 22 September 2021



FUTURITY
INVESTMENT GROUP
The Rialto Towers
Level 8, North Tower
525 Collins Street
Melbourne VIC 3000
futurityinvest.com

Futurity Investment Group Limited
ACN 087 648 879, AFSL 236665, ACL 236665